

**EXECUTION VERSION**

**MILLENNIUM CHALLENGE COMPACT**

**BETWEEN**

**THE REPUBLIC OF SIERRA LEONE**

**AND**

**THE UNITED STATES OF AMERICA**

# MILLENNIUM CHALLENGE COMPACT

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## MILLENNIUM CHALLENGE COMPACT

### PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this "**Compact**") is between the Republic of Sierra Leone ("**Sierra Leone**") and the United States of America (the "**United States**"). Sierra Leone and the United States are collectively referred to as the "**Parties**" and each individually as a "**Party**."

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Sierra Leone and that assistance under this Compact supports Sierra Leone's demonstrated commitment to strengthening good governance, economic freedom, and investments in people;

Recalling that Sierra Leone consulted with its private sector and civil society to determine the priorities for the use of assistance under this Compact and developed and submitted to the Millennium Challenge Corporation ("**MCC**") a proposal for such assistance to achieve lasting economic growth and poverty reduction;

Recognizing that the United States wishes to help Sierra Leone implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended or modified from time to time in accordance with the terms of this Compact, the "**Program**"); and

Recognizing that MCC shall serve as an implementing agency for the United States under this Compact.

The Parties hereby agree as follows:

### ARTICLE 1.

#### GOAL AND OBJECTIVES

##### Section 1.1. Compact Goal.

The goal of this Compact is to reduce poverty through economic growth in Sierra Leone (the "**Compact Goal**"). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Sierra Leone.

##### Section 1.2. Project Objectives.

The Program consists of the three projects described in Annex I (each a "**Project**" and collectively, the "**Projects**"). The objective of each of the respective Projects (each a "**Project Objective**" and collectively, the "**Project Objectives**") is:

(a) increased coverage and reliability of the transmission network with modern, centralized system operations (the "**Transmission Backbone Project Objective**");

(b) increased reliable delivery and consumption of electricity in Sierra Leone while reducing barriers to access in selected communities (the "**Distribution and Access Project Objective**"); and

(c) improved financial sustainability of the electricity sector in Sierra Leone that enables the sector to expand and satisfy more demand at lower cost (the “**Power Sector Reform Project Objective**”).

## ARTICLE 2. FUNDING AND RESOURCES

### Section 2.1. Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to Sierra Leone, under the terms of this Compact, an amount not to exceed Four Hundred Thirty-Eight Million Four Hundred Eleven Thousand United States Dollars (US\$438,411,000) (“**Program Funding**”) for use by Sierra Leone to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

### Section 2.2. Compact Facilitation Funding.

(a) Upon the signing of this Compact, MCC shall grant to Sierra Leone, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Forty-Two Million Two Hundred Fifty-Eight Thousand United States Dollars (US\$42,258,000) (“**Compact Facilitation Funding**” or “**CFF**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by Sierra Leone to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative support expenses, such as staff salaries, rent and associated property improvements, publication costs, costs to hire short-term experts, and the costs of information technology and equipment requirements;
- (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 Facilitation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Facilitation Funding shall be effective, for purposes of Compact Facilitation Funding only, as of the date this Compact is signed by the Parties.

(c) Each Disbursement of Compact Facilitation Funding is subject to satisfaction of the conditions precedent to such Disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Facilitation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to Sierra Leone, may withdraw the excess amount, thereby reducing the amount of Compact Facilitation Funding available under

Section 2.2(a) (such excess, the "**Excess CFF Amount**"). In such event, the amount of Compact Facilitation Funding granted under Section 2.2(a) shall be reduced by the Excess CFF Amount, and the United States shall have no further obligations with respect to such Excess CFF Amount.

(e) MCC, at its option by written notice to Sierra Leone, may elect to grant to Sierra Leone an amount equal to all or a portion of such Excess CFF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

#### Section 2.3. MCC Funding.

Program Funding and Compact Facilitation Funding are collectively referred to in this Compact as "**MCC Funding**," which includes any refunds or reimbursements of Program Funding or Compact Facilitation Funding paid by Sierra Leone in accordance with this Compact.

#### Section 2.4. Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a "**Disbursement**"). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to Sierra Leone, at MCC's election, by (a) deposit to one or more bank accounts established by Sierra Leone and acceptable to MCC (each, a "**Permitted Account**") or (b) direct payment to a third party as payment for an amount owed by Sierra Leone for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

#### Section 2.5. Interest.

Sierra Leone shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

#### Section 2.6. Country Resources; Budget.

(a) Consistent with the *Country Contributions Policy*, Sierra Leone shall make a contribution, during the period from the signing of this Compact to the end of the Compact Term, of no less than Fourteen Million Two Hundred Thousand United States Dollars (US\$14,200,000) toward meeting the Project Objectives (the "**Country Contribution**"). The overall allocation of the Country Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement along with additional terms and conditions applicable to the Country Contribution. The Country Contribution shall be subject to any legal requirements in Sierra Leone for the budgeting and appropriation of such contribution, including approval of Sierra Leone's annual budget by its legislature. At MCC's request, Sierra Leone shall provide evidence that it has budgeted and appropriated or otherwise ensured that the Country Contribution shall be made available for Program requirements. During implementation of the Program, the Country Contribution may be modified with MCC approval as provided in the *Country Contributions Policy*, provided that the modified contribution continues to advance the Project Objectives. In addition, Sierra Leone shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out its responsibilities under this Compact.

(b) Sierra Leone shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual budget for the duration of the Program.

(c) Sierra Leone shall not reduce the normal and expected resources that it would otherwise budget for the activities contemplated under this Compact. In addition, unless Sierra Leone discloses otherwise to MCC in writing, MCC Funding shall be in addition to such resources.

Section 2.7. Limitations on the Use of MCC Funding.

Sierra Leone shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to Sierra Leone in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard, or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund, or otherwise support any activity that is likely to cause a significant environmental, health or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "***Environmental Guidelines***"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8. Taxes.

(a) Sierra Leone shall ensure that all MCC Funding is free from all taxes, duties, levies, and other similar charges imposed by or in Sierra Leone (whether at the national, regional, local, or other level) (but not fees or charges for services that are generally applicable in Sierra Leone, reasonable in amount and imposed on a non-discriminatory basis) ("***Taxes***"). Without limiting the broad scope of the previous sentence, MCC Funding shall be free from any and all: (i) tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Sierra Leone in connection with the Program; (ii) tariffs, customs duties, import taxes, export taxes, and other similar charges on any personal effects, vehicles, equipment, supplies, or other items imported into Sierra Leone by any personnel (including employees and contractors of MCC and any providers of goods, works, or services to the Program) and their families for their own use, which personnel or providers are present in the country to perform work in connection with the Program and are not citizens or permanent residents of Sierra Leone; (iii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program; (iv) taxes and other similar charges on ownership, possession or



use of any property in connection with the Program; and (v) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program, except in the case of clause (v), Sierra Leone may choose not to extend this exemption to: (1) natural persons who are citizens or permanent residents of Sierra Leone and (2) legal persons formed under the laws of Sierra Leone other than MCA-Sierra Leone and any other entity formed for the purpose of implementing Sierra Leone's obligations hereunder.

(b) The mechanisms that Sierra Leone shall use to implement the tax exemption required by Section 2.8(a) for certain principal Taxes are set forth in Annex VI. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law or refund or reimbursement of Taxes by Sierra Leone to MCC, MCA-Sierra Leone or to the taxpayer. For the avoidance of doubt, the identification (or lack of identification) of Taxes in Annex VI shall in no way limit the scope of the tax-free treatment of MCC Funding required by this Section 2.8. In addition, Sierra Leone shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments, or documents, and to take or cause to be taken such other actions as MCC may determine is necessary or appropriate to implement the provisions of this Section 2.8.

(c) Unless otherwise specifically provided herein or in the PIA, if a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex VI, Sierra Leone shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Sierra Leone within thirty (30) days (or such other period as may be agreed in writing by the Parties) after Sierra Leone is notified in writing (whether by MCC or MCA-Sierra Leone) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) Sierra Leone shall not apply any MCC Funding, the Country Contribution, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).

(e) All MCC Funding shall be considered United States assistance under the General agreement for a program of economic, technical and related assistance by and between the United States of America and the Republic of Sierra Leone, signed at Freetown and entered into force on May 5, 1961, as amended from time to time (the "***Bilateral Agreement***"). If there are conflicts or inconsistencies between any parts of this Section 2.8 and the Bilateral Agreement, the provisions of this Section 2.8 shall prevail over those of the Bilateral Agreement.

### ARTICLE 3.

#### IMPLEMENTATION

##### Section 3.1. Program Implementation Agreement.

The Parties shall enter into an agreement providing further detail on the implementation arrangements for the Program, including fiscal accountability and disbursement, and use of MCC Funding and the Country Contribution, among other matters (the "***Program Implementation Agreement***" or "***PIA***"); and Sierra Leone shall implement the Program in accordance with this Compact, the PIA, and each other Supplemental Agreement.

Section 3.2. Country Responsibilities.

(a) Sierra Leone has principal responsibility for overseeing and managing the implementation of the Program.

(b) Sierra Leone hereby establishes the Millennium Challenge Account-Sierra Leone in the Office of the President as an independent entity with legal personality pursuant to the terms and conditions of this Compact, and hereby designates such independent entity as the accountable entity to implement the Program and to exercise and perform Sierra Leone's right and obligation to oversee, manage and implement the Program, including without limitation, managing implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as "**MCA-Sierra Leone**," and has the authority to bind Sierra Leone with regard to all Program activities. Sierra Leone hereby also designates MCA-Sierra Leone to exercise and perform Sierra Leone's right and obligation to oversee, manage, and implement the activities described in the Compact Development Funding Agreement, dated as of March 3, 2022, by and between Sierra Leone and MCC (as amended or otherwise modified, the "**CDF Agreement**"). However, until such time as MCA-Sierra Leone is operational, Sierra Leone hereby designates the Sierra Leone Compact Development Unit ("**SLCDU**"), to act on its behalf with respect to the Program and the CDF Agreement, and during such interim period any reference herein or in the PIA to "MCA-Sierra Leone" shall be deemed a reference to SLCDU. The Parties note Sierra Leone remains fully responsible for the performance of its obligations and responsibilities under this Compact notwithstanding the designations made under this Section 3.2(b), and any provision of this Compact, the PIA or any other Supplemental Agreement obligating MCA-Sierra Leone to take any action or refrain from taking any action, as the case may be, means Sierra Leone shall cause MCA-Sierra Leone to take such action or refrain from taking such action, as the case may be. MCC hereby acknowledges and consents to the designations in this Section 3.2(b).

(c) Sierra Leone shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC approves otherwise in writing.

(d) Sierra Leone shall take all necessary or appropriate steps to achieve each of the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC approves otherwise in writing).

(e) Sierra Leone shall ensure that the Program is implemented, and that Sierra Leone carries out its obligations hereunder, with due care, efficiency, and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, each other Supplemental Agreement, and the Program Guidelines.

(f) Sierra Leone shall retain ownership of any Intellectual Property developed, in whole or in part, with MCC Funding. Sierra Leone hereby grants to the United States a perpetual, irrevocable, royalty-free, worldwide, fully paid license (including the right to assign such license) to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of

such Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3. Policy Performance.

In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I (if any), Sierra Leone shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4. Accuracy of Information.

Sierra Leone assures MCC that, as of the date Sierra Leone signs this Compact, the information provided to MCC by or on behalf of Sierra Leone in the course of reaching agreement on this Compact is true, correct, and complete in all material respects.

Section 3.5. Implementation Letters.

From time to time, MCC may provide guidance to Sierra Leone in writing on any matters relating to this Compact, MCC Funding, or implementation of the Program. Sierra Leone shall use such guidance in implementing the Program. The Parties may also issue joint writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements, including to record any revisions, exceptions or modifications that are permitted hereunder. All such writings are referred to as "**Implementation Letters.**"

Section 3.6. Procurement and Grants.

(a) Sierra Leone shall ensure that the procurement of all goods, works, and services to implement the Program shall be in accordance with the *Accountable Entity Procurement Policy & Guidelines*. Accordingly, the Public Procurement Act No. 1 of 2016, and any other laws or regulations of Sierra Leone regarding procurements shall not apply to procurements to implement the Program. The *Accountable Entity Procurement Policy & Guidelines* include the following provisions, among others:

- (i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;
- (ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;
- (iii) contracts must be awarded only to qualified and eligible contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and
- (iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works, and services.



(b) Sierra Leone shall ensure that any grant issued in furtherance of the Program (each, a “**Grant**”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures in accordance with the *Program Grant Guidelines*.

Section 3.7. Records; Accounting; Access.

(a) Program Books and Records. Sierra Leone shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding, the Country Contribution, and the implementation and results of the Program (“**Compact Records**”). Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required in connection with any litigation, claims, audit findings, or applicable legal requirements. In addition, Sierra Leone shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. Sierra Leone shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at Sierra Leone’s option and with MCC’s prior written approval, other accounting standards, such as those: (i) set by the International Accounting Standards Board or (ii) then prevailing in Sierra Leone.

(c) Access. Upon MCC’s request, Sierra Leone, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“**Inspector General**”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or Sierra Leone to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded in whole or in part by MCC Funding or the Country Contribution.

Section 3.8. Audits; Reviews.

(a) Program Audits. Sierra Leone shall, on at least an annual basis (or on such other intermittent basis as requested by MCC in writing), conduct, or cause to be conducted, financial audits and review engagements of all disbursements of MCC Funding and the Country Contribution. The initial audit shall cover the period from the signing of this Compact until the initial audit period end date specified in an audit plan developed and implemented by MCA-Sierra Leone in accordance with the *Accountable Entities Guidelines for Contracted Financial Audits* (the “**Audit Guidelines**”) and the Program Implementation Agreement (the “**Audit Plan**”). Subsequent audits shall cover each twelve-month period thereafter, through the end of the Compact Term, as well as the 120-day period following expiration of the Compact Term. All such audits and review engagements shall be performed in accordance with the Audit Guidelines or such other processes and procedures as MCC may direct from time to time. In addition, Sierra Leone shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with the Audit Guidelines. Each audit must be completed, and the draft audit report delivered to MCC no later than 120 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be

audited shall be included in the Audit Plan as approved by MCC or as agreed by the Parties in writing.

(b) Audits of Other Entities. Sierra Leone shall ensure that MCC-financed agreements between it and any Covered Provider state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. Sierra Leone shall use its best efforts to ensure that each Covered Provider: (i) takes, where necessary, appropriate, and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audits necessitate adjustment of Sierra Leone's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of Sierra Leone's use of MCC Funding and of the Country Contribution.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

#### **ARTICLE 4.**

#### **COMMUNICATIONS**

##### **Section 4.1. Communications.**

Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise approved by MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

##### To Sierra Leone:

Ministry of Finance  
Attention: Minister of Finance  
Treasury Building  
George St.  
Freetown  
Sierra Leone

Email: fs@mof.gov.sl

To the United States:

Millennium Challenge Corporation

Attention: Vice President, Compact Operations

(with a copy to the Vice President and General Counsel)

1099 Fourteenth Street, NW Suite 700

Washington, DC 20005

United States of America

Telephone: +1 (202) 521-3600

Email:

VPOperations@mcc.gov (Vice President, Compact Operations)

VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To MCA-Sierra Leone:

Once MCA-Sierra Leone is operational, Sierra Leone shall notify MCC of the contact details for MCA-Sierra Leone.

Section 4.2. Representatives.

For all purposes relevant to implementation of this Compact, Sierra Leone shall be represented by the individual holding the position of, or acting as, Minister of Finance of the Republic of Sierra Leone, and the United States shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations of MCC (each of the foregoing, a "***Principal Representative***"). Each Party, by written notice to the other Party, may designate one or more additional representatives of such Party (each, an "***Additional Representative***") for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). Sierra Leone hereby designates the SLCDU National Coordinator as an Additional Representative for Sierra Leone, and also designates the expected chief executive officer (or equivalent officer) of MCA-Sierra Leone as an Additional Representative for Sierra Leone. The United States hereby designates MCC's Deputy Vice President, Department of Compact Operations (Africa) and MCC's Resident and Deputy Resident Country Directors for Sierra Leone as Additional Representatives for the United States. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3. Signatures.

Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

**ARTICLE 5.**

**TERMINATION; SUSPENSION; EXPIRATION**

Section 5.1. Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate MCC Funding without cause in whole or in part by giving Sierra Leone thirty (30) days' prior written notice.

(b) The United States may, immediately, upon written notice to Sierra Leone, suspend or terminate this Compact and MCC may, immediately, upon written notice to Sierra Leone, suspend or terminate MCC Funding, in each case, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (as notified to Sierra Leone in writing) has occurred, which circumstances include but are not limited to the following:

(i) Sierra Leone fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by it in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance made or deemed made by Sierra Leone in this Compact, the Program Implementation Agreement, any other Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading in any material respect as of the date when made or deemed made;

(iii) an event or series of events has occurred that makes it probable that any of the Project Objectives is not going to be achieved during the Compact Term or that Sierra Leone is not going to be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) Sierra Leone or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Sierra Leone ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law; and

(vii) Sierra Leone has engaged in a pattern of actions inconsistent with the criteria used to determine its eligibility for assistance under the MCA Act.

#### Section 5.2. Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements, and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement, or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that Sierra Leone or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3. Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose that is in violation of the terms of this Compact, then the United States may require Sierra Leone to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after Sierra Leone's receipt of MCC's request for repayment. Sierra Leone shall not use MCC Funding, the Country Contribution, proceeds of MCC Funding or the Country Contribution, or any Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, the United States' right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of: (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4. Late Payment Interest.

If Sierra Leone fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), Sierra Leone shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5. Survival.

Sierra Leone's responsibilities under this Section and Section 2.7 (Limitations on the Use of MCC Funding), Section 2.8 (Taxes), Section 3.2(f) (Country Responsibilities with respect to Intellectual Property), Section 3.7 (Records; Accounting; Access), Section 3.8 (Audits; Reviews), Section 5.2 (Consequences of Termination, Suspension or Expiration), Section 5.3 (Refunds; Violation), Section 5.4 (Late Payment Interest), and Section 6.4 (Governing Law) shall survive the expiration, suspension, or termination of this Compact, *provided* that the terms of Section 2.8 shall survive for only 120 days following this Compact's expiration.

## ARTICLE 6.

### COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1. Annexes.

Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless expressly stated otherwise.



Section 6.2. Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation: (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any Indicator, Baseline or Target or other information set forth in Annex III in accordance with the M&E Policy, (v) add, modify or delete any condition precedent described in Annex IV or Annex VII, or (vi) modify the mechanisms for exempting MCC Funding from Taxes as set forth in Annex VI; *provided that*, in each case, any such modification: (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of Compact Facilitation Funding to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce Sierra Leone's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

(c) The Parties understand that any amendment of this Compact or any modification of any Annex pursuant to this Section 6.2 may be entered into by the Parties without the need for further action by any Sierra Leonean government entity or the satisfaction of any additional domestic requirements.

Section 6.3. Definitions; Inconsistencies.

(a) Capitalized terms used herein shall have the respective meanings given such terms in Annex V.

(b) In the event of any conflict or inconsistency between:

(i) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, shall prevail; or

(ii) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4. Governing Law.

This Compact is an international agreement and as such shall be governed by international law.

Section 6.5. Additional Instruments.

Any reference in this Compact to activities, obligations or rights existing under or in furtherance of this Compact shall include activities, obligations, and rights existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6. References to MCC Website.

Unless expressly provided otherwise, any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7. References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Country Successors.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a policy, guideline, guidance paper, or similar document shall be construed as a reference to an MCC policy, guideline, guidance paper, or similar document relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

(c) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a ministry of Sierra Leone shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(d) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8. MCC Status.

MCC is a United States government corporation acting on behalf of the United States in the implementation of this Compact. The United States, including MCC, assumes no liability for any claims or loss arising out of activities or omissions under this Compact. Sierra Leone waives any and all claims against the United States, including MCC, and any current or former officer or employee of the United States, including MCC, for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. Sierra Leone agrees that the United States, including MCC, and any current or former officer or employee of the United States, including MCC, shall be immune from the jurisdiction of all courts and tribunals of Sierra Leone for any claim or loss arising out of activities or omissions under this Compact.

## ARTICLE 7.

### ENTRY INTO FORCE

#### Section 7.1. Domestic Procedures.

Sierra Leone shall proceed in a timely manner to complete all of its domestic requirements for this Compact and the PIA to enter into force. The Parties understand that this Compact and the PIA, upon entry into force, shall prevail over the laws of Sierra Leone with the exception of the constitution of Sierra Leone. The Parties further understand that, consistent with Sierra Leone law, prior to Sierra Leone sending the letter described in Section 7.3, this Compact is to be submitted to and approved by the Parliament of Sierra Leone.

#### Section 7.2. Conditions Precedent to Entry into Force.

Each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

- (a) the Program Implementation Agreement has been signed by the parties thereto;
- (b) Sierra Leone has delivered to MCC:
  - (i) a letter signed and dated by the Principal Representative (or such other duly authorized representative acceptable to MCC) of Sierra Leone, confirming that Sierra Leone has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;
  - (ii) a signed legal opinion from the Attorney General (or such other legal representative acceptable to MCC) of Sierra Leone, in form and substance satisfactory to MCC; and
  - (iii) complete copies of all decrees, legislation, regulations or other governmental documents relating to Sierra Leone's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available.
- (c) MCC has determined that after signature of this Compact, Sierra Leone has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and
- (d) The conditions set forth in Annex VII have been satisfied.

#### Section 7.3. Date of Entry into Force.

This Compact shall enter into force on the date of the letter from the United States, acting through MCC, to Sierra Leone in an exchange of letters confirming that the Parties have completed their respective domestic requirements for entry into force of this Compact and the PIA and that the conditions precedent to entry into force in Section 7.2 have been met to the United States' satisfaction.



Section 7.4. Compact Term.

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

Section 7.5. Provisional Application.

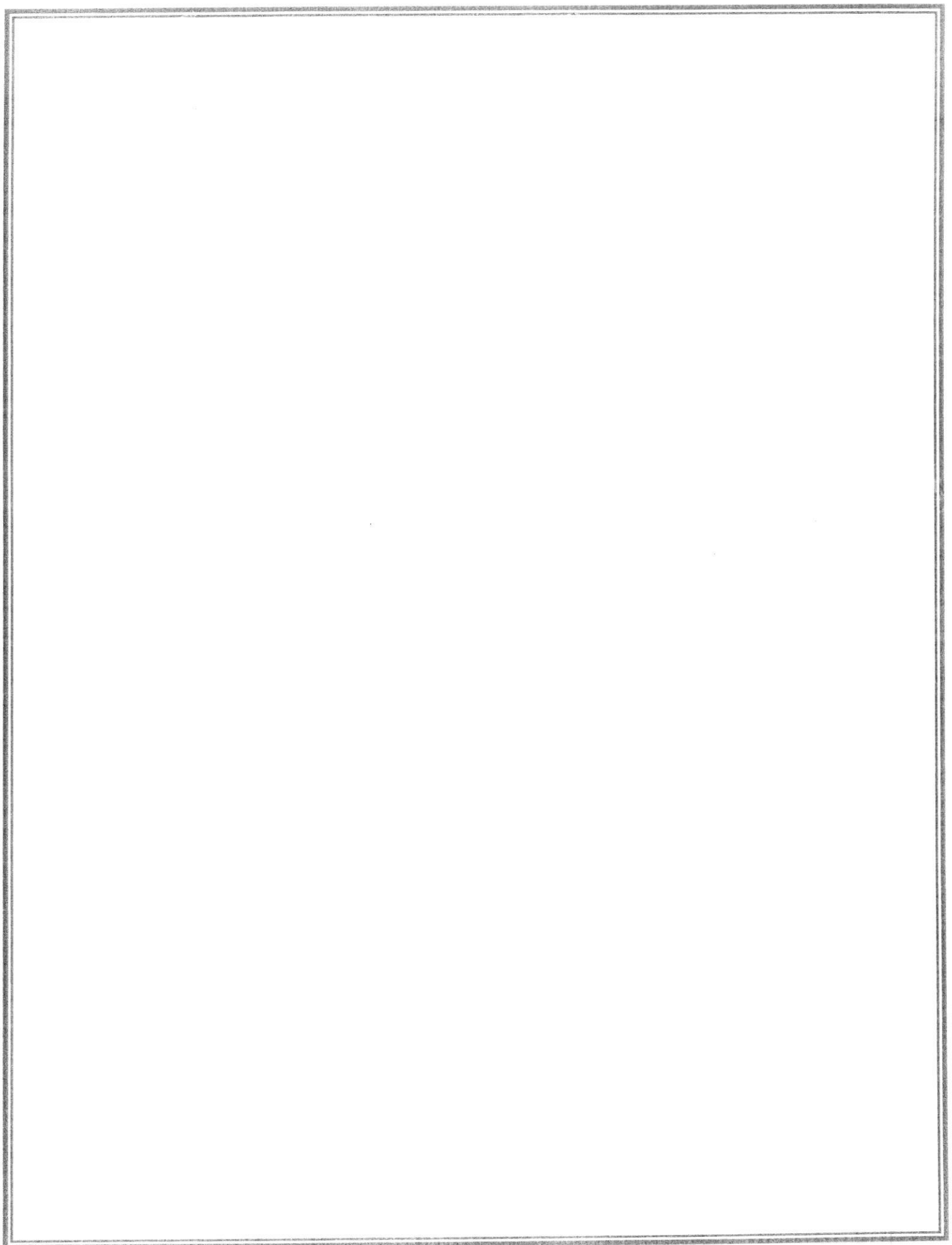
Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided* that, no MCC Funding, other than Compact Facilitation Funding, shall be made available or disbursed before this Compact enters into force.

**ARTICLE 8.**

**ADDITIONAL COUNTRY UNDERTAKINGS**

In addition to the other undertakings of Sierra Leone set forth in this Compact, Sierra Leone agrees to fulfill each of the undertakings described in Annex VIII.

**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**




**IN WITNESS WHEREOF**, the undersigned duly authorized by their respective governments have signed this Compact.

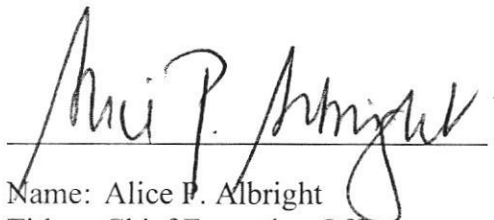
Done at Washington, DC, this 27<sup>th</sup> day of September 2024 in the English language.

FOR THE REPUBLIC OF SIERRA LEONE

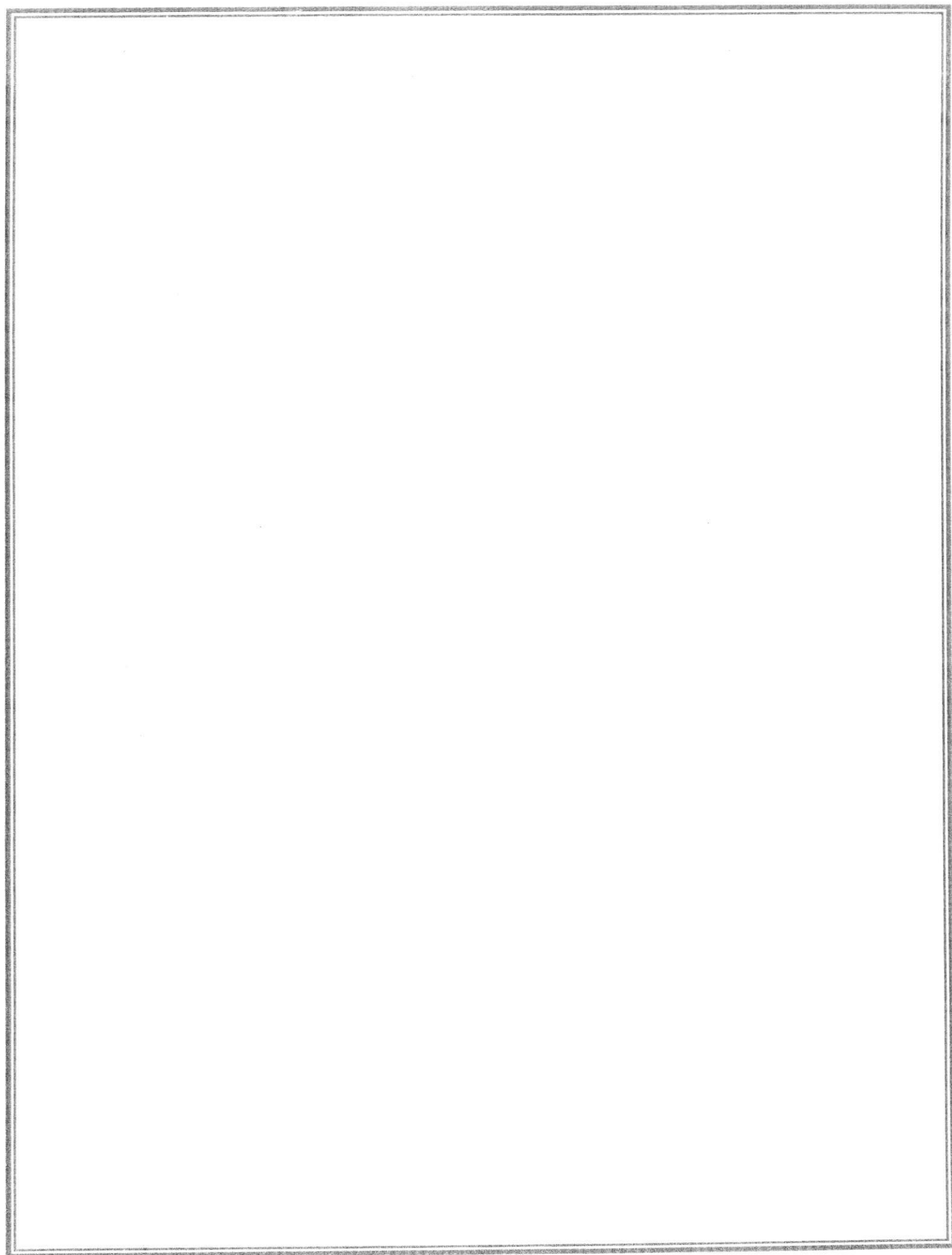
FOR THE UNITED STATES OF AMERICA



Name: Sheku Ahmed Fantamadi Bangura  
Title: Minister of Finance  
Ministry of Finance



Name: Alice P. Albright  
Title: Chief Executive Officer  
Millennium Challenge Corporation



## ANNEX I

### PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Country Contribution in Sierra Leone during the Compact Term.

#### A. PROGRAM OVERVIEW

##### 1. Background and Consultative Process.

###### (a) Background.

Sierra Leone concluded its MCC-funded Threshold Program Grant Agreement on March 30, 2021 (the “**Threshold Program**”). One focus of the Threshold Program was to deliver water and electricity services more effectively, with a focus on the greater Freetown area. Another focus area was to support policy reforms increasing transparency and accountability in the delivery of these services to limit opportunities for corruption.

MCC’s Board of Directors selected Sierra Leone as eligible to develop a compact in December 2020. Sierra Leone established the SLCDU, headed by the former Threshold Program Chief Executive Officer, to work with MCC on compact development. In 2021, MCC and Sierra Leone conducted a Constraints to Growth Analysis that identified four binding constraints to growth: power, food insecurity and supply, health, and water. Following discussions with MCC, Sierra Leone selected power as the focus for the compact.

During the compact development process, Sierra Leone agreed to contribute Fourteen Million Two Hundred Thousand United States Dollars (US\$14.2 million) as the Country Contribution to the compact, and the parties reached a shared understanding to pursue projects in the electricity sector addressing transmission, distribution, access, and sector reform.

###### (b) Consultative Process.

Throughout the multi-year, compact development process, Sierra Leone engaged in regular, inclusive consultations with a wide range of stakeholders, including relevant Sierra Leone government ministries and institutions, local communities and officials, representatives from local and international civil society and non-governmental organizations, private sector leaders, other donors, and U.S. government partners, such as the U.S. Embassy in Freetown and U.S. Agency for International Development (“**USAID**”).

##### 2. Description of Program and Beneficiaries.

###### (a) Program Description.

The Program is aimed at making foundational investments in Sierra Leone’s electricity grid infrastructure and sector reforms. These include critical investments in the transmission and distribution networks recommended in the *Electricity Sector Reform Roadmap*-update 2023 (the “**Sector Reform Roadmap**”), prepared by electricity sector actors during MCC’s Threshold Program, and essential reforms and institutional capacity building to build upon such Threshold

Program. In a country with a longstanding shortage of electricity supply and insufficient grid infrastructure, this Compact shall deliver key assets and institutional and policy advancements that are prerequisites for effectively and efficiently delivering more reliable and affordable electricity to grid-connected electricity customers in Sierra Leone.

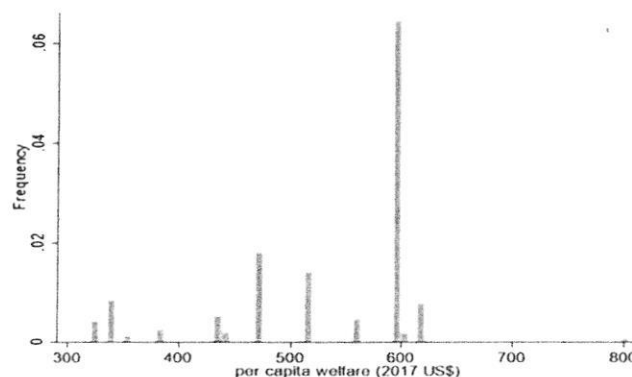
The Sierra Leone Compact is a single sector compact addressing the binding constraint of “insufficient availability of affordable and reliable electricity to satisfy demand among households, businesses, and social institutions.” MCC and Sierra Leone identified four key challenges to overcome in order to address this binding constraint, which are: (i) reliable power supply, (ii) high cost of electricity, (iii) low access to electricity for households and productive use, and (iv) weaknesses in governance and institutional capacity within the power sector.

(b) Intended Beneficiaries.

The Program is projected to benefit a total of 4.6 million people. Given the dependencies and complementarities across the different Projects, Project-specific beneficiary breakdowns are not feasible.

The beneficiary count derives from high-resolution National Online Digital Electrification platform data on nationwide inhabitation intersecting with the catchment areas of MCC investments in transmission and distribution. To obtain the poverty characteristics of these beneficiaries, the analysis assigns the district-specific average income of all urban inhabitants — these data come from 2018 Sierra Leone Integrated Household Survey — to the inhabitants in each catchment. The analysis assumes all beneficiaries are urban due to the likely locations of the power investments.

From the analysis above, the average annual per capita income of the Program’s beneficiary is \$530 (measured in 2017 US\$), corresponding to the 7<sup>th</sup> decile of the income distribution. Approximately 28% of all beneficiaries fall below the country’s National Poverty Line. The income distribution of all beneficiaries appears in the histogram below. The large spike around \$600 corresponds to the inhabitants of Western Area peninsula, the country’s largest population center and where much of the investment’s transmission and distribution improvements are located.



Income distribution of project beneficiaries

## **B. DESCRIPTION OF PROJECTS**

Set forth below is a description of each Project that Sierra Leone agrees to implement, or cause to be implemented, using MCC Funding and the Country Contribution to advance the applicable Project Objective. In addition, specific activities to be undertaken within each Project (each, an "*Activity*"), including sub-activities, are also described.

### **1. Transmission Backbone Project**

#### **(a) Summary of Project and Activities.**

The objective of the Transmission Backbone Project is set forth in Section 1.2(a) of this Compact. To accomplish the Transmission Backbone Project Objective, the Project shall address the poor reliability of Sierra Leone's transmission network and low access to centralized grid-supplied electricity. It aims to do so through four Activities: the Transmission Dispatch Centers Activity, the Southern Transmission Corridor Activity, the Bumbuna-Freetown Line Upgrade Activity, and the EGTC Capacity Building Activity.

#### **(i) Transmission Dispatch Centers Activity.**

The Transmission Dispatch Centers Activity targets the challenge of insufficient connectivity, monitoring, and control over the power system, all of which are necessary to ensure safe and efficient operation of the network. This Activity shall accordingly establish both a transmission dispatch center and a transmission backup dispatch center for the country, as well as upgrade the connectivity to the existing high voltage substations of Sierra Leone's network, through the following three sub-activities.

#### **(A) *Transmission Dispatch Centers Buildings Sub-Activity.***

Modern transmission networks require a system operator and operations center to monitor and control the overall safety and efficient operation of the power system. Such system operator and operations center are essential for balancing of supply and demand, voltage control, and restoration after incidents, to ensure operation and security of the whole transmission system. The Transmission Dispatch Centers Buildings Sub-Activity shall fund the design and building of Sierra Leone's transmission dispatch center and transmission backup dispatch center, in locations to be determined, and invest in the training and long-term staffing plan for such dispatch centers. To date, Sierra Leone's transmission system management has been fully outsourced, so this sub-activity shall involve development of in-house competencies and organization from the ground up.

#### **(B) *Transmission Communication & SCADA Upgrades Sub-Activity.***

To ensure full informational and power connectivity of the transmission network, the Transmission Communication & SCADA Upgrades Sub-Activity funds the retrofitting of the existing network with new fiber optic lines and related infrastructure, related transmission communication and telecom investments, and numerous SCADA/EMS upgrades throughout the existing substations of the country.



(C) *Transmission Fiber Optic Upgrade Sub-Activity.*

As a complement to the Transmission Communication & SCADA Upgrades Sub-Activity, the Transmission Fiber Optic Upgrade Sub-Activity shall improve connectivity by funding a fiber optic retrofit along the 161 kV transmission line that connects the Bumbuna hydropower plant to Freetown. Connectivity shall extend to the CLSG telecommunication network for proper coordination of the Sierra Leone transmission network and TRANSCO CLSG operation.

(ii) Southern Transmission Corridor Activity.

The Southern Transmission Corridor Activity aims to complete a 225kV “triangle” for Sierra Leone and thereby create a resilient and redundant transmission backbone, using a N-1 planning strategy, that is less susceptible to single points of failure, as detailed in the following two sub-activities.

(A) *STC Substations & Reactive Compensation Sub-Activity.*

The STC Substations & Reactive Compensation Sub-Activity is aimed at reducing transmission losses and adding transmission network stability through the installation of stabilizing electricity infrastructure. Specifically, it funds construction of: (1) the required equipment to terminate the STC at the planned Newton substation, (2) a new 225/66/33/11 kV substation at Moyamba, (3) a new 225/33/11 kV substation at Moriba Town and (4) a new 225 kV switching substation at Potoru where the STC meets the CLSG interconnector transmission line. In addition, it funds the addition of reactive compensation into the network, as necessary. The scope of the Newton substation investment shall be adjusted during compact implementation to ensure it complements, and is not redundant with, the Northern Transmission Corridor scope, a project that is under the management of the Ministry of Energy.

(B) *STC Lines & Road Grading Sub-Activity.*

The STC Lines & Road Grading Sub-Activity funds the Southern Transmission Corridor (“*STC*”), a 244 km proposed new-build 225kV transmission line, starting at the planned Newton Substation, which is proximal to the populated Western Area of Sierra Leone, and terminating at Potoru in southern Sierra Leone, where it shall interconnect with the regional CLSG 225kV line. The line shall also carry a 33kV shield wire to allow nearby communities to connect for supply. When finished, the STC shall complete a 225kV triangle for the country, comprising the transmission backbone. It shall also provide alternate routing for electricity supply to the populated Western Area beyond the existing Bumbuna-to-Freetown transmission line. This sub-activity also funds the road grading costs associated with the STC.

(iii) Bumbuna-Freetown Line Upgrade Activity.

The Bumbuna-Freetown Line Upgrade Activity aims to provide centralized and more reliable grid access to the major towns and economic centers in the north of the country. This Activity shall include the installation of 161/33/11 kV substations at Makeni and Lunsar, both co-located along the Bumbuna-to-Freetown 161 kV transmission line as well as centers of economic activity. The voltage drops from Bumbuna to Freetown experienced with the existing 161 kV line are a function of the 205+km distance. The new Makeni and Lunsar substations can be provided with capacitor banks to improve power transit along the 161 kV line as well as to compensate for reactive power consumption of the distribution lines departing from those



substations. Noted above under the Transmission Dispatch Centers Activity, the Program shall also fund the installation of a fiber-optic upgrade for the 161 kV transmission line, which shall necessitate retirement of the existing shield wire power supply to Makeni, that shall be supplied from the new Makeni 161 kV substation.

(iv) EGTC Capacity Building Activity.

The EGTC Capacity Building Activity shall assist EGTC first in the next phase of its development in which it shall perform a primarily transmission function, leaving power generation largely to independent power producers, and second by growing its environmental and health and safety capacity, as described in the following two sub-activities.

(A) *Transmission Operations Sub-Activity.*

The *Grid Code for Sierra Leone Electricity Market (Version 1.00)* clearly defines roles of EGTC as system operator, market operator and transmission network operator. The transmission functions of EGTC are expected to expand much more than the generation function as the transmission network shall be expanded from the current Bumbuna-to-Freetown 161 kV transmission line, and as new generation is expected to come largely from IPPs.

The Transmission Operations Sub-Activity shall fund technical assistance to EGTC, delivered through several elements. First, it shall embed a firm within EGTC that is experienced in transmission system operations, to help restructure and transition EGTC so it is equipped to take on expanded responsibilities during the Compact Term. Second, this technical assistance shall include the training of EGTC personnel for EGTC's emerging functions as a system operator, market operator, and transmission network operator, as defined in the interim grid code and eventually in the final grid code, and capacity building in key areas that include: operations planning, transmission system operation and maintenance including dispatch center functions, grid code compliance, grid security, demand-supply balance, CLSG interconnection management, merit order dispatch, and information exchange with the sub-regional system balancing manager based in Guinea, the West Africa Power Pool (WAPP) Coordination and Information Centre based in Cotonou, and potentially further peer exchange opportunities with other West African electricity utilities or other sector institutions.

(B) *EGTC Environment and Health & Safety Sub-Activity.*

The EGTC Environment and Health & Safety Sub-Activity shall fund technical assistance to support the development of EGTC policy and practice regarding environmental, resettlement, and health and safety management.

(b) Environmental and Social Mitigation Measures.

The Transmission Backbone Project is classified as Category A. Although most of its components are expected to have moderate impacts, the magnitude of the anticipated resettlement impacts is significant. It is anticipated that construction of both the transmission dispatch center and transmission backup dispatch center shall only involve typical construction related impacts. However, the fiber optic retrofits in the Bumbuna-Freetown Line Upgrade Activity may pose a significant safety risk to those living within and around the right-of-way of existing transmission lines, and these must be mitigated.

The Southern Transmission Corridor Activity poses significant adverse environmental and social risks and/or impacts that are diverse and possibly irreversible. Consequently, the activities fall into Category A under the MCC Environmental Guidelines. Potential impacts are due to the greenfield status of the land required for the proposed activities, the overall size and cost, the significant resettlement impacts, and the sensitive locations including wetlands, forests with high biodiversity value, nationally protected areas, and areas of cultural significance that are located along the existing route. The transmission corridor entails nearly 250km of 225kV power lines mostly across greenfield and agricultural land in rural areas. A 40m wide corridor, or right-of-way, must be cleared to construct and maintain the infrastructure. This equates to approximately 1,176ha of land that needs to be cleared and acquired, as well as an additional 13.6ha of land to construct substations. Seven of the eight IFC Performance Standards are applicable to the Southern Transmission Corridor Activity, the exception being PS 7, Indigenous People. Significant impacts related to complex construction activities are anticipated for the duration of the disturbance.

A climate vulnerability assessment and pre-feasibility study evaluated climate change risks to the Transmission Backbone Project which include flooding during extreme precipitation events, inundation due to sea level rise, damage from strong winds, infrastructure damaged by wildfire, line capacity loss due to line sag from extreme heat, and erosion. Landslides could also be triggered by drought and extreme rainfall which is exacerbated by deforestation and vegetation loss.

The primary way to avoid emissions associated with the Transmission Backbone Project is to improve siting for infrastructure by avoiding areas that are undeveloped, particularly old-growth forests and wetlands, which are significant carbon sinks. The forthcoming line optimization aims to avoid impacts to heavily forested areas and wetlands which could reduce estimated GHG emissions from the Project.

Additional due diligence is required to sufficiently assess and plan for management of impacts and risks prior to conducting the Environmental and Social Impact Assessment (ESIA), preparing the Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP), and developing Project designs. ESIA and Environmental and Social Management Plans (ESMPs)/Health and Safety Management Plans (HSMPs) shall include critical habitat assessments and hazardous waste management assessments to deal with these potential risks. A compact-wide Resettlement Policy Framework (RPF) shall be prepared, followed by the RAPs. A Stakeholder Engagement Plan shall be developed in accordance with the IFC Performance Standards.

(c) Gender and Social Inclusion.

Investment in transmission projects improves reliability of electricity for households, businesses, and social institutions. Studies have affirmed that reliability of electricity is critical for increasing uptake, thus contributing to increased access to power. More than 30 percent of customers in Sierra Leone reported never having electricity, even with a grid connection. Many customers experience several hours of outages in any given day. The Transmission Backbone Project is critical for addressing the electricity reliability challenges in the country. It also supports the Access Activity, within the Distribution and Access Project, for connecting social beneficiaries including households, schools, and health facilities, as well as agro-processors.

During compact implementation, the Transmission Backbone Project shall create employment opportunities in skilled, semi-skilled and unskilled positions in infrastructure works. This creates an opportunity for training and employing women and youth. The Parties shall further explore all possibilities to maximize the benefit of employment opportunities for youth and women, in addition to measures to increase the percentage of women and youth-owned businesses that access Project-related procurement opportunities.

The Transmission Backbone Project may create risks to the communities located along the footprints of the transmission lines and substations. These risks include Trafficking in Persons (TIP), gender-based violence, sexual harassment, and loss of income and property. Communities consulted expressed their concerns about the potential negative impacts the Project can have on their communities. The ESIA shall include a Project-specific TIP Risk Assessment and assessment of other social risks. Based on the findings of the assessment, the Project shall support the development and implementation of a TIP Risk Management Plan that includes appropriate measures for preventing and addressing these risks. Sierra Leone shall ensure an inclusive stakeholders consultations approach is applied and that the views and concerns of women, youth and marginalized groups are taken into account in the design and implementation of the Project.

(d) Donor Coordination.

The Transmission Backbone Project shall in part build on, and connect to, TRANSCO CLSG created infrastructure. The TRANSCO CLSG transmission line was funded by the Africa Development Bank (AfDB), World Bank, EU, and KfW as well as a \$5.5 million contribution from the Sierra Leonean government for the transmission line segment passing through Sierra Leone. TRANSCO CLSG refers to the regional transmission company set up by international treaty which connects the countries of Cote d'Ivoire, Liberia, Sierra Leone, and Guinea.

In addition, the donor community is united on strengthening the capacity of sector actors such as EGTC through the Electricity Sector Steering Committee quarterly meetings as well as Technical Steering Committee monthly meetings.

(e) USAID.

Although USAID is not expected to have a direct role connected to the Transmission Backbone Project, USAID's Power Africa program may help advise the Sierra Leonean government on generation projects which might ultimately rely upon power lines supported by the Transmission Backbone Project.

(f) Sustainability.

Financially, the Transmission Backbone Project shall contribute to EGTC and sector wide financial viability by expanding the transmission backbone and improving its reliability. This shall, first, increase the supply of electricity able to reach distribution infrastructure, and second, increase the proportion of power plant-generated electricity able to actually reach customers rather than being technically lost through load-shedding. This shall not only lower costs by reducing waste, but it shall also improve electricity reliability and thereby promote increased customer interest, and consequently increased consumption, through expansion of access to grid electricity in Sierra Leone. Transmission Backbone Project activities are a prerequisite for ensuring increased supply from both IPPs and imports, which shall eventually address the energy

sector's financial stability. Increased revenue from transmission services shall also contribute to EGTC's financial sustainability.

EGTC, the direct beneficiary of the Project, is expected to undergo substantial transformation from its current identity as mostly a generation company towards that of a transmission company and system operator that shall coordinate regionally, particularly with WAPP and TRANSCO CLSG. Technical sustainability risks shall be mitigated through a combination of significant investments under the Power Sector Reform Project, a plan for personnel training via works contracts, and the embedded technical assistance under the EGTC Capacity Building Activity.

As an environmental and social matter, the Transmission Backbone Project is needed to bring online more generation, including from renewable sources such as hydropower and photovoltaic. The Project shall be designed to withstand climate-related risks and avoid areas prone to flooding and landslides, thereby making the transmission lines more resilient. The transmission lines are expected to also reduce losses in the system, making the overall use and transmission of energy more efficient. Technical assistance to EGTC shall include training and capacity building on environmental, resettlement, and health and safety issues, resulting in a utility that is better prepared to operate and maintain the transmission system going forward.

(g) Policy, Legal, and Regulatory Reforms.

Policy, legal, and regulatory reforms related to the Transmission Backbone Project are addressed through the measures outlined in the Power Sector Reform Project.

**2. Distribution and Access Project**

(a) Summary of Project and Activities.

The objective of the Distribution and Access Project is set forth in Section 1.2(b) of this Compact. Accomplishing the Distribution and Access Project Objective involves addressing the unreliable supply of electricity and low access to electricity. The Project aims to do so through four Activities: the Distribution Dispatch Centers Activity, the Distribution Refurbishment Activity, the Access Activity, and the EDSA Capacity Building Activity.

(i) Distribution Dispatch Centers Activity.

The Distribution Dispatch Centers Activity, which is distinct from the Transmission Dispatch Centers Activity associated with EGTC, targets the need for both a distribution dispatch center and distribution backup dispatch center, as well as distribution infrastructure upgrades and staff training to improve distribution network connectivity, maintenance, and performance. It shall carry out such work through the following three sub-activities.

(A) *Distribution Dispatch Centers Buildings Sub-Activity.*

The Distribution Dispatch Centers Buildings Sub-Activity funds the construction and operationalization of both a distribution dispatch center and a distribution backup dispatch center, to improve EDSA's O&M performance and provide centralized visibility over the distribution network and remote operating capabilities to be able to remotely fix certain network issues.



(B) *Distribution Communication & SCADA Upgrades Sub-Activity.*

The Distribution Communication & SCADA Upgrades Sub-Activity funds the installation of SCADA hardware and software, retrofits to existing distribution lines and substations throughout the country to support connectivity and remote monitoring and operation, related telecom investments, and training for EDSA utility technicians so they are prepared to operate the distribution dispatch centers once operational.

(C) *Distribution Fiber Optic (ADSS) Upgrade Sub-Activity.*

The Distribution Fiber Optic (ADSS) Upgrade Sub-Activity funds the deployment of ADSS fiber optic cables to ensure full connectivity of the existing network with the distribution dispatch centers.

(ii) Distribution Refurbishment Activity.

The Distribution Refurbishment Activity tackles critical upgrades to the rundown or inadequate distribution assets throughout the country. Refurbishment activities were assessed under four different categories: safety, statutory, network critical, and efficiency related investments. This Activity, as broken down in the three sub-activities that follow, shall fund asset improvements such as: replacing damaged low voltage cabinets that pose safety risks, transformer replacements, upgrades and additions to electrical infrastructure, and replacement of switchgear boards. Resolving these types of deferred maintenance is critical to safe and efficient operations of the distribution network.

(A) *Freetown Refurbishment Sub-Activity.*

The main refurbishment funded by the Freetown Refurbishment Sub-Activity includes the replacement of 2 x 40 MVA 161/11 kV transformers with corresponding protection panels at the Kingtom substation. As the main injection substation for the EDSA Western Area grid, transformer replacement here shall increase power evacuation to the entire Western Area and reduce system losses. In addition, replacement of 11 kV and 33 kV switchgear boards shall also be necessary in multiple Freetown area substations to replace failing equipment and safely distribute the electricity being injected into the 11kV and 33kV systems, respectively.

(B) *Western Area Refurbishment Sub-Activity.*

Refurbishments funded under the Western Area Refurbishment Sub-Activity include replacing damaged low-voltage cabinets, adding reclosers on the 33kV and 11kV network, replacing dilapidated overhead lines and underground cables, adding or replacing 11/0.435kV distribution transformers of varying MVA where needed, and replacing 33kV and 11 kV switchgear boards at several substations where equipment failure has been observed. All these refurbishments and replacements are focused on improving the operational safety of EDSA assets, reducing outages and trips caused by overloaded components, and improving network reliability and protection, especially for communities in outlying parts of the Western Area that previously suffered from especially unreliable power.

(C) *District Towns Refurbishment Sub-Activity.*

The District Towns Refurbishment Sub-Activity is expected to fund distribution refurbishment in district towns outside of Freetown and the Western Area. Depending on subsequent due diligence and analysis involving economic indicators, census data, budget, and complementarity with other compact investments, the Parties shall agree on final selection of refurbishment areas.

(iii) Access Activity.

The Access Activity funds connections, and potentially grid reinforcement, for social beneficiaries, including households, schools, and health facilities. It may also fund such connections and potential grid reinforcement for productive uses of energy, including activities that use electricity to directly reduce poverty levels in communities, such as agro-processing. The Access Activity shall also fund a design consultant responsible for studying and recommending the geographic areas to be prioritized for investment under this Activity.

The four sub-activities within the Access Activity are scalable, and the Parties may choose to increase the amount of distribution expansion it funds under these various sub-activities if the compact budget is re-scoped or should there be a reduced need for contingency funding for other budget line items. Field due diligence shall inform final selection of the communities to be funded under this Activity. Gender and social inclusion considerations shall be applied to ensure the Activity benefits women, men, and children in these communities. The routing for the MV and LV lines shall be selected in such a way as to minimize negative environmental and social impact and the need for resettlement.

(A) *Access Lines and Substations Sub-Activity.*

The Access Lines and Substations Sub-Activity funds distribution expansion in communities along the 161 kV line, by constructing or upgrading the substations and lines identified in the two tables below. Some of these investments are necessary to maintain access for communities after the 161 kV shield wire is retired. The design consultant shall study additional priority areas (based on EDSA input and economic indicators) prior to this Compact's entry into force.

<b>Substation Name</b>	<b>Max Voltage Level (kV)</b>
Bumbuna – Distribution Substation 33/11 kV	33
Magburaka – Distribution Substation 33/11 kV	33
Existing Makeni – Distribution Substation upgrade 33/11 kV (Upgrade)	33

Distribution Line	Conductor Type	Length (km)
Bumbuna HEP to Bumbuna Distribution 33 kV	OHL	16
Lunsar 161 kV to Lunsar (existing substation) 11 kV	OHL	3
Makeni 161 kV to Makeni existing (upgraded substation) 33 kV cable	Cable	4
Makeni to Magburaka 33 kV (upgrade from 11 kV to 33 kV)	OHL	22

(B) *Last Mile Access Sub-Activity.*

The Last Mile Access Sub-Activity funds extension of the EDSA grid to unserved communities identified based on criteria to be agreed between the Parties. Prior to this Compact's entry into force, the design consultant shall review the proposed unserved areas (based on EDSA input and economic indicators) and recommend those for prioritization.

(C) *Densification Sub-Activity.*

The Densification Sub-Activity funds extension of the EDSA grid to unserved communities where such extension would rely on no more than a short spur connection to an existing MV Line. Prior to this Compact's entry into force, the design consultant shall review the proposed unserved areas (based on EDSA input and economic indicators) and recommend those for prioritization.

(D) *Connections Sub-Activity.*

The Connections Sub-Activity, intended for areas outside the Western Area, funds electricity connections to customers in communities described in the Last Mile Access Sub-Activity and the Densification Sub-Activity. In addition, this Sub-Activity supports normalizing existing irregular connections.

Target areas for the Connections Sub-Activity shall be studied by the design consultant, based on EDSA input, footprint of other MCC-funded activities, and economic indicators. Selection of communities shall be based on design consultant recommendations and analysis to be conducted prior to entry into force.

The first element of the Connections Sub-Activity funds electricity access to social beneficiaries, including households, schools, and health facilities. This includes funding service drops, and subsidized pre-paid meters. The design consultant shall also make a recommendation as to whether ready board costs should be included within this sub-activity's budget.

Lessons learned from prior MCC access projects on approaches for internal wiring and customer engagement shall be examined and used in the Connections Sub-Activity design and implementation. This element shall be coordinated with the Customer Service Sub-Activity under the EDSA Capacity Building Activity to advance the customer support component by facilitating effective communications and customer outreach. Such coordination shall also

provide customers with relevant information on topics that shall include the requirements and process for obtaining a connection, how to use pre-paid meters, and safe and efficient electricity usage.

The second element of the Connections Sub-Activity focuses on new electricity access for productive-use-of-electricity enterprises in selected communities. Internal wiring and/or the number of service drops needed shall vary by business and the associated costs of this work shall be borne by the small business beneficiaries. Additional productive-use-of-electricity sites may be connected if adequate budget becomes available in later compact years.

(iv) EDSA Capacity Building Activity.

The EDSA Capacity Building Activity builds on investments completed under the Threshold Program to advance commercial loss reduction, revenue protection, improved asset optimization, and customer management. It is limited to critical improvements that are possible in the short to medium terms, and that shall facilitate a successful introduction of private sector management at EDSA in the medium term. The Sierra Leonean government plan is to secure a private sector participation contract for EDSA.

(A) *Loss Reduction Sub-Activity.*

The Loss Reduction Sub-Activity invests in improving EDSA's managerial efficiency and in reducing its technical and commercial distribution losses. This sub-activity does so by funding an EDSA turnaround plan, procuring new meters and loss reduction equipment, and providing an embedded firm to improve EDSA's loss reduction capacity, including customer normalization. These elements are described below.

The first element of the Loss Reduction Sub-Activity is funding a consulting firm that shall develop a detailed and robust performance turnaround action plan for EDSA (the "**EDSA Turnaround Action Plan**"), as a complement to the work of a World Bank-sponsored transaction advisor working to prepare a potential private sector participation transaction for EDSA. The EDSA Turnaround Action Plan shall look at all aspects of the distribution business including organizational structure, human resources, management processes, financial and accounting management, commercial processes, and operational planning and maintenance practices and investments. It shall also provide a comprehensive strategy for EDSA improvement over a 5–10-year implementation period, with key milestones, targets, and resource requirements. The EDSA Turnaround Action Plan shall be developed by the consultant but with the intense involvement of EDSA management.

The second element of the Loss Reduction Sub-Activity is aimed at reducing commercial losses at EDSA. The World Bank estimates EDSA's combined commercial and technical losses to be substantial, which are mainly attributable to deficient metering, billing, collection, and revenue protection processes, as well as significant theft. This element shall fund a loss reduction advisor firm who has institutional knowledge and demonstrated experience in loss reduction to oversee field activity, and work with the management of EDSA to roll-out targeted loss reduction initiatives system-wide. The advisors are expected to be hired for at least three years for sufficient capacity building of EDSA staff and knowledge transfer. The advisors shall work with EDSA management to clarify responsibilities for losses and related activities and strengthen revenue protection and internal control systems processes and procedures.



The third element of the Loss Reduction Sub-Activity is aimed at reducing EDSA's technical losses, which are driven by factors such as insufficient throughput electricity capacity, voltage drops, congestion and overloaded equipment, etc. This element may fund purchases of critical service-restoring equipment such as capacitors, bucket trucks and safety gear to restore outages, thereby improving both SAIFI/SAIDI and the financial viability of EDSA.

*(B) Customer Service Sub-Activity.*

The Customer Service Sub-Activity focuses on increasing EDSA's customer service capability and accountability by delivering technical tools and organizational change.

The first element of the Customer Service Sub-Activity is aimed at improving EDSA's GIS capacity. This element shall provide technical assistance to ensure the optimized use and integration into EDSA operations of the GIS system funded under the Threshold Program. A dedicated GIS team within EDSA shall be strengthened via embedded support to advance data standardization, GIS integration with knowledge management systems, and application of the system in support of loss reduction measures. This technical assistance is expected to help harmonize EDSA's GIS data with its MIS system, as well as introduce mandatory GIS captures during the initial customer connection process and during follow-up customer interactions. The sub-activity can also reinforce GIS for health and safety, environmental compliance, and resettlement within EDSA.

The second element of the Customer Service Sub-Activity is aimed at improving EDSA's customer care capacity, so that EDSA may respond effectively to the growing demand for connections and also provide improved customer service. These customer care improvements are imperative not only for increasing EDSA's customer base and revenue, but also for integrating social inclusion into EDSA's customer service; hence this element funds improvements to EDSA's staff capacity, processes, inclusive customer outreach and community engagement, technology, and management. Specifically, it includes funding to design a change management program for improved customer care, including a socially-inclusive customer service strategy. The strategy should include EDSA's approach for implementing the pro-poor connections policy to be developed under the Power Sector Reform Project. This element shall also use a social-behavior-change approach to develop messages and campaigns, including training of community leaders and other stakeholders, aimed at improved customer engagement and loss reduction.

*(C) EDSA Environment and Health & Safety Capacity Sub-Activity.*

The EDSA Environment and Health & Safety Capacity Sub-Activity assesses existing environmental, social, climate change, and health and safety capacity at EDSA and provides support and training to improve these elements of the utility's operations. Guidance on issues such as hazardous materials management, occupational health and safety, managing resettlement and maintaining right-of-way shall be developed. This sub-activity shall provide an opportunity for EDSA staff to learn-by-doing to apply best practice approaches to managing these issues. An ESMS shall be developed for EDSA and staff shall be identified to support a dedicated Environmental, Social, and Health and Safety unit within the organization in addition to off the shelf trainings and manuals for staff and engineers.

(b) Environmental and Social Mitigation Measures.

The Distribution and Access Project is considered Category A under the MCC Environmental Guidelines due to the following factors. The Project aims to bring the existing distribution infrastructure into compliance with safety, statutory, and network critical requirements. While the communities in proximity to aging infrastructure and equipment may benefit from reduced safety hazards, equipment replacement and network rehabilitation may result in typical construction related impacts and emission of pollutants in the environment that could lead to air, soil, and water contamination. Refurbishing this equipment shall require the handling of hazardous materials including insulating oils, PCBs, sulfur hexafluoride — the most potent greenhouse gas — and potentially asbestos. Improper handling of equipment, materials, or poor management of the hazardous waste generated by this Project could lead to contamination; transformer oil spills have occurred in Kingtom and hazardous waste management costs during the Compact Term are expected. To address the anticipated risks posed by these materials, the development and implementation of hazardous material and waste management plans is required. In addition, hazardous materials shall need to be managed with planning and potentially shipped outside of the country given limited waste management facilities in Sierra Leone. While there is assumed to be limited resettlement associated with this Project, refurbishment works may trigger resettlement related impacts at some substation and distribution line locations in urban areas. An additional assessment of environmental and social risks is required prior to the development of terms of reference for the RAP and ESIA.

A climate change assessment was conducted on the distribution system as part of the pre-feasibility study using the same methodology as the transmission network. As with the transmission network, climate change risks to distribution improvements can include flooding during extreme precipitation events, inundation due to sea level rise, damage from strong winds, damage from wildfires, line capacity loss due to line sag in high temperatures, and erosion and landslides triggered by drought and extreme rainfall and exacerbated by deforestation and vegetation loss. A design consultant shall incorporate consideration of these risks into siting and alignment, design, and materials specifications.

(c) Gender and Social Inclusion.

Under the Access Activity, access to electricity has multiple benefits for households, enterprises, schools, and health facilities. A multi-country analysis that included 26 African countries indicated that electricity access has positive and significant impacts on educational outcomes (study time, years of schooling, and school enrollment), with higher impacts for rural areas compared with urban areas. Likewise positive impacts on household income in both farm and nonfarm activities were noted.

The Connections Sub-Activity seeks to support grid electricity connections to households (including low income and female headed), agri-businesses, schools, and health facilities, by addressing demand side connections barriers (financial and non-financial) that disproportionately affect low-income households. Gender and social inclusion considerations shall be taken into account in the initial selection of agro-processors with high growth potential.

Under the EDSA Capacity Building Activity, limited institutional capacity in customer service and a cumbersome connection process are additional contributing factors limiting the poor from accessing grid electricity. EDSA customer service staff are interested in training and other

capacity building support in key areas on how to interact with customers, collect data, conduct communication and education campaigns, and inclusively engage the community on issues relevant to low-income customers. This Activity shall facilitate EDSA's development of a gender-responsive and socially inclusive customer service strategy to implement the pro-poor connection policy to be developed by the Ministry of Energy.

The Distribution and Access Project may have negative impacts on communities in Project areas. These may include TIP, gender-based violence, sexual harassment, and other risks. The ESIA shall include a Project-specific assessment on TIP and other social and gender risks to inform Project funding to mitigate and address these risks. Sierra Leone shall ensure the application of inclusive stakeholder engagement so that the views and concerns of women, youth and marginalized groups are taken into account in Project design and implementation.

(d) Donor Coordination.

Within the Distribution Refurbishment Activity, current compact budget constraints preclude the possibility of replacing overhead line and underground cables throughout the Western Area of Sierra Leone due to the high costs of such upgrades and affiliated resettlement. Given the socioeconomic benefits of these upgrades, however, the Parties shall continue to explore the possibility of other donors funding these upgrades, as they would help connect power supply to consumers in a manner that is complementary to this Compact.

In alignment with the EDSA Capacity Building Activity, the World Bank is supporting the introduction of private sector participation at EDSA. The Parties shall coordinate with the World Bank to ensure the EDSA Turnaround Plan aligns its elements with the private sector participation at EDSA.

Finally, the United Kingdom's FCDO as well as the EU are leading donors in solar mini-grid development, and JICA funds some distribution network rehabilitation and expansion around the capital city.

(e) USAID.

Consistent with its focus on health in Sierra Leone, USAID is expected to fund solar power for rural health clinics but does not otherwise have a specific coordination role related to the Distribution and Access Project.

(f) Sustainability.

Financially, network refurbishment coupled with the technical assistance in loss reduction and customer management are important elements of improving EDSA's financial viability and shall facilitate successful private sector participation in EDSA if the World Bank-financed arrangement is implemented. Supporting a sustainable level of increased access for key load centers (coupled as it is with increased supply and transmission capacity) with pent up demand shall also help improve EDSA's financial position while also supporting economic activity.

As an environmental and social matter, the Distribution and Access Project is needed to provide more efficient and cleaner energy to communities, thereby reducing their reliance on heavily polluting generators or other GHG emitting sources of energy. Management and disposal of hazardous equipment, old transformers, PCBs, and contaminated soils shall remove these sources

of contamination from the environment and nearby communities. Technical assistance to EDSA shall include training and capacity building on environmental, social, resettlement, hazardous materials management, and health and safety issues resulting in a utility that is better prepared to operate and maintain the distribution system going forward.

(g) Policy, Legal, and Regulatory Reforms.

Policy, legal, and regulatory reforms related to the Distribution and Access Project are addressed through the measures outlined in the Power Sector Reform Project.

**3. Power Sector Reform Project**

(a) Summary of Project and Activities.

The objective of the Power Sector Reform Project is set forth in Section 1.2(c) of this Compact. To accomplish the Power Sector Reform Project Objective, the Project addresses the fact that Sierra Leone's electricity sector is financially unsustainable and underperforming due to high cost of service (including very high distribution losses) and addresses the country's need for additional and better enforced regulation, improved sector financial management, improved investment planning, and improved implementation and technical capacity. The Project aims to address these challenges through four Activities: the Financial Sustainability Activity, the Policy and Planning Activity, the MIIA Activity, and the Cross-Cutting Capacity Activity. The Parties expect this Project to create a lasting change in the culture, operations, and financial sustainability of Sierra Leone's electricity sector, leading to expanded, reliable, and affordable service.

(i) Financial Sustainability Activity.

The Financial Sustainability Activity addresses the remaining unreconciled accounting and ownership of assets and liabilities between EGTC and EDSA, which were created in connection with the unbundling of the vertically integrated National Power Authority. The reconciliation of such accounting under this Activity shall clearly separate the generation and transmission business lines at EGTC (as required by ECOWAS regulations), update the power purchase agreement between EGTC and EDSA, address the need for continued tariff and subsidy reform, and support improved regulator performance. This Activity includes two sub-activities, one addressing sector accounting, and the other addressing tariffs and overall Electricity and Water Regulatory Commission ("*EWRC*") technical capacity.

(A) *Financial Management Sub-Activity.*

The Financial Management Sub-Activity makes foundational investments in Sierra Leone's institutional capacity to manage power sector financials. It includes support for two financial management reforms: operationalization of the independent collection account and implementation of a plan to address public sector arrears to EDSA.

The first element of the Financial Management Sub-Activity involves replacing the interim collection account that is managed by the Ministry of Finance with an independent collection account (the "*Independent Collections Account*"). The interim collection account had been established in response to the sector's insufficient and non-transparent financial flows. This existing interim collection account acts as a mechanism for ensuring that revenue collected from



EDSA is fully and appropriately distributed across sector stakeholders to ensure that maintenance and operational costs are prioritized and that EDSA's PPAs with IPPs are honored. Prior to this Compact's entry into force, the Sierra Leonean government shall carry out longstanding plans to contract with an independent, third-party manager for the collection account, and clarify requirements for operationalizing the collection account via adoption of an operations manual to be developed by the appointed account manager (the "*ICA Manager*"). The cash waterfall must also be revised by the manager to reflect appropriate prioritization of payments to sector actors. This sub-activity also supports the Sierra Leonean government in issuing a tender for selecting such independent account manager. After this Compact enters into force, this sub-activity shall include initial funding for the account manager and operational costs of the account to ensure continued compliance with the ICA Agreement.

The second element of the Financial Management Sub-Activity involves EDSA arrears. The Sierra Leonean government owes arrears to EDSA; however, the exact amount is not clear nor are the accounting channels for determining which entities should make arrears payments. This sub-activity provides funding for analysis to clarify the currently outstanding arrears and to work with the Sierra Leonean government's leadership to develop the Arrears Assessment and Recovery Plan to address government arrears during the Compact Term. After this Compact enters into force, this sub-activity shall focus on informing the Sierra Leonean government on how to pay outstanding arrears in accordance with the arrears plan and to prevent the accumulation of new arrears by Sierra Leonean government entities.

The Financial Management Sub-Activity also includes technical assistance to support the remaining work to be done to complete the National Power Authority "unbundling," meaning separation of assets and liabilities, on the books of EGTC and EDSA, building on assessments done under the Threshold Program.

Best practice and regional WAPP regulations call for the financial separation of EGTC's generation and transmission functions. This sub-activity shall provide technical assistance to implement such internal restructuring, which shall make accounting and tracking costs along these functions easier and consistent with regional regulations. This work shall also help EGTC to establish pricing for its transmission services for which EGTC should be compensated via transmission fees.

The third element of this Financial Management Sub-Activity shall provide technical assistance to revise the PPA, and develop a transmission services agreement, under which EDSA pays generation, and transmission tariffs, respectively, to EGTC. The technical assistance is expected to assist in the development of an amended PPA that has more specific contractual terms and accurately reflects a finalized disposition of assets and liabilities between EGTC and EDSA.

*(B) Tariff Reform and Regulation Sub-Activity.*

Through embedded technical assistance, the Tariff Reform and Regulation Sub-Activity shall advance tariff reform and strengthen the technical capacity within the EWRC, building on related activities under the Threshold Program. It includes the following elements.

The tariff reform element of this sub-activity aims to support continued progress on electricity tariff reform (including through World Bank funding). It shall, through technical assistance, facilitate the reform of EWRC's tariff model to allow for periodic automatic tariff adjustments;



improve transparency, efficiency, and targeting of subsidies for low-income customers; and make other adjustments related to progressive tariff blocks, fixed fees, and connection costs. New tariff structures, such as time-of-use tariffs, could also be explored. In addition, this element may support a shift to a multi-year tariff setting approach. Technical assistance shall include the new tariff model development and a strong capacity building and training component as well as completing a test multi-year tariff exercise.

The EWRC regulatory capacity building element of this sub-activity shall fund embedded technical assistance to strengthen EWRC's capacity to implement sector regulations and to carry out its core functions, applying a "learning while doing" approach. It shall also support the development of implementation mechanisms for fees and fines stipulated under the Electricity Act of 2011 (as amended) (the "*Electricity Act*"), which are important sources of revenue for sector entities, especially for EWRC. The embedded assistance shall include strengthening of EWRC's capacity in its consumer protection function. This includes its approach to low-income customers, stakeholder consultations, and pro-poor regulation. A training program on tariff setting may be provided to consumer advocacy groups and their representatives at EWRC to ensure meaningful and impactful consultations with EWRC during the tariff setting process.

A regulatory information management system developed and implemented in this sub-activity shall support EWRC to execute its required regulatory functions with accuracy and in a timely manner.

(ii) Policy and Planning Activity.

The Policy and Planning Activity invests in strengthening Sierra Leone's power sector policies and planning capabilities, as detailed in the following sub-activities.

(A) *Legal and Policy Reform Sub-Activity.*

The Legal and Policy Reform Sub-Activity supports the revision or creation of key laws and policies, per recommendations included in the updated Sector Reform Roadmap. The Electricity Act reflects weaknesses that must be addressed to support the expansion and increasing complexity of the sector and electricity market. In light of the evolving domestic and regional power markets, the Program aims to strengthen EWRC's authority and independence in order to better support the efficient operation of the Sierra Leonean electricity sector, improve compliance with regional agreements, and equitably protect all electricity sector parties' interests. The national Energy Policy also needs to be updated, including but not necessarily limited to the following changes. First, the energy efficiency and renewable energy policies section warrants updating, including assigning objectives relating to peak demand management and establishing standards for energy efficient appliances and buildings. Second, the electricity access section warrants updating to assign short-, medium- and long-term objectives to the expansion of electricity access, differentiating between urban areas connected to the main grid, rural towns already served but not yet connected to the main grid, and rural areas without any electricity service at all.

This sub-activity also supports finalizing and ensuring adoption of the system grid code, which covers system planning, sector oversight, generation dispatch, protection and metering standards, and other critical aspects of effective grid operations, as well as harmonization with regional market mandates.

In addition, support shall be provided for the development and implementation of a pro-poor connection policy, to support Sierra Leone's ambitious goals to increase access to electricity. The policy shall focus on providing affordable connections via targeted subsidies and/or payment plans, simplifying connection processes, and launching public awareness campaigns.

(B) *Planning Sub-Activity.*

The Planning Sub-Activity includes investments in legal and policy reform as well as capacity building for the planning unit (the "**Planning Unit**") within the Ministry of Energy's directorate, Electricity Sector Steering Committee technical assistance, as well as measures to improve the independence of the utilities and regulator. It includes the following elements.

The first element of the Planning Sub-Activity supports building capacity for sector planning. This includes funding to strengthen the Ministry of Energy's planning functions via an embedded advisory firm that shall provide training and guidance as the Planning Unit conducts its work, including the engagement of the utilities and other stakeholders. An output shall be the development and adoption of a comprehensive integrated resource plan, or master plan, for the sector, by the end of the Compact Term. The technical assistance is expected to result in the Planning Unit, together with the utilities and other relevant sector stakeholders, conducting its own demand forecast and modeling of generation, transmission, and distribution investment requirements, rather than relying exclusively on outside consultants. The integrated resource plan is also expected to incorporate climate, energy efficiency/demand management, and other objectives. This element shall also fund a regional power market supply study, which is intended to strengthen the Planning Unit's capabilities in developing and negotiating longer term import and export PPAs. The study's information is also expected to help Sierra Leone examine potential excess regional generation availability in future planning horizons, in order to acquire lower-priced power from WAPP.

The second element of the Planning Sub-Activity shall build on the work of the Threshold Program to increase GIS capacity across the sector by funding improved sector data management. It shall assist the Ministry of Energy with hosting sector GIS data and managing a shared GIS enterprise license among sector agencies. Support shall consist of data standardization and harmonization across agencies, capacity building across agencies, strengthening GIS licensing and management, and development of a GIS workflow to support sector integration in particular with EDSA and EGTC. The system is essential to support sector planning and management by the Ministry as well as the utilities. It is expected to be harmonized with the EDSA GIS system to support monitoring of customer management and loss reductions as well.

The third element of the Planning Sub-Activity shall support the Electricity Sector Steering Committee, which was formed during the Threshold Program to oversee implementation of the Sector Reform Roadmap, by funding liaison support, in the form of funding a staff employee or a consultant, to ensure the Electricity Sector Steering Committee tracks progress on the Sector Reform Roadmap. The Electricity Sector Steering Committee shall meet quarterly to coordinate the actions and activities of all partners (including sector donors and key participants) and its mandate shall evolve based on sector needs and priorities. The Electricity Sector Steering Committee shall be supported by a Technical Committee drawn from Electricity Sector Steering Committee member institutions (Ministry of Energy, Ministry of Finance, EDSA, and EGTC, EWRC and other entities) and may be organized into working groups.

(C) *Governance Sub-Activity.*

To strengthen sector governance, namely the performance of EWRC, EGTC, and EDSA boards of directors, the Governance Sub-Activity shall include funding for an in-depth needs assessment and governance action plan, and capacity building. The updated Sector Reform Roadmap highlights significant areas for improvement in these institutions' corporate governance and in other areas, relating to turnover, independence, due diligence, and the need for more enforcement relating to government institution payments.

(iii) MIIA Activity.

The Millennium Impact Infrastructure Accelerator ("**MIIA**") Activity improves the enabling environment for facilitating private sector investment in power in Sierra Leone. This Activity shall provide a more efficient, sustainable mechanism to identify, develop, and finance bankable, early-stage infrastructure projects, especially projects that are harder to prepare and fund. The MIIA Activity shall support early-stage project preparation, provide transaction advisory support, and de-risk private investment by securing membership for Sierra Leone in ATIDI. It shall also provide key professional services not otherwise available in Sierra Leone to help Sierra Leone leverage the PPPU during the Compact Term. This approach also leverages other relevant entities and initiatives (e.g., Transaction Support Fund and ICA), builds upon previous Threshold Program-funded efforts and other development partner investments, and harmonizes Sierra Leone's long-term institutional reform priorities with this Compact. The MIIA Activity is composed of three Sub-Activities: the ATIDI Membership Sub-Activity, the Project Preparation Sub-Activity, and the Transaction Advisory Sub-Activity, as detailed below.

(A) *ATIDI Membership Sub-Activity.*

The Africa Trade & Investment Development Insurance ("**ATIDI**") Membership Sub-Activity funds the full \$15 million cost of Sierra Leone becoming an ATIDI member, which de-risks private investment and thereby increases the bankability of the off-taker, EDSA. Under this membership, project developers can access de-risking instruments that make their projects more bankable, significantly improving the prospects for reaching financial close, and construction completion. The ATIDI is a multilateral financial institution registered under Article 102 of the Charter of the United Nations. ATIDI underwrites risks and issues guarantees on behalf of 21 member countries, and critically, unlike guarantee products from the World Bank or AfDB, ATIDI does not require a sovereign guarantee, would not constitute a financial liability to the Sierra Leonean government, and its exposure would not count against Sierra Leone's International Monetary Fund debt obligations. This makes it an attractive tool to increase the possibility of bringing IPP transactions, including IPP generation, to financial close. The range of ATIDI product offering includes political risk guarantees and comprehensive non-payment insurance for investors, lenders, and suppliers.

(B) *Project Preparation Sub-Activity.*

The Project Preparation Sub-Activity provides technical assistance to help develop bankable, high-impact project proposals from concept to close and connect such project proposals to sources of public and private financing, and establish a creditworthy candidate generation opportunity or a potential pipeline of generation projects for formal solicitation through competitive bid. This sub-activity also provides technical support to the PPPU necessary to



support successful, transparent, and market driven tender processes on top of early-stage project preparation support activities.

(C) *Transaction Advisory Sub-Activity.*

The Transaction Advisory Sub-Activity provides support to bring potential generation projects to financial close by providing international expertise and standard transaction processes to the PPPU in order to deliver transparent market-centered tenders. This could include legal and regulatory, technical, financial, and procurement advisory support for such transactions, and potentially also include financial advisory analysis with respect to ensuring the financial sustainability of MCC-funded generation investments after compact closure.

(iv) Cross-Cutting Capacity Activity.

The Cross-Cutting Capacity Activity invests in cross-cutting capacity in multiple sector institutions including utilities, the regulator, and Ministries. The Activity includes two Sub-Activities that address environmental management and climate change as well as gender and social inclusion.

(A) *Environmental & Social Sub-Activity.*

The Environmental & Social Sub-Activity is composed of two elements: the environmental management and climate element and the National Resettlement Policy implementation for the power sector element.

The environmental management and climate element of this sub-activity includes developing sector environmental, resettlement, climate change, and health and safety tools, capacity, guidelines, and coordination mechanisms across EDSA, EGTC, EPA, and MOE. Additionally, this sub-activity shall support policy reform and institutional capacity building to strengthen Sierra Leone's ability to meet its climate change objectives and integrate both climate resilience and GHG mitigation strategies into its core operations. An assessment of opportunities to improve climate change integration and management in the energy sector shall lead to the development of related guidelines and policy documents in line with Sierra Leonean government commitments on climate change mitigation and adaptation such as the nationally determined contribution, national climate change policy and action plan, and initial national adaptation plan and priorities set and controlled by Sierra Leone's EPA. This element's funding of capacity building shall cover measures for improving climate resilience of the grid by mapping and assessing vulnerabilities, improving technical specifications, and providing training. This shall include funding a watershed study to strengthen the capacity of the MOE and EGTC to understand and manage watershed vulnerabilities that may impact the performance of Sierra Leone's hydro power assets as climate change impacts occur in the years to come.

The National Development Induced Resettlement Policy and Act, the development of which was supported by the Threshold Program, follows international standards regarding resettlement and allows for a consistent and more equitable approach for those affected. The National Resettlement Policy implementation for the power sector element of the Cross-Cutting Capacity Activity shall support the Sierra Leone government in implementing the policy and specifically preparing energy sector stakeholders to comply with the policy. This element shall include training and mentoring for the Ministry of Development and Planning, as well as environmental, social, and resettlement staff at energy sector agencies and ministries.

(B) *Women in Energy Sub-Activity.*

The Women in Energy Sub-Activity addresses the need for improved gender equality among Sierra Leone's power sector institutions. A growing body of evidence suggests that having gender diversity in management positions is good for the performance of companies. In addition, Sierra Leone's Gender Equality Act (2022) requires both private and public sector institutions to ensure women account for 30 percent of employees and managers. This Sub-Activity supports EGTC, EDSA, MOE, and EWRC in the following areas: (1) conducting a participatory deeper-dive institutional diagnosis (gender audit) to identify opportunities for creating a more enabling and safe work environment for women and facilitating institutional transformation; (2) developing or updating existing policies that support gender and social inclusion including an anti-sexual harassment policy; (3) developing a gender and social inclusion action plan(s) with key performance indicators to support policy implementation; (4) capacity-building training to senior and mid-level management and staff to institutionalize attitudinal and behavioral changes; (5) potentially integrating a social-behavior-change approach into designing and implementing of trainings and other capacity-building activities; (6) strengthening the capacity of internal female employee groups such as EGTC's "Pink Helmets;" and (7) funding scholarship, internship, and mentoring opportunities for female STEM students and technical trainees to attract new talent to utilities and other power sector institutions. This sub-activity shall support organizing forums (e.g., annual women in energy conferences) for enhancing advocacy for advancing gender equality in the power sector, enabling women to share experiences through networking, and providing opportunities for establishing mechanisms for mutual support and strengthening partnerships. The sub-activity also shall seek to build a partnership with USAID's Engendering Utilities/Industries Program.

(b) Environmental and Social Mitigation Measures.

The Power Sector Reform Project does not involve any construction works, and it is not anticipated that the activities would result in any environmental, health or safety hazards. This includes the MIIA Activity, which does not directly invest in infrastructure. As such, the Power Sector Reform Project is classified as Category D following MCC Environmental Guidelines since it includes MIIA and shall require the establishment of an ESMS per Category D to ensure compliance with investments evaluated by MIIA. The bulk of the reform program, however, is mostly Category C per MCC's Environmental Guidelines. Under Category C, MCC reserves the right to require specific environmental and social impact studies, reporting, or training where relevant or where positive environmental and social impacts may be enhanced. In accordance with MCC's Environmental Guidelines, the Power Sector Reform Project shall support for EGTC and EDSA the development of Environmental and Social Management Systems, capacity building, and internal environmental and social units. Further, the MIIA Activity presents opportunities to incorporate environmental and social assessment and criteria into the scope of work for the transaction advisor, including screening and scoping of potential investments for environmental and social risks per the IFC Performance Standards. The environmental assessments of such screening and scoping, in addition to engineering studies, shall assist in derisking the IPP pipeline and facilitate private investment.

The Power Sector Reform Project shall relatedly support an improved enabling environment through legal, policy, and reform efforts to integrate renewable energy into national grids, enhance cost recovery in the energy sector, and improve the financial and regulatory capacity of key energy utilities. The Cross-Cutting Capacity Activity's focus on building the utilities'



capacity to better manage environmental, health and safety (“*EHS*”), resettlement and climate change risks associated with the functioning of the utilities. EHS procedures shall be built into the utilities’ systems to enable them to screen and manage risks such as occupational safety associated with maintenance and repair of the electrical grid. Among other things, the capacity of the utilities can be strengthened to enable Sierra Leone to meet its climate change objectives and integrate both climate resilience and GHG mitigation strategies into its core operations. As part of planning, capacity building may cover measures for improving climate resilience of the grid by mapping and assessing vulnerabilities, improving technical specifications, and providing training.

(c) Gender and Social Inclusion.

Technical assistance under the Tariff Reform and Regulation Sub-Activity seeks to improve the fairness, inclusiveness, and public participation of the energy regulatory process. This may include building the capacity of EWRC in the following areas: (i) developing their skills for enhancing inclusive community stakeholders’ engagement, primarily to inform them about tariff issues and building trust with communities; (ii) effectively managing consumers’ complaints including the need for installing IT infrastructure; (iv) strengthening the capacity of EWRC representatives in three towns outside of Freetown; and (v) support in developing pro-poor regulations. It may also include training on tariff setting provided to consumer advocacy groups.

Within the Legal and Policy Reform Sub-Activity of the Planning and Policy Activity, support shall be provided for the development of a pro-poor connection policy to support Sierra Leone’s ambitious goals to increase access to electricity. The policy shall focus on providing affordable connections via targeted subsidies and/or payment plans, simplifying connection processes, and launching a public awareness campaign.

Within the Women in Energy Sub-Activity of the Cross-Cutting Capacity Activity, the Program shall, amongst other elements described earlier, conduct a gender audit of EGTC, EDSA, the MOE, and EWRC, and support efforts of EDSA, EGTC and other power sector institutions to comply with the requirements of the “Gender Equality and Women’s Empowerment Act, 2022” which requires all institutions to have 30 percent women in employment and leadership positions.

(d) Donor Coordination.

MCC coordinated closely with U.S. government agencies throughout compact development, including USAID, whose coordination is described in the next section. As a prominent example, the DFC is providing debt financing of up to \$292 million for a 105-Megawatt Liquid Natural Gas (LNG) baseload power generation plant in Freetown, and the IFC is backing the LNG supplier for such LNG power generation plant with the vision of establishing an LNG terminal in Sierra Leone’s natural deepwater port. Compact development also benefitted from power sector pre-feasibility work funded by the U.S. Trade and Development Agency (“*USTDA*”).

The broader donor community in Sierra Leone has also coordinated with MCC and continues to meet as a collaborative group on a regular basis. With approximately \$10 million in annual power sector funding, the World Bank is currently the largest donor in the power sector and co-chairs the Electricity Sector Steering Committee with the Ministry of Energy, and MCC has coordinated with the World Bank as well as its IFC unit. Both the IFC and DFC are supporting

increased LNG-based power generation. MCC additionally coordinated with governmental donors of other countries including FCDO, the EU, and JICA.

Further, MCC has coordinated with GEAPP, a nongovernmental donor, who is expected to fund technical assistance to the Electricity Sector Steering Committee as well as distributed renewable energy, including interconnected mini-grids and battery energy storage systems (BESS).

(e) USAID.

While USAID's current and medium-term portfolio in Sierra Leone is focused on the health sector, USAID's Power Africa office offered to make transaction advisors available during the Compact Term that would complement the MIIA Activity.

The Women in Energy Sub-Activity shall seek to build a partnership with USAID's Engendering Utilities/Industries Program. That program found that 80 percent of businesses and utilities that employed programs to enhance female participation reported improved business performance, and some participants directly attributed improved gender equality in their workplace with reduced revenue loss, greater employee retention, and positive reputational gains. Such information and experience may complement the work of the Women in Energy Sub-Activity described earlier.

(f) Sustainability.

The Power Sector Reform Project is intended to have sustainable impact, meaning long-term and measurable change in the reduced need for subsidy from the Sierra Leonean government to the power sector; transparent financial flows among sector stakeholders; improved institutional technical capacity; improved institutional coordination; the maintenance of appropriate sector governance; and greater progress on the expansion of the sector according to integrated resource plans developed and updated by the Sierra Leonean government and utilities on a regular basis. The cross-cutting activities target measurable and long-term improvements in environmental, social, health and safety performance and in gender and social equity. The Project is designed to achieve sustained change via embedded technical assistance and a learning-by-doing approach, as well as improvements to key laws, policies, and regulations driving electricity market operations.

(g) Policy, Legal, and Regulatory Reforms.

Several policy and institutional reforms were identified as critical to improving the performance and governance of Sierra Leone's power sector, and to putting it on a more certain path toward financial sustainability. These reforms, as outlined in the Sector Reform Roadmap, are expected to be completed as a result of or in parallel with the implementation of the Power Sector Reform Project. The reform-related elements include operationalization of the Independent Collections Account, addressing government arrears to EDSA, development of a final grid code, continuing progress on implementing a Sector Reform Roadmap and tariff reform, and addressing EWRC budget needs.

The Power Sector Reform Project is also expected to provide technical assistance to support additional key reforms that shall result in an amended and restated PPA between EGTC and EDSA, who shall each have EWRC-issued licenses, which shall more robustly cover the relationship between EGTC and EDSA and accurately reflect the separated disposition of assets,

arrears, and business lines between them. In addition, the Power Sector Reform Project shall support improved governance at EWRC and the utilities by updating board member qualifications and selection and providing board training. Further, the Project shall fund development of an updated sector master plan (integrated resource plan) by the Ministry of Energy, with embedded support, and fund improved customer care, asset management, and commercial loss reduction at EDSA.

## **C. IMPLEMENTATION FRAMEWORK**

### **1. MCA-Sierra Leone**

#### **(a) Independence and Autonomy.**

MCA-Sierra Leone shall have operational and legal independence and full decision-making autonomy that is not subject to repeal or veto by any other Sierra Leonean government entity. This includes, among other things, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish bank accounts with financial institutions in its own name and hold MCC Funding and the Country Contribution in those accounts separate from any Sierra Leone government treasury account, (iv) expend MCC Funding and the Country Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Sierra Leone shall be set forth in more detail in the constitutive documents and internal regulations of MCA-Sierra Leone which must be in form and substance satisfactory to MCC and in accordance with any related MCC policies.

MCA-Sierra Leone shall be governed and managed by a board of directors (the “**Board of Directors**”) and an operations unit (the “**Operations Unit**”). Consistent with the principles declared in Sierra Leone’s Gender Equality Women’s Empowerment Act of 2022 and the MCC Gender Policy, MCA-Sierra Leone shall use reasonable efforts to ensure that its Board of Directors and staff within the Operations Unit are diverse, with women and other excluded populations represented in leadership and governance positions.

#### **(b) Board of Directors.**

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Sierra Leone, as well as the overall implementation of the Program. The Board of Directors shall comprise nine (9) voting members. As of the date hereof, the voting members of the Board of Directors shall include:

- Vice President (Chair)
- Minister of State, Office of the Vice President
- Minister of Finance
- Minister of Energy
- Minister of Planning and Economic Development
- Minister of Gender and Children’s Affairs
- Private sector (one representative)
- Civil society (two representatives)

The number and composition of voting members may be changed through amendments to and in accordance with MCA-Sierra Leone's constitutive documents and internal regulations with MCC's approval. The non-government members shall be selected in accordance with the Governance Guidelines. In addition, MCC's resident country director in Sierra Leone and the MCA-Sierra Leone CEO shall serve as observers to the Board of Directors.

(c) Operations Unit.

The Operations Unit consists of the employees of MCA-Sierra Leone who have responsibility for the day-to-day activities and operation of the Program and for assisting the Board of Directors with implementing the Program. The Operations Unit shall be led by an executive team comprising the chief executive officer and the directors and officers as agreed between the Parties, and further staffed with additional employees to support the executive team and enable the Operations Unit to execute its role and responsibilities. All employees of the Operations Unit shall be selected through an open, competitive, and non-discriminatory recruitment and selection process and shall be exempt from the Government of Sierra Leone Civil Service Code, Regulations and Rules 2009.

The Operations Unit shall be assisted by a management oversight social and environmental services consultant (the "**MOSES Consultant**") which shall supplement MCA-Sierra Leone's project management capacity, including with respect to contractor management, risk mitigation, procurement, document management support, FIDIC expertise, implementation progress tracking against an agreed plan, and optimizing operations. The MOSES Consultant shall also supplement MCA-Sierra Leone's capacity to manage potentially significant environmental and social impacts. The MOSES Consultant shall support MCA-Sierra Leone staff in preparing the Environmental and Social Management System, and in ensuring that Environmental and Social Impact Assessments, Environmental and Social Management Plans, and Resettlement Action Plans are properly developed and implemented.

**2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, Sierra Leone intends to engage one or more governmental entities of Sierra Leone to assist with implementing one or more Projects or Activities (or a component thereof) (each, an "**Implementing Entity**"). The appointment of any Implementing Entity shall be subject to review and approval by MCC. MCA-Sierra Leone and the relevant Implementing Entity shall sign an agreement, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Implementing Entity and other appropriate terms (each an "**Implementing Entity Agreement**").

**3. Fiscal Agent and Procurement Agent.**

Unless MCC approves otherwise in writing, Sierra Leone shall engage a firm with expertise in financial management and reporting to serve as fiscal agent (the "**Fiscal Agent**"), and an individual or firm with expertise in public procurement and contract management to serve as procurement agent (the "**Procurement Agent**"). It is expected that the Fiscal Agent and Procurement Agent, respectively, shall assist Sierra Leone to ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the

principles, rules, and procedures set out in this Compact and related MCC policies, procedures, or guidance. The duties of the Fiscal Agent and Procurement Agent, respectively, shall include those set forth in the Program Implementation Agreement, as well as those set forth in the respective agreements, each in form and substance satisfactory to MCC, entered into between Sierra Leone and each agent.



**ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

A multi-year financial plan summary ("***Multi-Year Financial Plan Summary***") for the Program is attached to this Annex II as Exhibit A. By such time as specified in the Program Implementation Agreement, Sierra Leone shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Country Contribution, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

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**EXHIBIT A TO ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

(USD)

Component	Pre-EIF Mobilization	Year 1	Year 2	Year 3	Year 4	Year 5	MCC Total
<b>Transmission Backbone Project</b>	<b>\$11,102,000</b>	<b>\$33,010,000</b>	<b>\$48,764,500</b>	<b>\$58,203,500</b>	<b>\$46,833,000</b>	<b>\$28,789,000</b>	<b>\$226,702,000</b>
Transmission Dispatch Centers Activity	\$717,000	\$3,265,000	\$5,017,000	\$6,061,000	\$5,253,000	\$3,134,000	\$23,447,000
Southern Transmission Corridor Activity	\$9,480,000	\$25,430,000	\$36,080,000	\$43,280,000	\$35,140,000	\$21,490,000	\$170,900,000
Bumbuna-Freetown Line Upgrade Activity	\$490,000	\$3,360,000	\$5,280,000	\$6,520,000	\$5,530,000	\$3,210,000	\$24,390,000
EGTC Capacity Building Activity	\$415,000	\$955,000	\$2,387,500	\$2,342,500	\$910,000	\$955,000	\$7,965,000
<b>Distribution &amp; Access Project</b>	<b>\$6,084,000</b>	<b>\$16,375,000</b>	<b>\$25,922,500</b>	<b>\$32,097,500</b>	<b>\$26,110,000</b>	<b>\$17,045,000</b>	<b>\$123,634,000</b>
Distribution Dispatch Centers Activity	\$2,254,000	\$5,190,000	\$6,930,000	\$7,800,000	\$5,310,000	\$3,070,000	\$30,554,000
Distribution Refurbishment Activity	\$1,735,000	\$5,870,000	\$8,940,000	\$11,500,000	\$10,040,000	\$6,250,000	\$44,335,000
Access Activity	\$1,050,000	\$3,230,000	\$4,840,000	\$5,500,000	\$6,590,000	\$5,640,000	\$26,850,000
EDSA Capacity Building Activity	\$1,045,000	\$2,085,000	\$5,212,500	\$7,297,500	\$4,170,000	\$2,085,000	\$21,895,000
<b>Power Sector Reform Project</b>	<b>\$4,390,000</b>	<b>\$18,687,500</b>	<b>\$9,736,250</b>	<b>\$8,652,500</b>	<b>\$6,766,250</b>	<b>\$2,257,500</b>	<b>\$50,490,000</b>
Financial Sustainability Activity	\$1,900,000	\$1,597,500	\$2,341,250	\$1,507,500	\$681,250	\$272,500	\$8,300,000
Policy & Planning Activity	\$920,000	\$950,000	\$2,550,000	\$2,300,000	\$2,000,000	\$1,700,000	\$10,420,000
MIIA Activity	\$750,000	\$15,000,000	\$3,135,000	\$3,135,000	\$3,230,000		\$25,250,000
Cross-Cutting Capacity Activity	\$820,000	\$1,140,000	\$1,710,000	\$1,710,000	\$855,000	\$285,000	\$6,520,000
<b>Monitoring &amp; Evaluation</b>	<b>\$300,000</b>	<b>\$480,000</b>	<b>\$930,000</b>	<b>\$2,320,000</b>	<b>\$1,820,000</b>	<b>\$1,950,000</b>	<b>\$7,800,000</b>
Monitoring and Evaluation	\$300,000	\$480,000	\$930,000	\$2,320,000	\$1,820,000	\$1,950,000	\$7,800,000
<b>Program Administration &amp; Control</b>	<b>\$20,382,000</b>	<b>\$9,304,000</b>	<b>\$9,423,000</b>	<b>\$9,672,000</b>	<b>\$9,938,000</b>	<b>\$13,324,000</b>	<b>\$72,043,000</b>
Program Administration	\$18,222,000	\$7,284,000	\$7,403,000	\$7,652,000	\$7,918,000	\$10,610,000	\$59,089,000
Fiscal Agent	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,334,000	\$6,334,000
Procurement Agent	\$1,000,000	\$900,000	\$900,000	\$900,000	\$900,000	\$1,200,000	\$5,800,000
Audit	\$160,000	\$120,000	\$120,000	\$120,000	\$120,000	\$180,000	\$820,000
<b>Total MCC Funding</b>	<b>\$42,258,000</b>	<b>\$77,856,500</b>	<b>\$94,776,250</b>	<b>\$110,945,500</b>	<b>\$91,467,250</b>	<b>\$63,365,500</b>	<b>\$480,669,000</b>
<b>Country Contribution</b>	<b>\$10,000,000</b>	<b>\$4,200,000</b>					<b>\$14,200,000</b>
<b>Sum of MCC Funding and Country Contribution</b>	<b>\$52,258,000</b>	<b>\$82,056,500</b>	<b>\$94,776,250</b>	<b>\$110,945,500</b>	<b>\$91,467,250</b>	<b>\$63,365,500</b>	<b>\$494,869,000</b>

## ANNEX III

### COMPACT MONITORING & EVALUATION FRAMEWORK

This Annex III outlines the monitoring and evaluation (“*M&E*”) framework for this Compact, which shall be further elaborated in an M&E plan (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by the Parties in accordance with the *Policy for Monitoring and Evaluation of Compact and Threshold Programs* (the “*M&E Policy*”). The M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

#### 1. Objective

MCC and Sierra Leone shall formulate and agree to, and Sierra Leone shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Sierra Leone shall: (i) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (ii) evaluate the achievement of intended results for accountability and learning (“*Evaluation Component*”). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as the Indicators and complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any M&E requirements that MCA-Sierra Leone must meet in order to receive Disbursements and shall serve as a communication tool so that MCA-Sierra Leone staff and other stakeholders clearly understand the Project Objectives and Targets that MCA-Sierra Leone is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Sierra Leone and on the MCC Website.

#### 2. Project Logic Diagrams

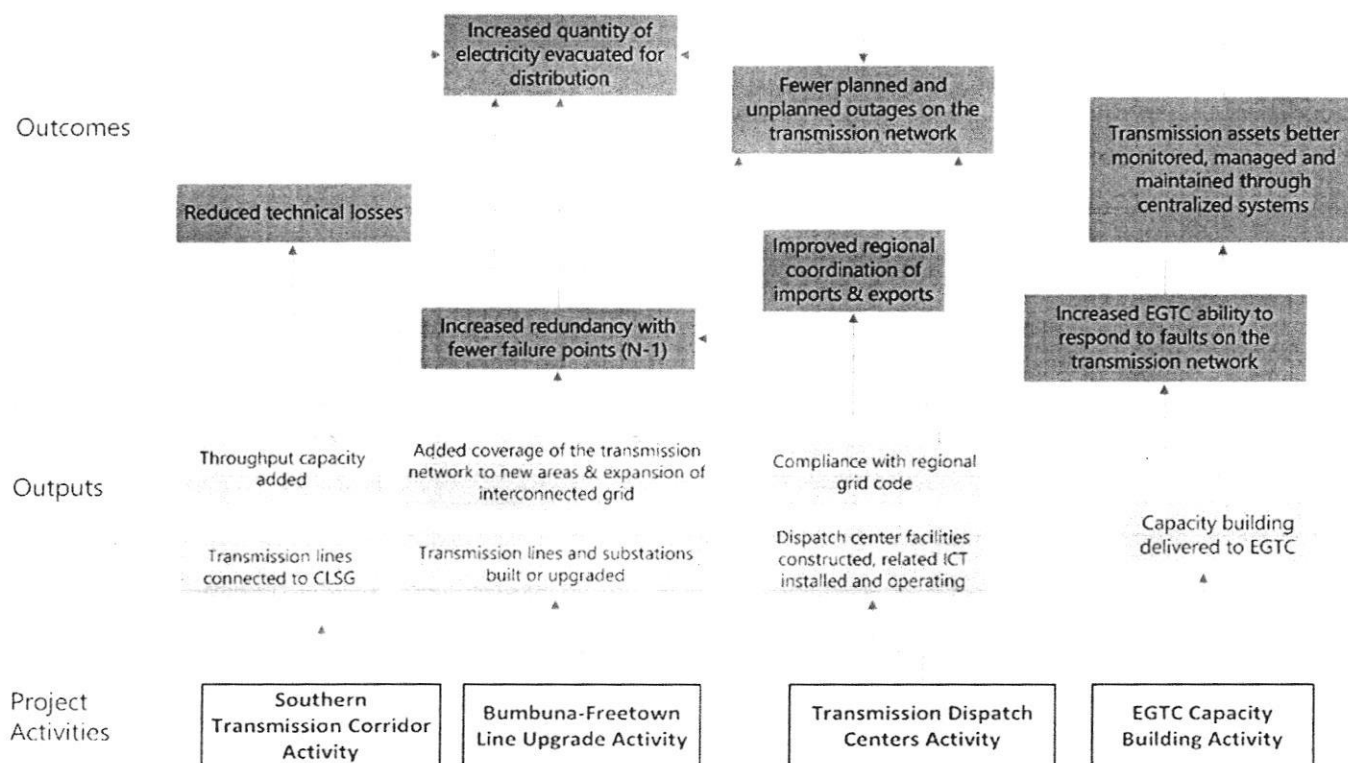
The M&E approach for each Project is built on the project logic diagram, which illustrates the cause-and-effect theory of how a Project’s interventions work together to achieve the Project Objective and details key intermediate results expected along the way. The project logic diagram provides a graphical representation of the Project as described in Section B of Annex I of this Compact and of the impacts targeted by the Project as described below in the section titled *Projected Economic Benefits and Beneficiaries*.

The project logic diagrams for the Program are as follows:

## Project 1: Transmission Backbone Project Logic

# Transmission Backbone Project

**Project Objective:** Increased coverage and reliability of the transmission network with modern, centralized system operations, increasing electricity evacuated to meet demand

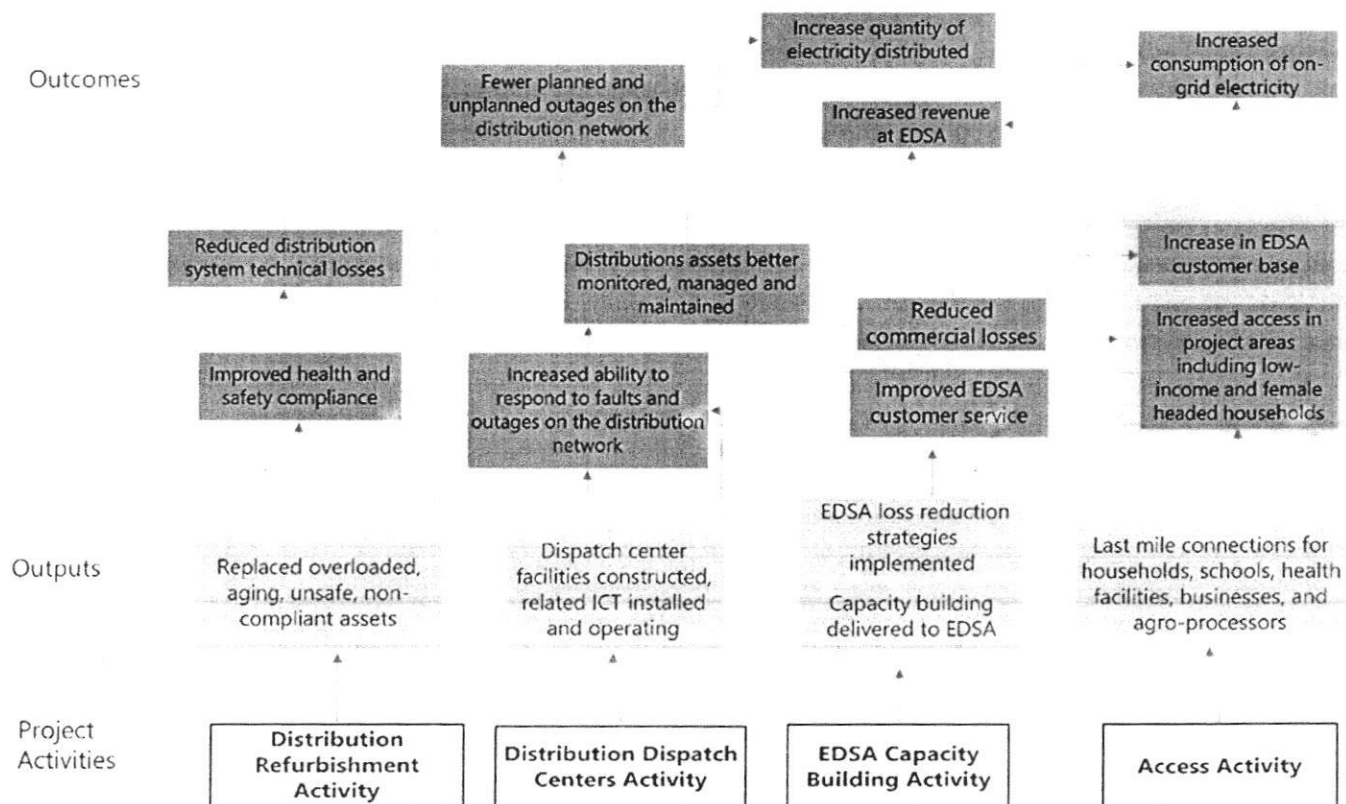


Problem: Limited evacuation capacity of an unreliable, vulnerable (climate and others) transmission network with low coverage

## Project 2: Distribution and Access Project Logic

### Distribution and Access Project

**Project Objective: Increased reliable delivery and consumption of electricity in Sierra Leone, while reducing barriers to access in selected communities**



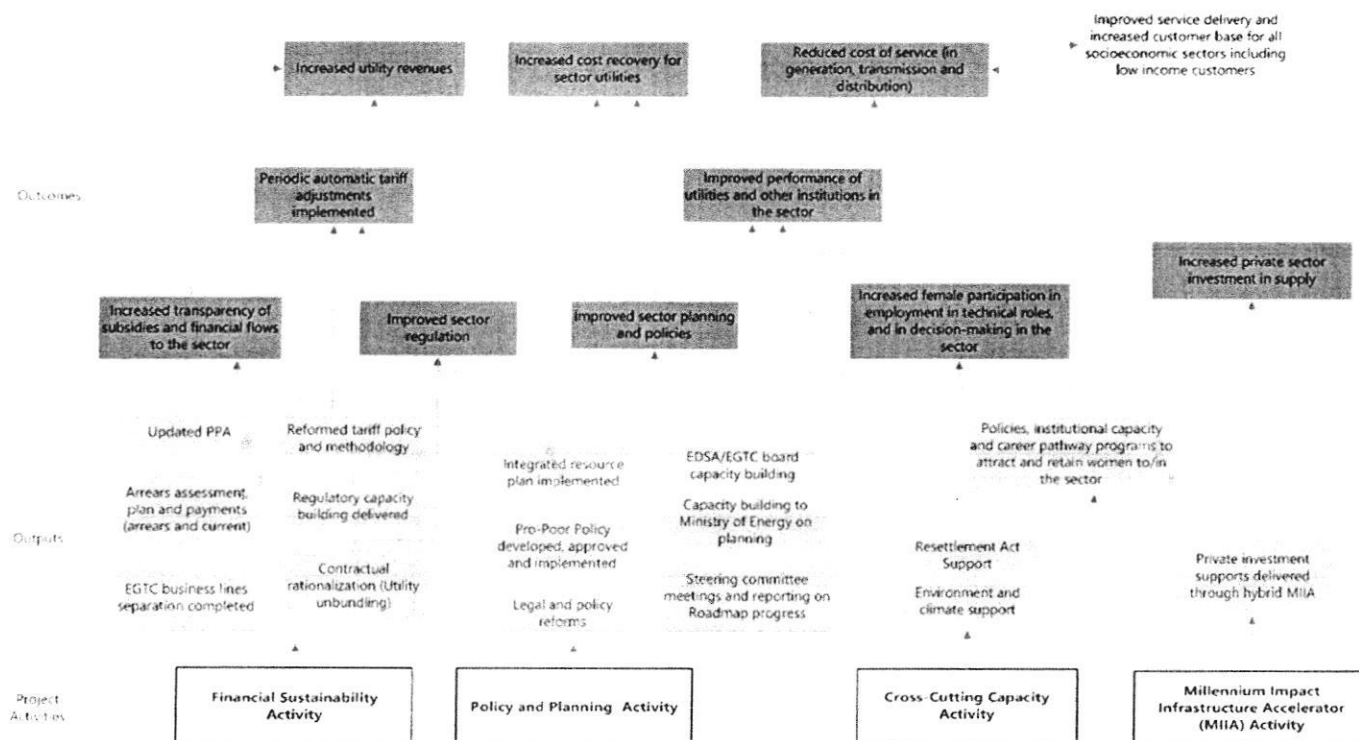
Problem: Limited distribution network coverage with low, unreliable, and inequitable grid access in covered areas and barriers to increased consumption with weak institutional capacity



## Project 3: Power Sector Reform Project Logic

### Power Sector Reform Project

**Project Objective:** Improved financial sustainability of the electricity sector in Sierra Leone that enables the sector to expand and satisfy more demand at lower cost



Problem: Financially unsustainable electricity sector

### 3. Projected Economic Benefits and Beneficiaries

The economic analysis of compact programs aligns with the theory reflected in the project logic diagrams. It consists of a cost-benefit analysis, which is summarized by an estimated economic rate of return (ERR), and a beneficiary analysis. The economic analysis informs the Indicators for each Project and is summarized below.

#### 3.1. Projected Economic Benefits

Cost-Benefit Analysis (CBA) is completed to determine whether project costs are justified by the estimated economic benefits that can be attributed to the Project. The underlying economic logic of the CBA model uses the same fundamental logic as depicted in the project logic diagrams above. Additionally, several of the variables included in the model become key Indicators to monitor the Project(s) and evaluate whether each Project achieved its objective as set forth in Section 1.2 of this Compact, as well as determining its cost effectiveness. The model includes estimated benefits and the total estimated costs to reach those intended benefits, whether costs are incurred by MCC, Sierra Leone, another donor, or another entity. These are typically examined over a 20-year period, unless noted otherwise. The key benefit streams included in the model are:

- (1) increased consumption of electricity by new and existing users,
- (2) increased reliability of electricity (e.g. a reduction in total hours of outages per year), and
- (3) reductions in the cost of providing electrical service (e.g. cost savings to the utilities).

Consumption and reliability benefits are valued using Willingness to Pay measures or estimates of averted costs, as appropriate. The “reduced cost of service” benefit stream is reflected directly as reduced costs on the cost-side of the CBA model.

The initial estimate for the overall compact ERR is 10.3%, although this estimate is highly sensitive to assumptions (made under significant data limitations) about the current status and future trajectory of the electricity sector. More pessimistic assumptions can easily pull the ERR down close to zero, while more optimistic assumptions can increase the ERR. MCC shall continue refining its assessment of the compact’s impact as new sector data becomes available during the design phase. This sensitivity also highlights the importance of our Power Sector Reform Project and capacity building activities which aim to support sector institutions and utilities in avoiding the more pessimistic sector outcomes and achieving the more optimistic sector reform trajectories.

All three Projects target various components of the interconnected electricity grid in Sierra Leone and/or its supporting institutions. Accordingly, components and activities are often highly interconnected across Projects, with varying degrees of cross-Project dependencies and complementarities. The CBA model reflects this by modelling the benefits and costs from all three Projects in a single model that aims to capture many of the key complementarities and dependencies. While this approach is the most accurate way to estimate an overall compact ERR given highly interconnected Projects, it does not produce independent and separable Project-level ERR estimates—which would be difficult to interpret given the dependencies between the Projects. The model can however calculate *marginal ERRs* to assess specific scope or design

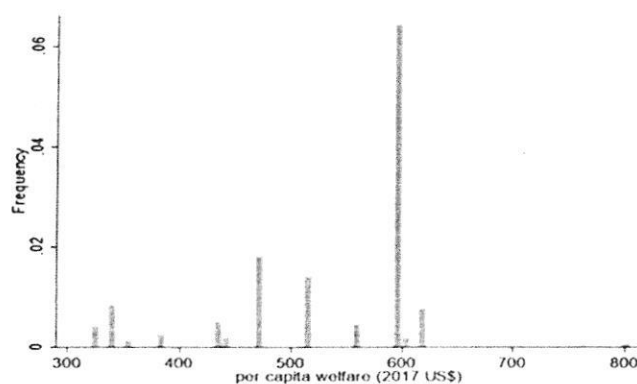
decisions (e.g., an ERR reflecting the marginal costs and benefits of adding, removing, or modifying specific activities) and these *marginal ERRs* can be used to inform Project design as well as support monitoring activities and decision-making during implementation.

### 3.2. Projected Program Beneficiaries

The Program is projected to benefit a total of 4.6 million people. Given the dependencies and complementarities across the different Projects, Project-specific beneficiary breakdowns are not feasible.

The beneficiary count derives from high-resolution National Online Digital Electrification platform data on nationwide inhabitation intersecting with the catchment areas of MCC investments in transmission and distribution. To obtain the poverty characteristics of these beneficiaries, the analysis assigns the district-specific average income of all urban inhabitants—these data come from 2018 Sierra Leone Integrated Household Survey—to the inhabitants in each catchment. The analysis assumes all beneficiaries are urban due to the likely locations of the power investments.

From the analysis above, the average annual per capita income of the Program's beneficiary is \$530 (measured in 2017 US\$), corresponding to the 7<sup>th</sup> decile of the income distribution. Approximately 28% of all beneficiaries fall below the country's National Poverty Line. The income distribution of all beneficiaries appears in the histogram below. The large spike around \$600 corresponds to the inhabitants of Western Area peninsula, the country's largest population center and where many of the investment's transmission and distribution improvements shall be experienced.



Income distribution of project beneficiaries

## 4. Monitoring Component

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to measure progress toward Project Objectives and the achievement of intermediate results along the way. The Monitoring Component of the M&E Plan summarizes

the monitoring strategy to monitor progress toward achieving the results of this Compact, which requires identifying the: (i) Indicators, (ii) definitions of the Indicators, (iii) Baselines and Targets, (iv) sources and methods for data collection, (v) frequency for data collection, (vi) reporting requirements, including the party or parties responsible for collecting, analyzing, and reporting relevant data, along with the process and timeline for reporting on each Indicator to MCC, and (vii) approach to assessing and ensuring data quality. It should be noted that the cost-benefit analysis was produced at a later date and thus is not reflected in this set of Indicators. Also, some Indicators shall continue to be tracked after the Compact Term as necessary.

4.1. Indicators. The M&E Plan shall measure the results of the Program using quantitative or qualitative variables that provide a simple and reliable means to measure achievement of targeted results ("**Indicators**").

4.1.1. Definitions.

The M&E Plan shall establish definitions for every Indicator. Indicator definitions should be operationally precise, such that they can be consistently measured across time and by different data collectors. There should be no ambiguity about what is being measured, how to calculate it, what or who the sample is, or how to interpret the results.

4.1.2. Baselines.

The M&E Plan shall document baselines for every Indicator (each a, "**Baseline**"). An Indicator's Baseline should be established prior to the start of the corresponding Project, Activity and/or sub-activity. Baselines demonstrate that the problem can be specified in measurable terms and thus are a pre-requisite for adequate intervention design. Sierra Leone shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

4.1.3. Targets.

The M&E Plan shall document for each Indicator the expected value and the expected time by which the corresponding result shall be achieved ("**Target**").

4.1.4. Disaggregation of Indicators.

The M&E Plan shall indicate which Indicators shall be disaggregated by sex, income level, age, and other relevant subgroups to the extent practical and applicable.

4.1.5. Indicator Levels.

The M&E Plan shall include Indicators at the following levels: outcome, output, process, and risk/assumption, as defined in the M&E Policy.

4.1.6. Common Indicators.

MCC's Common Indicators (as described in the M&E Policy) shall also be included as relevant. Additional guidance on Indicator reporting is contained in the *Guidance on Common Indicators*.

4.1.7. Modifications of Indicators and Targets.

Subject to prior written approval from MCC and in accordance with the M&E Policy, Sierra Leone may add or retire Indicators or refine the definitions, Targets, or other aspects of existing Indicators.

#### 4.1.8. Indicator Tracking Table.

MCA-Sierra Leone must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table ("*ITT*") in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in accordance with the M&E Policy. Additional guidance on indicator reporting is contained in the *QDRP Policy* and the *Guidance on the Indicator Tracking Table*.

The M&E Plan shall contain the monitoring Indicators listed in Tables 1.1, 1.2, 1.3, and 1.4.

### **5. Evaluation Component**

While good program monitoring is necessary for program management, it is not sufficient for assessing the achievement of intended results. MCC therefore requires the use of evaluation as a complementary tool to better understand the effectiveness of its programs. As defined in the M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation, and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes.

5.1. Independent Evaluations. Every Project must undergo a comprehensive, independent evaluation in accordance with the M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators.

For each independent evaluation, MCA-Sierra Leone (or, after the Compact Term, such other entity of Sierra Leone designated to support post-program M&E activities) is expected to review and provide feedback to independent evaluators on the evaluation materials and reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate. The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

The following evaluations are planned for the Program:

#### **Project 1: Transmission Backbone Project**

The Transmission Backbone Project is expected to be evaluated through a performance evaluation. The evaluator shall assess the extent to which the addition of transmission lines and substations improve the reliability of the network, how effectively the transmission network is managed and maintained and whether there are fewer faults on the network. It is expected that the completion of the central dispatch centers shall increase the availability of reliable administrative data that can contribute to the evaluation. Along with the Indicators



listed in Table 1.1, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project increase coverage and capacity of the transmission network, and did the Project improve modernized transmission operations in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

### **Project 2: Distribution and Access Project**

The Distribution and Access Project is expected to be evaluated through a performance evaluation that assesses the Project Objective related to distribution system level improvements such as reliability and benefits across different subgroups in Sierra Leone. Along with the Indicators listed in Table 1.2, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project increase reliable delivery and consumption of electricity in Sierra Leone, with reductions of barriers to access in selected communities in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

### **Project 3: Power Sector Reform Project**

The Power Sector Reform Project is expected to be evaluated through a performance evaluation. The evaluation shall assess the impact of the Project activities on achievement of the Project objective. Along with the Indicators listed in Table 1.3, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project improve the financial sustainability of the electricity sector in Sierra Leone that enables the sector to expand and satisfy more demand at lower cost in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

To facilitate the evaluations, Sierra Leone shall share with MCC any necessary data, documentation, or other information required to assess the achievement of results targeted by the Program. This shall include, but is not limited to, copies of annual financial statements, disaggregated statistical data, and relevant administrative data. All such information provided by Sierra Leone for evaluation purposes shall be de-identified and/or generalized in reporting, such that sensitive details shall not be made public. More detailed information on required data sources to be provided by Sierra Leone shall be set forth in the M&E Plan.

## **6. Data Quality Reviews.**

Data Quality Reviews (“**DQR**”) are a mechanism to review and analyze the quality and utility of performance information. They cover all data reported in the ITT, and all primary sources that feed into that reporting. DQRs may be conducted internally by MCA-Sierra Leone and MCC M&E staff, or by a third-party. DQRs should review data against the following standards: accuracy, consistency, timeliness, and transparency. The frequency and timing of DQRs must be set forth in the M&E Plan; however, in addition to a pre-implementation DQR, at least one DQR is required during implementation, and MCC may request a DQR at any time. DQRs should be timed to occur once the ITT reflects several quarters of reporting but early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review.

## **7. Other Components of the M&E Plan.**

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

### **7.1. Implementation and Management of M&E.**

#### **7.1.1. Review and Modification of the M&E Plan.**

This section describes the approach to ensuring the M&E Plan is kept as current as possible, including how often the M&E Plan is expected to be reviewed and modified in accordance with the M&E Policy. All major modifications and the justifications therefor are documented in an annex to the M&E Plan and must be submitted to and approved by the board of directors of MCA-Sierra Leone. All M&E Plan modifications, whether major or minor, proposed by MCA-Sierra Leone must be submitted to MCC for prior written approval.

#### **7.1.2. Post Compact Responsibilities.**

Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Sierra Leone shall identify the individuals and organizations within Sierra Leone that shall support these activities through completion. This section describes the M&E responsibilities of MCA-Sierra Leone during the Program’s closure period and of MCC, Sierra Leone, and any other relevant entities after the Program has ended.

**7.2. Budget.** The budget for implementing the proposed M&E activities for the term of the Program is set forth in Annex II to this Compact. The M&E budget does not include costs for the salaries of the M&E staff in the MCA-Sierra Leone or field visits, both of which are included in the administrative budget of the Program.

## 8. Responsibility for Developing the M&E Plan.

Responsibility for developing the M&E Plan lies with the M&E Director of MCA-Sierra Leone with support and input from MCC's M&E and economic staff. MCA-Sierra Leone leadership and sector leads, Sierra Leone stakeholders, the MCC Resident Country Mission in Sierra Leone, and other MCA-Sierra Leone and MCC staff (such as cross-cutting leads) shall assist with the development of the M&E Plan. MCC and MCA-Sierra Leone Project/Activity leads are expected to: (i) guide the selection of Indicators for results that do not yet have an associated Indicator, (ii) support the refinement of indicator information, and (iii) review the Baseline and Target for each Indicator.

## 9. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as modified from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the M&E Policy and associated guidance documents. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

### Table 1.1: Indicators

The table below lists the preliminary set of monitoring and evaluation Indicators linked to each result in the project logic diagrams. Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

Table 1.1: Transmission Backbone Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
<b>Outcome Indicators</b>						
<b>Objective:</b> Increased coverage and reliability of the transmission network with modern, centralized system operations	Total electricity transmitted	Total Megawatt hours transmitted to EDSA per year  Disaggregated by season and line segment	Megawatt hours	TBD	TBD	Y
Reduced technical losses	Transmission system technical losses (P-18)	1- (Total megawatt hours transmitted out from transmission substations / Total	Percentage	TBD	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
		megawatt hours received from generation to transmission substations)				
Fewer unplanned outages and more rational planned outages	Number of faults occurring on the transmission network	Total number of faults occurring on the transmission lines and at substations in a quarter	Number	TBD	TBD	Y
Increased redundancy with fewer failure points	TBD  This result requires further clarity to be able to identify an indicator	TBD  This shall likely relate to system redundancy between load centers (e.g., Freetown peninsula) and supply and being a backup for CLSG or 161 kV	TBD	TBD	TBD	Y
Increased EGTC ability to respond to faults on the transmission network	Length of outages	Quarterly average of the number of hours to resolve a fault from the time it is recorded to the time the issue is resolved	Hours	TBD	TBD	Y
Transmission assets better monitored, managed, and maintained	Maintenance expenditure	The amount of funds per year expended by the electric utility that are directed at conducting preventive, operational, or corrective maintenance and repairs to existing assets, rather than for the procurement or installation of new assets,	US Dollars	TBD	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
		equipment upgrades, or write-offs				
Improved regional coordination of imports & exports	Amount of electricity imported or exported	The total megawatt hours of electricity imported or exported per year  Disaggregated by Imports/exports	Megawatt hours	TBD	TBD	Y
<b>Output Indicators</b>						
Transmission lines and substations built or upgraded  Added coverage of the transmission network to new areas & expansion of interconnected grid	Kilometers of transmission lines upgraded or built (P-7)	The sum of linear kilometers of new, reconstructed, rehabilitated, or upgraded transmission lines that have been energized, tested, and commissioned with MCC support	Kilometers	Value: 0	Value: 244 Year: CED	Y
Transmission lines and substations built or upgraded	Transmission substation constructed	Number of transmission substations that have been built or upgraded and commissioned	Number	Value: 0	Value: 5 Year: CED	Y
Transmission line connected to CLSG	Completion of connection to the CLSG	Date on which STC line segment that connects to CLSG is completed	Date	N/A	TBD	Y
Throughput capacity added	Transmission throughput capacity added (P-8)	The increase in throughput capacity, measured in megawatts, added by new, reconstructed, rehabilitated, or upgraded transmission lines that have been energized, tested, and commissioned with MCC support	Megawatts	Value: 0	TBD	Y
Dispatch center facilities constructed,	Dispatch centers	All planned dispatch centers are	Date	N/A	TBD	Y



Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
related ICT installed and centers operating	established for transmission	constructed, equipment installed				
Compliance with regional grid code	Grid code compliance	Date on which capacity building is complete for sector staff on the formally adopted grid code	Date	N/A	TBD	Y
Capacity building delivered to EGTC	People trained in transmission system O&M	The number of EGTC staff or others working in the sector trained in technical management, operations, and maintenance of new and existing transmission assets	Number	Value: 0	TBD	Y

Table 1.2: Distribution and Access Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
<b>Outcome Indicators</b>						
<b>Objective:</b> Increased reliable delivery and consumption of electricity in Sierra Leone, while reducing barriers to access in selected communities	System Average Interruption Duration Index (SAIDI) (P-21)	Sum of durations, in customer-hours, of all customer interruptions in a quarter / Total number of customers connected to network in the same quarter <sup>1</sup>	Hours	TBD	TBD	Y

<sup>1</sup> Methods for calculation may vary slightly from this formula based on data availability and source.

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
<b>Objective:</b> Increased reliable delivery and consumption of electricity in Sierra Leone, while reducing barriers to access in selected communities	System Average Interruption Frequency Index (SAIFI) (P-22)	Sum of customer-interruptions in a quarter / Total number of customers connected to network in the same quarter <sup>2</sup>	Rate	TBD	TBD	Y
<b>Objective:</b> Increased reliable delivery and consumption of electricity in Sierra Leone, while reducing barriers to access in selected communities	Electricity consumption	The total Megawatt hours of electricity consumed annually  Disaggregated by customer type, project area and sex of household head	Megawatt hours	TBD	TBD	N
Reduced commercial losses	Distribution system losses (P-19)	1 – (Total megawatt hours billed / Total megawatt hours received from transmission)	Percentage	TBD	TBD	Y
Reduced distribution system technical losses  Reduced commercial losses	Aggregate Technical and Commercial Losses	Aggregate Technical and Commercial Losses = {1 – (Billing Efficiency X Collection Efficiency)} X 100. Energy Loss is (technical loss + theft)	Percentage	TBD	TBD	Y

<sup>2</sup> Methods for calculation may vary slightly from this formula based on data availability and source.

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
		+ billing inefficiency) and Commercial Loss (payment default + collection inefficiency)				
Increased ability to respond to faults and outages on the distribution network	Customer Average Duration Index (CAIDI)	Total minutes of customer interruption divided by the total number of customers interrupted	Minutes	TBD	TBD	Y
Improved health and safety compliance	Health and safety incidences	Number of health and safety incidences related to the distribution network statutory issues	Number	TBD	TBD	Y
Distributions assets better monitored, managed, and maintained	Maintenance expenditure	The amount of funds per year expended by the electric utility that are directed at conducting preventive, operational, or corrective maintenance and repairs to existing assets, rather than for the procurement or installation of new assets, equipment upgrades, or write-offs	US Dollars	TBD	TBD	Y
Improved EDSA customer service	Customer Satisfaction	Percentage of customers satisfied with customer service from EDSA  Disaggregated by customer type and sex	Percentage	TBD	TBD	N
Reduced commercial losses	Commercial losses (P-20)	Total distribution system losses minus	Percentage	TBD	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
		distribution technical losses				
Increased revenue at EDSA	Collection rate	(Trailing twelve months of total value of post-paid bills collected / Total value of bills issued for same customers in trailing twelve months) x 100	Percentage	TBD	TBD	Y
Increased revenue at EDSA	Total electricity sold	The total megawatt hours of electricity sales to all customer types  Disaggregated by customer type	Megawatt hours	TBD	TBD	Y
Increased revenue at EDSA	Electricity access in project areas	The population with effective access to on-grid electricity divided by the total population of the area x 100  Disaggregated by sex of head of household and project area	Percentage	Value: TBD	TBD	Y
<b>Output Indicators</b>						
Replaced overloaded aging, unsafe, non-compliant assets	Distribution substation capacity added (P-11)	The total added substation capacity, measured in megavolt amperes, that is energized, commissioned, and accompanied by a test report and supervising engineer's certification resulting from new construction or refurbishment of existing substations supported by MCC	Megavolt ampere	Value: 0	TBD	Y
Replaced overloaded aging, unsafe, non-compliant assets	Critical distribution equipment replaced/ refurbished	Number of critical distribution equipment replaced/ refurbished	Number	Value: 0	TBD	Y
Distribution dispatch center facilities constructed,	Dispatch centers established for distribution	All planned distribution dispatch centers are	Date	N/A	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
related ICT installed and operating		constructed, equipment installed				
EDSA loss reduction strategies implemented	Customer mapping	Customer mapping completed	Date	N/A	TBD	Y
Capacity building delivered to EDSA	People trained in distribution system O&M	The number of EDSA staff or others working in the sector trained in technical management, operations and maintenance of new and existing distribution assets, customer service and loss reduction  Disaggregated by sex	Number	Value: 0	TBD	Y
Last mile connections for households, schools, health facilities, businesses and agro processors  Increase in EDSA customer base	Customers added by project (P-12)	The number of new customers that have gained access to a legal connection to electricity service from an electrical utility or service provider as a direct output of an MCC-funded project or intervention  Disaggregated by customer types and sex	Number	Value: 0	TBD	Y



**Table 1.3: Power Sector Reform Project Indicators**

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
<b>Outcome Indicators</b>						
<b>Objective:</b> Improved financial sustainability of the electricity sector in Sierra Leone that enables the sector to expand and satisfy more demand at lower cost.  Improved performance of utilities and other institutions in the sector.  Increased utility revenues	Operating cost recovery ratio (P-24)	Total revenue collected / Total operating cost. Total operating cost is defined as operating expenses plus depreciation. (This shall be calculated separately for generation, transmission, and distribution)	Percentage	TBD	TBD	Y
Increased transparency of subsidies and financial flows to the sector	PPAs published	Number of PPAs signed that are published	Number	Value: 0	TBD	Y
Increased transparency of subsidies and financial flows to the sector	Collections account reporting	Number of annual financial statements /reports published	Number	Value: 0	TBD	Y
Increased transparency of subsidies and financial flows to the sector	Utility financial reporting	Annual utility financial statements/ performance reports published	Number	TBD	TBD	Y
Periodic automatic tariff adjustments implemented	Cost-reflective tariff regime (P-14)	Average tariff per kilowatt-hour / Long-run marginal cost per kilowatt-hour of electricity supplied to customers	Percentage	TBD	TBD	Y
Increased female participation in employment in technical roles,	Women in Energy participation	Number of women employed in technical and management	Number	Value: 0	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
and in decision-making in the sector		positions in the sector as a result of the Women in Energy program				
Increased private sector investment in generation supply	Projects financed	Number of bankable electricity generation projects financed under the MIIA Activity	Number	TBD	TBD	Y
Increased private sector investment in generation supply	Electricity generation supply	Total Megawatts of electricity generation capacity resulting from bankable generation projects financed as a result of the MIIA Activity	Megawatts	TBD	TBD	Y
<b>Output Indicators</b>						
Updated PPA	Updated PPA	Power purchase agreement between EGTC and EDSA updated	Date	N/A	TBD	Y
Arrears assessment, plan, and payments (arrears and current)	Arrears assessment	Date of acceptance of a plan for addressing arrears	Date	N/A	TBD	Y
EGTC business lines separation completed	EGTC business lines separation	Completion date of separation of EGTC accounting business lines	Date	N/A	TBD	Y
Contractual rationalization (Utility unbundling)	Contractual rationalization	Completion date of contractual rationalization (Utility unbundling) completed	Date	N/A	TBD	Y
Transmission tariff policy and tariff framework developed	Tariff framework developed	Completion of the updated tariff framework	Date	N/A	TBD	Y
Capacity building and MIS development to EWRC	People trained	Number of sector stakeholders trained in regulatory implementation, sector planning, and utility governance	Number	Value: 0	TBD	Y
Capacity building delivered to		Disaggregated by institution and sex				

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
Ministry of Energy  EDSA, EGTC Board capacity building						
Legal and policy reforms	Legal and policy reforms adopted	Number of legal and policy reforms adopted in the sector	Number	Value: 0	TBD	Y
Integrated resource plan implemented	Integrated resource plan implementation	Number of components in integrated resource plan implemented	Number	Value: 0	TBD	Y
Private investment supports delivered through hybrid MIIA	Pipeline of bankable projects	Number of bankable electricity generation projects in the pipeline	Number	TBD	TBD	Y
Steering committee meetings and reporting on Roadmap progress	Sector planning and steering committee supported	Sector planning and steering committee supported in sector planning and monitoring of sector roadmap	Date	N/A	TBD	Y
Pro-Poor Policy developed, approved, and implemented	Development and adoption of a Pro-Poor Policy	Date on which Pro-Poor Policy is adopted by Ministry of Energy	Date	N/A	TBD	Y
Policies, institutional capacity, and career pathway programs to attract and retain women to/in the sector	Development and adoption of anti-sexual harassment policy	Date on which Anti-sexual harassment policy is adopted by all sector utilities and institutions	Date	N/A	TBD	Y
Policies, institutional capacity, and career pathway programs to attract and retain women to/in the sector	Women in Energy internship and mentorship program participation	Number of females completing internship/mentorship program in the electricity sector	Number	Value: 0	TBD	Y
Resettlement Act Support	Climate and resettlement support	Date on which capacity building to sector institutions on	Date	N/A	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline	Final Target	ITT Indicator (Y/N)
Environment and climate support		climate change and resettlement is completed.				

**ANNEX IV**  
**CONDITIONS PRECEDENT**  
**TO DISBURSEMENT OF COMPACT FACILITATION FUNDING**

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Facilitation Funding (each a "**CFF Disbursement**"). Capitalized terms used in this Annex IV and not defined in this Compact shall have the respective meanings assigned thereto in the Program Implementation Agreement. Once the Program Implementation Agreement is signed, each CFF Disbursement shall be subject to all of the terms of the Program Implementation Agreement, except that the only conditions to disbursements of CFF shall continue to be those set forth in this Annex.

**1. Conditions Precedent to Initial CFF Disbursement.**

Unless waived or deferred by MCC in writing, each of the following conditions must be met to MCC's satisfaction before the initial CFF Disbursement:

- (a) Sierra Leone (or MCA-Sierra Leone) has delivered to MCC:
  - (i) an interim fiscal accountability plan acceptable to MCC;
  - (ii) a plan for procurements and grants acceptable to MCC;
  - (iii) an interim bid challenge system; and
  - (iv) an interim procurement operations manual.
- (b) Sierra Leone (or MCA-Sierra Leone) has hired the MCA-Sierra Leone Procurement Director or another individual, approved by MCC, to perform the duties of a procurement officer on behalf of Sierra Leone until such time as the MCA-Sierra Leone Procurement Director has been hired.

**2. Conditions Precedent to All CFF Disbursements.**

Unless waived or deferred by MCC in writing, each of the following conditions must be met to MCC's satisfaction before each CFF Disbursement, including the initial CFF Disbursement:

- (a) Sierra Leone (or MCA-Sierra Leone) has delivered to MCC a completed Disbursement Request covering the related Disbursement Period in accordance with the QDRP Policy.
- (b) If any proceeds of the CFF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that: (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.



- (c) Sierra Leone (or MCA-Sierra Leone) has engaged an entity or individual to provide fiscal agent services, as approved by MCC, until such time as Sierra Leone provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.
- (d) Sierra Leone (or MCA-Sierra Leone) has engaged an entity or individual to provide procurement agent services, as approved by MCC, until such time as Sierra Leone provides to MCC a true and complete copy of a Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.
- (e) MCC is satisfied, in its discretion, that: (i) no material default or breach of any covenant, obligation, or responsibility of Sierra Leone, MCA-Sierra Leone, or any other entity of Sierra Leone has occurred and is continuing under this Compact, the Program Implementation Agreement, or any other Supplemental Agreement; (ii) the activities to be funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating implementation of this Compact and shall not violate any applicable law or regulation; (iii) there has been no violation of, and the use of requested funds for the purposes requested shall not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date (ninety) 90 days prior to the start of the related Disbursement Period have been reimbursed by Sierra Leone in full in accordance with Section 2.8(c) of this Compact; and (v) Sierra Leone has satisfied all of its payment obligations, including any insurance, indemnification, tax payments, or other obligations, and contributed all resources required from it, under this Compact, the Program Implementation Agreement, and any other Supplemental Agreement.
- (f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7, MCC is satisfied, in its discretion, that:

- (i) MCA-Sierra Leone has made progress, satisfactory to MCC, on implementing activities for which funding is requested, including progress on each of the Principal Implementation Plans;
  - (ii) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require);
  - (iii) MCC does not have grounds for concluding that any matter certified to it in any certificated provided as part of the Disbursement Request is not as certified; and
  - (iv) each of the Key Staff of MCA-Sierra Leone remain engaged, or if a position is vacant, MCA-Sierra Leone is actively engaged, to MCC's satisfaction, in recruiting a replacement.
- (g) the United States has not determined that an act, omission, condition, or event has occurred that would be the basis for it to suspend or terminate this Compact, in whole or in part, in accordance with Section 5.1 of this Compact.
- (h) MCC has not determined that an act, omission, condition, or event has occurred that would be the basis for it to suspend or terminate MCC Funding in whole or in part, in accordance with Section 5.1 of this Compact.

## ANNEX V

### ACRONYMS & DEFINITIONS

#### Part A.

#### ACRONYMS

*Acronyms warranting definition or explanation are disclosed in Part B; the remainder are spelled out in the below table.*

<b>ACRONYM</b>	<b>DEFINITION</b>
<b>ADSS</b>	All-dielectric self-supporting (fiber optic cables)
<b>AfDB</b>	African Development Bank
<b>ATIDI</b>	Africa Trade & Investment Development Insurance
<b>B/L</b>	Bill of Lading
<b>CEO</b>	Chief Executive Officer
<b>CLSG</b>	Côte d'Ivoire-Liberia-Sierra Leone-Guinea (interconnector line)
<b>DFC</b>	United States International Development Finance Corporation
<b>EDSA</b>	Electric Distribution Supply Authority
<b>EGTC</b>	Electricity Generation and Transmission Company
<b>EHS</b>	Environmental, health and safety
<b>EMS</b>	Environment Management System
<b>EPA</b>	Environmental Protection Agency
<b>ESW</b>	Electronic Single Window
<b>EU</b>	European Union
<b>EWRC</b>	Electricity and Water Regulatory Commission
<b>FCDO</b>	Foreign, Commonwealth & Development Office (of the United Kingdom)
<b>FOB</b>	Free on Board
<b>GEAPP</b>	Global Energy Alliance for People and Planet
<b>GHG</b>	Greenhouse gas
<b>GIS</b>	Geographic Information System
<b>GST</b>	Goods and Services Tax
<b>ICA</b>	Independent Collections Account

<b>IFC</b>	International Finance Corporation
<b>IPP</b>	Independent power producer
<b>IT</b>	Information technology
<b>JICA</b>	Japan International Cooperation Agency
<b>KfW</b>	<i>Kreditanstalt für Wiederaufbau</i> (Germany's main development bank)
<b>kV</b>	Kilovolt
<b>LNG</b>	Liquid Natural Gas
<b>MOE</b>	Ministry of Energy
<b>MVA</b>	Megavolt amperes
<b>NRA</b>	National Revenue Authority
<b>O&amp;M</b>	Operations & maintenance
<b>OHL</b>	Overhead line
<b>PCB</b>	Polychlorinated biphenyls
<b>PPA</b>	Power purchase agreement
<b>PPPU</b>	Public-Private Partnership Unit (within the Sierra Leone government's Office of the President)
<b>PS</b>	Performance Standard ( <i>See IFC Performance Standards in Definitions</i> )
<b>SAIFI /</b>	System Average Interruption Frequency Index /
<b>SAIDI</b>	System Average Interruption Duration Index
<b>SCADA</b>	Supervisory Control and Data Acquisition
<b>SLCDU</b>	Sierra Leone Compact Development Unit
<b>STC</b>	Southern Transmission Corridor
<b>STEM</b>	Science, technology, engineering, and mathematics
<b>TBD</b>	To be determined
<b>TIN</b>	Taxpayer Identification Number
<b>TIP</b>	Trafficking in persons
<b>TRANSCO CLSG</b>	TRANSCO Côte d'Ivoire-Liberia-Sierra Leone-Guinea (regional utility)
<b>WAPP</b>	West Africa Power Pool

## **Part B.**

### **DEFINITIONS**

*Activity* has the meaning provided in Part B of Annex I.

*Additional Representative* has the meaning provided in Section 4.2.

*Arrears Assessment and Recovery Plan* has the meaning provided in Annex VII.

*Audit Guidelines* has the meaning provided in Section 3.8(a).

*Audit Plan* has the meaning provided in Section 3.8(a).

*Baseline* has the meaning provided in paragraph 4.1.2 of Annex III.

*Bilateral Agreement* has the meaning provided in Section 2.8(e).

*Board of Directors* has meaning provided in Part C of Annex I.

*CDF Agreement* has the meaning provided in Section 3.2(b).

*CFF Disbursement* has the meaning provided in Annex IV.

*Compact* has the meaning provided in the Preamble.

*Compact Facilitation Funding or CFF* has the meaning provided in Section 2.2(a).

*Compact Goal* has the meaning provided in Section 1.1.

*Compact Records* has the meaning provided in Section 3.7(a).

*Compact Term* has the meaning provided in Section 7.4.

*Country Contribution* has the meaning provided in Section 2.6(a).

*Covered Provider* has the meaning provided in the Audit Guidelines.

*Disbursement* has the meaning provided in Section 2.4

*Distribution and Access Project Objective* has the meaning provided in Section 1.2.

*DQR* has the meaning provided in paragraph 6 of Annex III.

*EDSA Arrears* has the meaning provided in Annex VII.

*EDSA Turnaround Action Plan* has the meaning provided in Part B of Annex I.

*Electricity Act* has the meaning provided in Part B of Annex I.



**Electricity Sector Steering Committee** means the body comprised of government, donor, and civil society leaders that is responsible for overall electricity sector coordination in Sierra Leone.

**Environmental Guidelines** has the meaning provided in Section 2.7(c).

**Environmental and Social Impact Assessment or ESIA** means a process for analyzing projects for potential risks and impacts, assessing potential significance of those risks and impacts and designing a set of interventions to avoid, manage, mitigate, or monitor the potential environmental and social impacts of a proposed activity or project.

**Environmental and Social Management Plan or ESMP** means a documented plan or strategy specifying the measures that shall be taken to ensure that social and environmental impacts, risks, and liabilities identified during the ESIA or other analytical process are effectively mitigated, managed, and monitored during the construction, operation, and closure of the proposed project.

**Environmental and Social Management System or ESMS** means a set of policies, procedures, tools, and capacities to identify and manage the environmental and social risks, of the compact activities, which may include environmental and social management plans.

**Evaluation Component** has the meaning provided in paragraph 1 of Annex III.

**Excess CFF Amount** has the meaning provided in Section 2.2(d).

**Fiscal Agent** has the meaning provided in Part C of Annex I.

**Government Entity** means any ministry, department, or agency within the Sierra Leone government.

**Grant** has the meaning provided in Section 3.6(b).

**Health and Safety Management Plan or HSMP** means a documented plan or strategy specifying identified hazards and safe work procedures to mitigate, reduce, or control the hazards identified.

**ICA Agreement** has the meaning provided in paragraph 1 of Annex VII.

**ICA Manager** has the meaning provided in Part B of Annex I.

**IFC Performance Standards** means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation, as amended or otherwise modified from time to time.

**Implementation Letters** has the meaning provided in Section 3.5.

**Implementing Entity** has the meaning provided in Part C of Annex I.

**Implementing Entity Agreement** has the meaning provided in Part C of Annex I.

**Independent Collections Account** has the meaning provided in Part B of Annex I.

**Indicators** has the meaning provided in paragraph 4.1 of Annex III.

**Inspector General** has the meaning provided in Section 3.7(c).

**Intellectual Property** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing; provided however, that Intellectual Property shall not include property forming part of the cultural heritage of any nation state and not placed or intended to be commercially licensed or sold.

**ITT** has the meaning provided in paragraph 4.1.8 of Annex III.

**Key Staff** means the following positions in the Operations Unit: (1) chief executive officer (also referred to as the director general, national coordinator, or managing director), (2) deputy chief executive officer (sometimes referred to as the chief operating officer), (3) director of finance, (4) legal advisor, (5) director of procurement, (6) director of environmental and social performance, (7) director of gender and social inclusion, (8) director of monitoring and evaluation, and (9) each project director of a Project.

**Livelihood Restoration Plan or LRP** as required under the IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement means a plan that establishes the entitlements (e.g., compensation, other assistance, etc.) of affected persons and/or communities who are economically displaced by a project, in order to provide them with adequate opportunity to reestablish their livelihoods.

**M&E** has the meaning provided in the preamble to Annex III.

**M&E Plan** has the meaning provided in the preamble to Annex III.

**M&E Policy** has the meaning provided in the preamble to Annex III.

**MCA Act** has the meaning provided in Section 2.2(a).

**MCA-Sierra Leone** has the meaning provided in Section 3.2(b).

**MCC** has the meaning provided in the Preamble.

**MCC Funding** has the meaning provided in Section 2.3.

**MCC Website** means the MCC website at [www.mcc.gov](http://www.mcc.gov).

***MIIA** has the meaning provided in Part B of Annex I.*

***Monitoring Component** has the meaning provided in paragraph 1 of Annex III.*

***MOSES Consultant** has the meaning provided in Part C of Annex I.*

***Multi-Year Financial Plan Summary** has the meaning provided in Annex II.*

***Operations Unit** has the meaning provided in Part C of Annex I.*

***Party and Parties** have the respective meanings provided in the Preamble.*

***Permitted Account** has the meaning provided in Section 2.4.*

***Planning Unit** has the meaning provided in Part B of Annex I.*

***Power Sector Reform Project Objective** has the meaning provided in Section 1.2.*

***Principal Representative** has the meaning provided in Section 4.2.*

***Procurement Agent** has the meaning provided in Part C of Annex I.*

***Program** has the meaning provided in the Preamble.*

***Program Assets** means any assets, goods, or property (real, tangible, or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.*

***Program Funding** has the meaning provided in Section 2.1.*

***Program Guidelines** means collectively the Audit Guidelines, the Environmental Guidelines, the Policy on Accountable Entities and Implementation Structures, the Program Grant Guidelines, the Accountable Entity Procurement Policy & Guidelines, the QDRP Policy, the M&E Policy, the Cost Principles for Government Affiliates Involved in Compact Implementation, the Policy on Program Closure, the Gender Policy, the Operational Requirements and Milestones for Social Inclusion and Gender Integration, the Guidelines for Economic and Beneficiary Analysis, the Standards for Global Marking, the Country Contributions Policy, the Counter-Trafficking in Persons Policy, the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, the Policy on Funding under Section 609(g), and any other guidelines, policies or guidance papers relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.*

***Program Implementation Agreement or PIA** has the meaning provided in Section 3.1.*

***Project(s)** has the meaning provided in Section 1.2.*

***Project Objective(s)** has the meaning(s) provided in Section 1.2.*

**Provider** means any natural or legal person who provides goods, works, or services in connection with the Program.

**QDRP Policy** means the MCC Policy on Accountable Entities' Submission of the Quarterly Disbursement Request Package.

**Resettlement Action Plan or RAP** means a plan designed to mitigate the negative impacts of the physical or economic displacement of persons caused by project implementation per IFC Performance Standard 5: Land Acquisition and Voluntary Displacement.

**Resettlement Policy Framework or RPF** means a broad plan or scheme prepared for a project, based on the principles of IFC Performance Standard No.5, that sets forth and defines the principles, organizational arrangements, and design criteria to be applied to regulate all circumstances regarding resettlement that may occur in implementation of the project.

**Sector Reform Roadmap** has the meaning provided in Part A of Annex I.

**Sierra Leone** has the meaning provided in the Preamble.

**Stakeholder Engagement Plan or SEP** means a plan designed to guide consultations and communications with stakeholders of a project throughout the life of the project for the purpose of engaging with stakeholders in a culturally appropriate manner, as detailed further in IFC Performance Standard No. 1.

**Supplemental Agreement** means any agreement between (a) Sierra Leone (or any affiliate of Sierra Leone, including MCA-Sierra Leone) and MCC (including, but not limited to, the PIA and any Implementation Letter), or (b) MCC and/or Sierra Leone (or any affiliate of Sierra Leone, including MCA-Sierra Leone), on the one hand, and any third party, on the other hand, in each case, setting forth the details of any funding, implementing, or other arrangements in furtherance of, and in compliance with, this Compact.

**Target** has the meaning provided in paragraph 4.1.3 of Annex III.

**Taxes** has the meaning provided in Section 2.8(a).

**Threshold Program** has the meaning provided in Part A of Annex I.

**Transmission Backbone Project Objective** has the meaning provided in Section 1.2.

**United States** has the meaning provided in the Preamble.

**United States Dollars or USD or US\$** means the lawful currency of the United States of America.

**USAID** has the meaning provided in Part A of Annex I.

**USTDA** has the meaning provided in Part A of Annex I.

## ANNEX VI

### TAX EXEMPTION MECHANISMS

This Annex and its schedules set forth the mechanisms or procedures that Sierra Leone shall implement for certain taxes to comply with the tax exemption required by Section 2.8 of this Compact.

MCA-Sierra Leone and all persons (natural and legal) entitled to the tax exemption shall follow the procedures set forth in this Annex to claim the exemption for the taxes referenced. No additional taxes, procedures, or requirements pursuant to any Sierra Leone law or regulation, including the Tax and Duty Exemptions Act of 2023, shall apply, unless agreed by the Parties in writing.

The National Revenue Authority ("**NRA**") is the point of contact for implementing the tax exemption. Sierra Leone shall provide a copy of this Compact to the Commissioner General of the NRA, the Director General of the National Social Security and Insurance Trust, and all tax related agencies to ensure that they implement the terms of this Compact and the mechanisms to implement the tax exemption as agreed herein.

MCA-Sierra Leone shall facilitate and assist all other persons entitled to the tax exemption to ensure compliance with the exemption terms. MCA-Sierra Leone may also execute memoranda of understanding with relevant ministries to carry out the procedures set forth in this Annex VI.



**SCHEDULE A**  
**GOODS AND SERVICES TAX (GST)**

**Legal Basis for Exemption**

- 1- Section 2.8 of this Compact
- 2- GST Act 2009, as amended, Third Schedule, Institutional reliefs (Para 3).
- 3- Tax and Duty Exemptions Act 2023, Sections 15(1) and 16(1)

**Beneficiaries**

MCC, MCA-Sierra Leone, and Providers

**Procedures**

**A. GST on Imported Goods** – Beneficiaries must take the following steps to secure the exemption on GST levied on imported goods.

1. **Clearance on Permit to Fasttrack Removal of Goods** - This procedure is instituted to facilitate the rapid removal of goods by a Beneficiary. MCA-Sierra Leone, on behalf of a Beneficiary, must submit a direct removal request to the Minister of Finance. A duty-free request or declaration must be completed using the Electronic Single Window (ESW) platform, attaching the following documents:
  - i. Statement of the Beneficiary's Tax Identification Number (TIN) issued by NRA if the Beneficiary is (a) a Sierra Leone citizen, permanent resident, or legal entity, or (b) otherwise doing business in Sierra Leone and has been issued a TIN by NRA. If neither clause (a) or (b) is applicable, then the Beneficiary shall submit MCA-Sierra Leone's TIN;
  - ii. Copy of the B/L or an unbundled B/L if it is a B/L which included other goods not covered by the contract, or the airway bill;
  - iii. Copy of invoices;
  - iv. Packing lists; and
  - v. Copy of the contract relating to the goods, and specifically the pages providing information confirming the connection to the Program, the implementation time, the name of the contract parties, the tax arrangements specified in the contract, and the signature page of the contracting parties.

**Note:** The processing time of the application for clearance on permit of goods is 72 hours if copies of all the documents listed above are included in the file and are validated.

2. **Perfecting of Document under a Clearance on Permit** – No later than two weeks after the clearance on permit of the goods has been granted, the authorized clearing agent of MCA-Sierra Leone, on behalf of the Beneficiary, must go to the Customs Service Department of NRA to perfect the clearance on permit process. The documents required depend on the nature of the operations to be performed, as follows:

- i. Import for works - The required documents are:
  - a) Copy of invoices (original & copy);
  - b) Copy of the B/L or the airway bill (original & copy);
  - c) Certificate of value issued by the valuation unit of the Customs and Excise Department of NRA (except cases not subject to inspection);
  - d) Customs declaration, certificate of insurance;
  - e) Freight bill (if the value is FOB);
  - f) Application for clearance signed by the Beneficiary in triplicate (if imported by a local supplier), MCA-Sierra Leone, and head of the relevant ministry; and
  - g) All other documents necessary to determine the origin, type, and value of imported goods and equipment.
- ii. Import for supplies – The required documents are:
  - a) Copy of invoices (original & copy);
  - b) Copy of the B/L or the airway bill (original & copy);
  - c) Certificate of value issued by the valuation unit of the Customs and Excise Department of NRA (except cases not subject to inspection);
  - d) Customs declaration, certificate of insurance;
  - e) Freight bill (if the value is FOB);
  - f) Application for clearance signed by the Beneficiary in triplicate (if imported by a local supplier);
  - g) Duty-free request signed by MCA-Sierra Leone, the Beneficiary, and head of the relevant ministry; and
  - h) All other documents necessary to determine the origin, type, and value of imported materials and equipment.

**B. GST on Goods, Works, and Services Purchased/Acquired in Sierra Leone** – Beneficiaries must take the following steps to secure the exemption on GST levied on goods, works, or services purchased or acquired in Sierra Leone.

1. MCA-Sierra Leone shall issue a copy of a GST Relief Purchase Order (“**GPRO**”) to each Beneficiary for presentation to vendors to exempt GST on goods, works, and services purchased or acquired in Sierra Leone. The GPRO must be presented to vendors of goods, works, or services when purchasing or acquiring the same for use in connection with the Program.
2. Vendors who have paid GST related to goods, works, or services transacted in Step 1 shall present the GPRO to the Domestic Tax Department of NRA, along with the following documents in order to secure their domestic credit equivalent to the GST not collected:
  - i. Purchased or acquired works:
    - a) Copy of the signed contract relating to the works;
    - b) Bill of quantities; and
    - c) Proof of payment (transfer order, credit advice, or bank statement).
  - ii. Purchased or acquired goods or services:
    - a) Copy of the signed contract or purchase order relating to the goods or services;
    - b) Invoice copy;
    - c) Delivery order; and
    - d) Proof of payment (transfer order, credit advice, or bank statement).

**SCHEDULE B**  
**IMPORT AND CUSTOMS DUTIES**

**Legal Basis for Exemption**

- 1- Section 2.8 of this Compact
- 2- Exceptions under External Tariff of the Republic of Sierra Leone – Part II of Second Schedule of the General Exemptions from Import Duties, Section 100.4
- 3- Tax and Duty Exemptions Act 2023, Sections 15(1) and 16(1)
- 4- Customs Act 2011, as amended

**Beneficiaries**

MCC, MCA-Sierra Leone, Providers

**Procedures**

Beneficiaries must take the following steps to secure the exemption from taxes and duties levied on imported goods.

1. **List of Contractors and Expected Imports** – MCA-Sierra Leone shall submit a list of all contractors and subcontractors and the items expected to be imported to the Commissioner General, NRA. Such list shall include the TIN for each such contractor or subcontractor if they are (a) a Sierra Leone citizen, permanent resident, or legal entity, or (b) otherwise doing business in Sierra Leone and have been issued a TIN by NRA. If neither clause (a) or (b) is applicable, then MCA-Sierra Leone shall include its TIN.
2. **Clearance on Permit to FastTrack Removal of Goods** - This procedure is instituted to facilitate the rapid removal of goods by a Beneficiary. MCA-Sierra Leone, on behalf of a Beneficiary, must submit a direct removal request to the Minister of Finance. A duty-free request or declaration must be completed using the Electronic Single Window (ESW) platform, attaching the following documents:
  - i. Copy of the B/L or an unbundled B/L if it is a B/L which included other goods not covered by the contract, or the airway bill;
  - ii. Copy of invoices;
  - iii. Packing lists; and
  - iv. Copy of the contract relating to the goods and specifically the pages providing information confirming the connection to the Program, the implementation time, the name of the contract parties, the tax arrangements specified in the contract, and the signature page of the contracting parties.

**Note:** The processing time of the application for clearance on permit of goods is 72 hours if copies of all the documents listed above are included in the file and are validated.

3. **Perfecting of Document under a Clearance on Permit** – No later than two weeks after the clearance on permit of the goods has been granted, the authorized clearing agent of MCA-Sierra Leone, on behalf of the Beneficiary, must go to the Customs Service Department of NRA to perfect the clearance on permit process. The documents required depend on the nature of the operations to be performed, as follows:

i. Import for works - The required documents are:

- a) Copy of invoices (original & copy);
- b) Copy of the B/L or the airway bill (original & copy);
- c) Certificate of value issued by the valuation unit of the Customs and Excise Department of NRA (except cases not subject to inspection);
- d) Customs declaration, certificate of insurance;
- e) Freight bill (if the value is FOB);
- f) Application for clearance signed by the Beneficiary in triplicate (if imported by a local supplier), MCA-Sierra Leone, and head of the relevant ministry; and
- g) All other documents necessary to determine the origin, type, and value of imported goods and equipment.

ii. Import for supplies – the required documents are:

- a) Copy of invoices (original & copy);
- b) Copy of the B/L or the airway bill (original & copy);
- c) Certificate of value issued by the valuation unit of the Customs and Excise Department of NRA (except cases not subject to inspection);
- d) Customs declaration, certificate of insurance;
- e) Freight bill (if the value is FOB);
- f) Application for clearance signed by the Beneficiary in triplicate (if imported by a local supplier);
- g) Duty-free request signed by MCA-Sierra Leone, the Beneficiary, and head of the relevant ministry; and
- h) All other documents necessary to determine the origin, type, and value of imported materials and equipment.



**SCHEDULE C**  
**INCOME AND WITHHOLDING TAX**

**Legal Basis for Exemption**

- 1- Section 2.8 of this Compact
- 2- Tax and Duty Exemptions Act 2023, Section 15(4)
- 3- Part II - Persons and organizations exempt from taxation, Section 8 and 9; Section 26 and 27 of the Consolidated Income Tax Act 2000 as amended.
- 4- Part XIV – Collection and refund of tax, Section 115 of the Consolidated Income Tax Act 2000.

**Beneficiaries**

MCA-Sierra Leone and all Providers (except Providers that are natural persons and citizens or permanent residents of Sierra Leone and Providers that are legal persons organized under the laws of Sierra Leone).

**Procedures**

**A. Compact-Related Income Only**

1. Beneficiaries whose income or earnings in Sierra Leone in any given fiscal year is derived solely in connection with the Program shall be exempt from any income or other mandatory taxes and charges imposed on such income or earnings by Sierra Leone or any subdivision thereof. In such case, the Beneficiary may disclose such income or earnings in its year-end filing solely for informational purposes.
2. Any entity or person who employs a Beneficiary described in paragraph (1) above shall have no obligation to withhold or pay any taxes on the income or earnings of the Beneficiary or any obligation to file an income tax return, registration, or other reporting in Sierra Leone in relation to the income or earnings of the Beneficiary.

**B. Compact-Related Income and other Income**

Beneficiaries whose income or earnings in Sierra Leone in any given fiscal year is derived in connection with the Program and from other activities in Sierra Leone must submit and register with NRA each agreement between the Beneficiary and MCA-Sierra Leone (or such other Sierra Leone government entity) that is funded by MCC Funding, together with a certification from MCA-Sierra Leone confirming that the goods, works, or services to be provided under such agreement form a part of the Program. At the end of such fiscal year, the Beneficiary may exclude the gross income derived from the MCC-funded agreement (as verified by the registration with NRA) for the purposes of determining its income tax liability in Sierra Leone

for such fiscal year. The Beneficiary may disclose such gross income in its year-end tax filing with NRA solely for informational purposes.

**SCHEDULE D**  
**PETROLEUM TAX**

**Legal Basis for Exemption**

- 1- Section 2.8 of this Compact
- 2- Part II - Persons and organizations exempt from taxation, Section 8 and 9; Section 26 and 27 of the Consolidated Income Tax Act 2000, as amended
- 3- Part XIV – Collection and refund of tax, Section 115 of the Consolidated Income Tax Act 2000, as amended

**Beneficiaries**

MCC, MCA-Sierra Leone, Providers

**Procedures**

1. Beneficiaries shall be exempted from paying any taxes on wholesale or bulk purchases of petroleum products with respect to any purchases made in connection with the Program.
2. MCA-Sierra Leone shall facilitate the registration and purchasing of petroleum products wholesale or in bulk for transactions which exceed a de minimis threshold which is consistent with MCC policy and the Sierra Leone tax laws and is updated from time to time in MCA-Sierra Leone's written procedures. MCA-Sierra Leone's facilitation shall include providing any necessary certifications or approvals to permit Beneficiaries to make such purchases without tax.

*For non-wholesale or bulk purchases made from retail outlets below the de minimis threshold, MCA-Sierra Leone may not be able to provide refunds as described above. Beneficiaries should not make non-wholesale or bulk purchases from retail outlets from which an exemption is not available and should purchase petroleum products wholesale or in bulk to take advantage of the procedure described above.*

## ANNEX VII

### ADDITIONAL CONDITIONS PRECEDENT TO ENTRY INTO FORCE

In addition to the conditions precedent set forth in Section 7.2 of this Compact, unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

- 1) Sierra Leone must contract with an independent, third-party account manager for the Independent Collections Account pursuant to an agreement (the "**ICA Agreement**") that, among other things, requires the account manager to: (i) develop an operations manual that sets forth the terms of the account's operation and (ii) ensure an appropriate cash waterfall for the account.
- 2) Sierra Leone must contract with an independent third-party to conduct an assessment to determine the total value of arrears that are owed to EDSA as of the first anniversary of this Compact's signing by Government Entities (the "**EDSA Arrears**") and develop and adopt an electricity sector arrears payment plan (the "**Arrears Assessment and Recovery Plan**") that details Sierra Leone's strategy for: (i) making payments to reduce the EDSA Arrears in full on a timeline to be agreed upon with MCC, including payment of some, if not all, arrears during the Compact Term and (ii) ensuring that the Government Entities maintain current on all future billings for electricity services provided by EDSA.
- 3) Sierra Leone must update and adopt a final grid code that is substantially based on the *Interim Grid Code for Sierra Leone Electricity Market (Version 1.00)* published by the Sierra Leone Electricity and Water Regulatory Commission as of March 2021, and updated to reflect regional standards for interconnection with WAPP.
- 4) MCC and Sierra Leone must reach an agreement in writing that establishes at least one indicator to measure progress toward each respective Project Objective (whether output or outcome level) with a corresponding definition, baseline, and end of compact target for each of the Projects.
- 5) Sierra Leone must finalize, adopt, and publish the Sector Reform Roadmap following a consultative process involving relevant Government Entities, donors, and the public to solicit input on such roadmap.

## ANNEX VIII

### ADDITIONAL COUNTRY UNDERTAKINGS

In addition to the undertakings of Sierra Leone set forth elsewhere in this Compact, Sierra Leone commits to the following:

- 1) Sierra Leone shall ensure continued stakeholder cooperation on implementing the Sector Reform Roadmap by making certain that the Electricity Sector Steering Committee meets as a full body at least quarterly and holds technical level meetings at least monthly. In addition, within two weeks after each meeting of the Steering Committee's full body, Sierra Leone shall prepare and submit to MCC a summary of the meeting and a tracker reporting on the progress made toward completing the actions and achieving the milestones set forth in the Sector Reform Roadmap.
- 2) Sierra Leone shall adopt a revised power purchase agreement between EGTC and EDSA to reflect revisions to the Sector Reform Roadmap, and that shall be sufficient to provide full cost recovery to EGTC.
- 3) Sierra Leone shall develop a transmission services agreement between EGTC and EDSA in accordance with the Sector Reform Roadmap that shall be sufficient to provide full cost recovery to EGTC.
- 4) Sierra Leone shall conduct an open and competitive public tender to invite proposals for developing at least one independent power project using the MIIA framework in Sierra Leone so that such project reaches financial close before the end of the Compact Term.
- 5) Sierra Leone shall make progress on implementing tariff reform by developing, adopting, and implementing a tariff setting methodology with periodic automatic adjustments by the end of the Compact Term.
- 6) If during any fiscal year of Sierra Leone commencing after this Compact is signed, the projected revenues of EWRC do not include enough funds from fees and levies to cover all expenses in its approved budget for that fiscal year, Sierra Leone shall allocate or appropriate sufficient funding to EWRC to cover the budget shortfall.
- 7) Sierra Leone shall develop and adopt a comprehensive, integrated resource plan for its power sector by the end of the Compact Term.
- 8) Sierra Leone, through its Ministry of Energy, shall cover any shortfall in annual O&M costs for each of the transmission dispatch centers for each year during the Compact Term and on an ongoing basis after the Compact Term. If implementation of the O&M plans by MCA-Sierra Leone and EGTC during the Compact Term is not satisfactory in form and substance to MCC by the beginning of the fourth year of the Compact Term, then the Ministry of Energy shall commit the resources to run an open and competitive public tender to select a post-Compact O&M provider for the transmission dispatch centers.



- 9) Sierra Leone, through its Ministry of Energy, shall cover any shortfall in annual O&M costs for each of the distribution dispatch centers for each year during the Compact Term and on an ongoing basis after the Compact Term. If implementation of the O&M plans by MCA-Sierra Leone and EDSA during the Compact Term is not satisfactory in form and substance to MCC by the beginning of the fourth year of the Compact Term, then the Ministry of Energy shall commit the resources to run an open and competitive public tender to select a post-Compact O&M provider for the distribution dispatch centers.