



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 24-09]

Notice of Entering into a Compact with the Republic of Sierra Leone

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with the provisions of the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation (MCC) is publishing a summary of the Millennium Challenge Compact (Compact) between the United States of America and the Republic of Sierra Leone. Representatives of the United States of America and the Republic of Sierra Leone executed the Compact on September 27, 2024. The complete text of the Compact has been posted at: <https://www.mcc.gov/resources/doc/compact-sierra-leone/>

(Authority: 22 U.S.C. 7709 (b)(3))

Dated: September 30, 2024.

Peter E. Jaffe,
Vice President, General Counsel, and Corporate Secretary.

Summary of Sierra Leone Compact

Overview of MCC Sierra Leone Compact

The Millennium Challenge Corporation (MCC), on behalf of the United States of America, has signed a five-year Compact with the Republic of Sierra Leone aimed at reducing poverty through economic growth. MCC funding of \$480,669,000, together with a voluntary contribution of \$14,200,000 from the Government of Sierra Leone, will support economic growth in Sierra Leone through investments in the energy sector to address the constraints of insufficient availability of affordable and reliable electricity. The Compact will address these constraints through three projects: (1) the Transmission Backbone Project; (2) the Distribution and Access Project; and (3) the Power Sector Reform Project.

Background and Context

Sierra Leone's economy suffers from a power sector that cannot serve its existing customer base or keep up with future business and household demand. This is due to limited and high-cost supply, low capacity and poor reliability of the transmission and distribution networks, and the ineffectiveness of sector policies and institutions. These bottlenecks negatively impact current customers, most of whom are in the capital city, and prevent Sierra Leone from expanding electricity service to the 70% of the population without electricity. As the economy grows and the grid expands, load forecasts suggest demand will more than double by the end of the compact term.

Meeting this demand will require large investments in foundational infrastructure and institutional capabilities. The need to simultaneously address multiple sector constraints, combined with the long lead times required to plan, finance, and construct large scale infrastructure, poses a major coordination challenge for public and private investment in the sector. This coordination challenge is magnified by the lack of capacity at sector institutions to reassess, update, and execute against sector planning documents—as well as sector wide issues with transparency and governance. As a result, much needed public and private investment is all too often delayed,

withdrawn, or exceedingly costly due to the risks and uncertainties involved.

Given this sector context, the Compact strengthens the foundations of a reliable electricity sector through investments in transmission and distribution infrastructure, development of a strong enabling environment for independent power producers, and substantial capacity building support for the utilities and key sector institutions.

Project Summaries

The compact program consists of three projects:

- 1) The Transmission Backbone Project (\$226,702,000) will expand Sierra Leone's transmission network to increase network coverage, increase the throughput capacity needed to evacuate increasing electricity supply, and increase reliability of service. With less than 500 miles of transmission lines currently in Sierra Leone, the country's extremely limited grid means most citizens do not have access to power. This project connects a high-voltage West African Power Pool transmission line to the capital city. The project also builds and operationalizes a main and back up transmission dispatch center critical for network reliability and integration into the regional power marketplace. Technical assistance supports critical capacity development for the transmission utility in transmission operations and maintenance.
- 2) The Distribution and Access Project (\$123,634,000) is designed to increase reliability of the grid, improve the financial viability of the distribution utility, and make strategic investments in connecting new customers to the grid and regularizing existing connections. This project refurbishes critical components of the distribution network in the capital city where 80% of power is consumed in Sierra Leone and reduces both technical and commercial losses through the provision of new meters and organizational change. Access investments include distribution line and substation expansion as well as direct connections to select end users, driven by socioeconomic data and planned transmission expansion. In addition, this project will involve the construction and operationalization of a main and a back-up distribution dispatch center to improve the Electricity Distribution and Supply Authority's operations and

maintenance performance.

- 3) The Power Sector Reform Project (\$50,490,000) is designed to improve sector financial sustainability, reduce the cost of service, and improve regulation by investing in priority sector reforms and capacity-building for key sector actors, including the utilities, regulator, and Ministry of Energy. The project includes embedded support to key sector institutions such as the regulator, the Electricity and Water Regulatory Commission, and the Ministry of Energy (especially its planning functions) to help them develop the capabilities needed to shepherd sector development over the coming decade. This support is intended to help Sierra Leone implement its Power Sector Reform Roadmap and Action Plan, including achieving improvements on key sector performance indicators targeting improved sector financial sustainability, reduced cost of service while fostering cost recovery for supplied electricity, and improved regulation. Additionally, this project seeks to spur private sector financed generation through project preparation support, transaction advisory services, and de-risking mechanisms.

Compact Budget

The table below presents the overall compact budget of approximately \$495 million, which includes MCC funding under the Compact of up to \$480,669,000 and a voluntary Government of Sierra Leone contribution of \$14,200,000.

Component	Amount
1. Transmission Backbone Project	\$226,702,000
Activity 1.1: Transmission Dispatch Center	\$23,447,000
Activity 1.2: Southern Transmission Corridor	\$170,900,000
Activity 1.3: Bumbuna-Freetown Line Upgrade	\$24,390,000
Activity 1.4: EGTC Capacity Building	\$7,965,000
2. Distribution and Access Project	\$123,634,000
Activity 2.1: Distribution Dispatch Center	\$30,554,000
Activity 2.2: Distribution Refurbishment	\$44,335,000
Activity 2.3: Access	\$26,850,000
Activity 2.4 EDSA Capacity Building	\$21,895,000

Component	Amount
3. Power Sector Reform Project	\$50,490,000
Activity 3.1: MIAA	\$25,250,000
Activity 3.2: Financial Sustainability	\$8,300,000
Activity 3.3: Policy & Planning	\$10,420,000
Activity 3.4: Cross-Cutting Capacity Activity	\$6,520,000
4. Monitoring and Evaluation	\$7,800,000
5. Program Administration and Oversight	\$72,043,000
Total MCC Compact Funding	\$480,669,000

Component	Amount
Total MCC Compact Funding	\$480,669,000
Government of Sierra Leone Contribution	\$14,200,000
Total Program Funding	\$494,869,000

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