MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA
ACTING THROUGH
THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF LIBERIA
ACTING THROUGH
THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING
## MILLENNIUM CHALLENGE COMPACT

### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Article</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Goal and Objectives</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Section 1.1 Compact Goal</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Section 1.2 Project Objectives</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Funding and Resources</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.1 MCC Funding</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.2 Disbursement</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.3 Interest</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.4 Government Resources; Budget</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.5 Limitations on the Use of MCC Funding</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Section 2.6 Taxes</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Implementation</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Section 3.1 Program Implementation Agreement</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Section 3.2 Government Responsibilities</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Section 3.3 Policy Performance</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Section 3.4 Accuracy of Information</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Section 3.5 Implementation Letters</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Section 3.6 Procurement and Grants</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Section 3.7 Records; Accounting; Covered Providers; Access</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Section 3.8 Audits; Reviews</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Communications</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Section 4.1 Communications</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Section 4.2 Representatives</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Section 4.3 Signatures</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Termination; Suspension; Expiration</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Section 5.1 Termination; Suspension</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Section 5.2 Consequences of Termination, Suspension or Expiration</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Section 5.3 Refunds; Violation</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Section 5.4 Late Payment Interest</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Section 5.5 Survival</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Compact Annexes; Amendments; Governing Law</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Section 6.1 Annexes</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Section 6.2 Amendments and Modifications</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Section 6.3 Inconsistencies</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Section 6.4 Governing Law</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Section 6.5 Additional Instruments</td>
<td>11</td>
</tr>
</tbody>
</table>
Section 6.6 References to MCC Website ................................................................. 11
Section 6.7 References to Laws, Regulations, Policies and Guidelines;
References to Compact Expiration and Termination ........................................ 11
Section 6.8 MCC Status ...................................................................................... 12

Article 7. Entry Into Force .................................................................................. 12

Section 7.1 International Agreement ................................................................ 12
Section 7.2 Conditions Precedent to Entry into Force ...................................... 12
Section 7.3 Date of Entry into Force .................................................................. 13
Section 7.4 Compact Term .................................................................................. 13
Section 7.5 Provisional Application .................................................................... 13

Annex I: Program Description
Annex II: Multi-Year Financial Plan Summary
Annex III: Description of the Monitoring and Evaluation Plan
Annex IV: Definitions
This MILLENNIUM CHALLENGE COMPACT (this “Compact”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“MCC”), and the Government of the Republic of Liberia (the “Government”) acting through the Ministry of Finance and Development Planning (individually, a “Party” and collectively, the “Parties”). Capitalized terms used in this Compact will have the meanings provided in Annex IV.

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

Recalling that the Government consulted with the private sector and civil society of Liberia to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Liberia implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “Program”);

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 Liberia (the “Compact Goal”). MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom, and investments in the people of Liberia.

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each a “Project” and collectively, the “Projects”). The objective of each of the Projects (each a “Project Objective” and collectively, the “Project Objectives”) is to:

(a) provide access to more reliable and affordable electricity; and

(b) improve the planning and execution of routine, periodic and emergency road maintenance.
ARTICLE 2.
FUNDING AND RESOURCES

Section 2.1   **MCC Funding.**
Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed Two Hundred Fifty-Six Million Seven Hundred Twenty-Six Thousand United States Dollars (US$256,726,000) (“**MCC Funding**”) for use by the Government to facilitate the implementation of this Compact and to implement the Program. The allocation of MCC Funding is generally described in Annex II. MCC Funding includes any refunds or reimbursements of such funding paid by the Government in accordance with this Compact.

Section 2.2   **Disbursement.**
In accordance with this Compact and the Program Implementation Agreement, MCC will 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 will be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.3   **Interest.** The Government will 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 2.4   **Government Resources; Budget.**
   
   (a) The Government will provide all funds and other resources, and will take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

   (b) The Government will 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 in its annual budget for the duration of the Program.

   (c) The Government will not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

   (d) Unless the Government discloses otherwise to MCC in writing, MCC Funding will be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.5   **Limitations on the Use of MCC Funding.** The Government will 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 the Government 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 “MCC 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 2.6 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Liberia, reasonable in amount and imposed on a non-discriminatory basis) (“Taxes”) of or in Liberia (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Liberia. Specifically, and without limiting the generality of the foregoing, MCC Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Liberia in connection with the Program; (ii) 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, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) 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 (1) natural persons who are citizens or permanent residents of Liberia and (2) legal persons formed under the laws of Liberia (but excluding MCA-Liberia and any other entity formed for the purpose of implementing the Government’s obligations hereunder).

(b) The mechanisms that the Government will use to implement the tax exemption required by Section 2.6(a) for certain principal taxes are set forth in the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Liberia or to the taxpayer, or payment by the Government to MCA-
Liberia or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.6(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.6(a) or the Program Implementation Agreement, the Government will 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 Liberia within ninety (90) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Liberia) that such Tax has been paid. Failure to refund such amount within the specified time will result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.6(c).

ARTICLE 3.
IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties will enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement and use of MCC Funding, among other matters (the “Program Implementation Agreement” or “PIA”); and the Government will implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government may designate an entity to be established by law as an autonomous entity of public nature and utility as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, assigning resources and managing procurements. Such entity will be referred to herein as “MCA-Liberia,” and will have the authority to bind the Government with regard to all Program activities. The Government may designate MCA-Liberia to exercise and perform the Government’s rights and responsibilities to oversee, manage, and implement the activities defined in the Grant and Implementation Agreement dated as of February 25, 2015 (the “609(g) Agreement”). The designation contemplated by this Section 3.2(b) will not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government will 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 agrees otherwise in writing.
(d) The Government will take all necessary or appropriate steps to achieve the Project Objectives during the Compact Term (including, without limiting Section 2.4(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government will ensure that the Program is implemented and that the Government 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, any other Supplemental Agreement, any Implementation Letter and the Program Guidelines.

(f) The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and 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 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), the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the Millennium Challenge Act of 2003, as amended (the “MCA Act”), and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC 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 the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government will use such guidance in implementing the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements. Such writings are referred to herein as “Implementation Letters.”

Section 3.6 Procurement and Grants.

(a) The Government will ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program will be in accordance with MCC’s Program Procurement Guidelines (the “MCC Program Procurement Guidelines”).
**Guidelines**. The MCC Program Procurement Guidelines include the following requirements, 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 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, will be paid to procure goods, works and services.

(b) Unless MCC otherwise consents in writing, the Government will 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 administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC will agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures will be posted on the MCA-Liberia website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government will maintain, and will 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 and the implementation and results of the Program (“Compact Records”). In addition, the Government will furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government will maintain and will 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 the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Liberia. 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 to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, will 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 the Government to conduct any
assessments, reviews, or evaluations of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government will, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all Disbursements of MCC Funding covering the period from signing of this Compact until the following December 31 or June 30 and covering each six-month period thereafter ending December 31 and June 30 through the end of the Compact Term. In addition, upon MCC’s request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States–based certified public accounting firm selected in accordance with MCC’s Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation’s Accountable Entities issued and revised from time to time by the Inspector General (the “Audit Guidelines”). Audits will be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government will ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government will 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 audit necessitates adjustment of the Government’s records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government’s use of MCC Funding.

(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 agreed
with 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 MCC:

Millennium Challenge Corporation  
Attention: Vice President, Compact Operations  
(with a copy to the Vice President and General Counsel)  
875 Fifteenth Street NW  
Washington, DC 20005  
United States of America  
Facsimile: +1 (202) 521-3700  
Telephone: +1 (202) 521-3600  
Email: VPOperations@mcc.gov (Vice President, Compact Operations)  
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Finance and Development Planning  
Attention: Minister of Finance and Development Planning  
(with a copy to the Liberian Ambassador to the United States of America)  
Broad Street  
Monrovia  
Liberia  
Telephone: +231-88-661-1771

Upon establishment of MCA-Liberia, MCA-Liberia will notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government will be represented by the individual holding the position of, or acting as, the Minister of Finance and Development Planning of Liberia, and MCC will be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “Principal Representative”). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an “Additional Representative”) for all purposes relevant to implementation of this Compact except Section 6.2(a). Once MCA-Liberia is created and the Chief Executive Officer thereof is appointed, such Chief Executive Officer will be an Additional Representative of the Government. MCC hereby designates the Deputy Vice President, Department of Compact Operations, Africa, as an Additional Representative. 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 will 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 this Compact or MCC Funding without cause in part by giving the Government thirty (30) days’ prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, 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 the Government in writing) has occurred, which circumstances include but are not limited to the following:

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

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

(iii) 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;

(iv) the Government 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;

(v) an act has been committed or an omission or an event has occurred that would render Liberia 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;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Liberia for assistance under the MCA Act;

(vii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

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 will 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 will remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government 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 in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government’s receipt of MCC’s request for repayment. The Government will not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC’s right under Section 5.3(a) to obtain a refund will 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 the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.6(c) and 5.3(a)), interest will be paid on such unpaid amount. Interest will accrue on such unpaid 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 will first be credited against interest due, and once the interest due amount is extinguished, then payments will be credited against outstanding principal.

Section 5.5 Survival. The Government’s responsibilities under this Section and Sections 2.5, 2.6, 3.2(f), 3.7, 3.8, 5.2, 5.3, 5.4 and 6.4 will survive the expiration, suspension or termination of this Compact, provided that the terms of Section 2.6 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 otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement will specify how it enters into force.
(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which will enter into force upon signature, modify any Annex to (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II as of the date hereof, (iii) modify the implementation framework described in Annex I, or (iv) add, change or delete any indicator, baseline, target or other information set forth in Annex III as of the date hereof in accordance with the MCC M&E Policy; 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 MCC Funding to exceed the aggregate amount specified in Section 2.1, (C) does not reduce the Government’s responsibilities or contribution of resources required under Section 2.4(a), and (D) 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 Government without the need for further action by the Government (including any legislative action), or satisfaction of any additional domestic requirements of Liberia.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, will prevail; or

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

Section 6.4 Governing Law. This Compact is an international agreement and as such will be governed by the principles of international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language will include activities, obligations and rights undertaken by, or 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. 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 will 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.

(a) 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 will 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 will 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) 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 the 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 Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it will 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. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts and tribunals of Liberia for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7. ENTRY INTO FORCE

Section 7.1 International Agreement. The Government will 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, will prevail over the domestic laws of Liberia. The Parties further understand that, consistent with Liberian law, prior to the Government sending the letter described in Section 7.3, this Compact and the PIA is to be submitted to and approved by the Legislature of Liberia.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

(a) the Program Implementation Agreement must have been signed by the parties thereto;

(b) The Government must have delivered to MCC:

   (i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government 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 Minister of Justice of Liberia (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

   (iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government’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; and

(c) MCC shall not have determined, at the time of this Compact’s entry into force, that the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry into Force. This Compact will enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC’s satisfaction.

Section 7.4 Compact Term. This Compact will 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 will provisionally apply the terms of this Compact; provided that, no MCC Funding will be made available or disbursed before this Compact enters into force.

Signature page follows on the next page
IN WITNESS WHEREOF, each Party, through its duly authorized representative, has signed this Compact.

Done at Washington, DC, this 2nd day of October, 2015, in the English language.

FOR THE UNITED STATES OF AMERICA, acting through THE MILLENNIUM CHALLENGE CORPORATION

/s/

Name: Dana J. Hyde
Title: Chief Executive Officer

FOR THE REPUBLIC OF LIBERIA, acting through THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

/s/

Name: Amara Konneh
Title: Minister of Finance and Development Planning
ANNEX I
PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Liberia during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

   (a) Background.

   In December 2013, the Government and MCC successfully completed a $15 million threshold program focused on improving girls’ access to primary education, improving trade freedom and strengthening land rights and access. Liberia was initially selected as eligible to develop this Compact in fiscal year (“FY”) 2013. However, in FY 2014, Liberia did not qualify for compact eligibility and as a result, the Parties’ engagement on compact development was limited. In FY 2015, Liberia improved the performance on its scorecard which resulted in Liberia’s reinstatement of compact eligibility.

   A constraints analysis (“Constraints Analysis”) prepared by the Government and MCC completed in September 2013 identified two binding constraints to economic growth in Liberia: (i) lack of access to reliable and affordable electricity and (ii) inadequate road infrastructure. A complementary analysis of private sector investment opportunities confirmed that the lack of reliable and affordable electricity and inadequate roads undermined private sector growth in the economy. An analysis of social and gender issues, found that fragility emanating from large number of unemployed youth and war-affected persons, poverty, social exclusion, ethnic tensions and violence can constrain growth and poverty reduction potential. It further revealed that lack of business and technical skills, access to finance, business networks and associations and market information are reducing productivity and profit of micro, small and medium entrepreneurs and economic opportunities for youth, poor women and marginalized groups.

   In October 2013, the Government, submitted two concept notes to MCC focused on upgrading two primary road segments, coupled with associated support, largely agricultural-focused, to small and medium enterprises in two counties. Preliminary economic analysis concluded that the proposed interventions to the identified roads would not yield MCC’s requisite economic rate of return (“ERR”) due to low traffic counts and high construction costs. In March 2014, Liberia was faced with the onset of Ebola virus disease (“EVD”), which constrained the Compact development process. Despite this constraint, the Government continued to engage in a dialog with MCC and in June 2014, the Government and MCC agreed to shift the primary focus of the Compact to the power sector while still agreeing to support road maintenance. This ensured continued progress towards a program that would meet a critical near term need for lower-cost electricity while helping to remove the severe financial constraints the Government faced as it responded to EVD.

   (b) Consultative Process.

   Throughout the development of this Compact, the Government engaged in an inclusive nationwide consultative process across Liberia. Together with MCC, the Government has utilized several mechanisms to solicit input from all sectors of society and all key stakeholders in
the sectors examined. This included town hall meetings with communities across Liberia, roundtables with private companies representing different industries in Monrovia as well as outreach sessions with the private sector and the Liberian diaspora in Washington, DC.

As the Compact development process progressed and evolved to focus on the electricity and road maintenance sectors, MCC and the Government have continued to consult with the private sector, civil society and other stakeholders for input on the feasibility and utility of the Program.

2. **Description of Program and Beneficiaries.**

   (a) **Program Description.**

   In furtherance of the Program Objective, the Parties have designed the Program to consist of the following two Projects: (i) the Energy Project; and (ii) the Roads Project. Respectively, these Projects respond to constraints to economic growth by aiming to increase access to reliable and affordable electricity and strengthening road infrastructure by improving the planning for and the execution of routine, periodic and emergency road maintenance.

   Each Project is generally described in Part B of this Annex I. Part B also identifies one or more of the Activities that will be undertaken in furtherance of each Project as well as the various sub-activities within certain Activities.

   (b) **Beneficiaries.**

   By increasing access to reliable and affordable electricity, the Energy Project is expected to reduce the cost of electricity for households and firms connecting to the Liberian electrical grid. The Roads Project is expected to strengthen the planning and execution of road network maintenance, leading to a greater portion of the road network being maintained to a higher standard, thus decreasing vehicle operating costs for people living within two kilometers of the maintained roads.

**B. DESCRIPTION OF PROJECTS**

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project (each, an “Activity”), including sub-activities, are also described.

1. **Energy Project.**

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

   The Energy Project comprises four interconnected activities designed to provide additional generation capacity, strengthen the management, project planning and project execution functions of the Liberia Electricity Corporation (“LEC”) and the Ministry of Lands, Mines and Energy (“MLME”), as well as support the establishment and development of an independent regulator for the sector.

   (i) **Mt. Coffee Rehabilitation Activity.**
The Mt. Coffee Rehabilitation Activity aims to increase the amount of electricity generated in Liberia, facilitate a decrease in the overall electricity tariff and contribute to increased reliability and adequacy of electricity. The Mt. Coffee Hydropower Plant (“MCHPP”) is located on the St. Paul River, approximately 27 kilometers northeast of Monrovia. MCHPP was originally designed as a run-of-river scheme. The intake structure included provision for six units, although the powerhouse was only constructed for four units with a rated capacity of approximately 88 megawatts (“MW”). In 2003, at the end of 14 years of conflict, Liberia’s power sector was devastated including the decimation of the generating equipment at MCHPP – the country’s primary electricity generation asset and single largest source of power – and Liberia’s entire transmission and distribution network. Operation of LEC ceased completely. In order to address MCHPP rehabilitation requirements, in 2012 the Government requested financing for the rehabilitation of the facility from the Government of Norway (“GoN”), the German Development Bank (“KfW”) and the European Investment Bank (“EIB”) (collectively the “Pre-Existing Donors”). The Government committed to providing the balance of funding (20 percent of the original estimated cost) for the project including cost overruns. The joint financing, with commitments as of early 2014, was $218.5 million and was expected to cover rehabilitation of MCHPP with three turbines, the construction of a 66 kilovolt (“kV”) substation, three 66 kV transmission lines between Mt. Coffee and Monrovia and the expansion of the two receiving substations in Monrovia. Significant transmission and distribution investments were either planned or in various stages of implementation when the EVD outbreak began in March 2014. As a result, stakeholders reevaluated the rehabilitation costs in early 2015, accounting for delays created by EVD and expected contract costs associated with individual work streams associated with the rehabilitation. On the basis of a revised rehabilitation cost of approximately $357 million, MCC will assume the Government’s financial contribution of the rehabilitation and in addition MCC Funding will support the following base rehabilitation investments:

(A) the expected additional cost required to provide a total installed generation capacity of up to 88 MW;

(B) cover unfunded gaps between existing stakeholder commitments and a total cost to complete the rehabilitation of MCHPP in an amount not to exceed $357 million;

(C) cover the cost of a second 66 kV transmission line from MCHPP to the Paynesville substation;

(D) cover the cost of rehabilitating the raw water intake at MCHPP from the power house to the MCHPP site boundary; and

(E) costs related to the establishment of certain dispute adjudication boards.

The Government has assigned responsibility of the rehabilitation of MCHPP to LEC. The rehabilitation of MCHPP began in May 2012 and has been managed and implemented by a project implementation unit (“PIU”) within LEC and staffed by Liberian and international experts. MCC will participate in the rehabilitation of MCHPP as the fourth financing partner, and will therefore take advantage of the existing project and financial management structure of the...
PIU and subscribe to the oversight model mutually developed at the outset of the project by the Government and the Pre-Existing Donors.

(ii) **Mt. Coffee Support Activity.**

The Mt. Coffee Support Activity aims to provide additional support to the Mt. Coffee Rehabilitation Activity to mitigate environmental and social risks and ensure long-term sustainability that were not addressed under the pre-existing contract structures. MCC Funding will support:

(A) the provision of small-scale community infrastructure and related technical assistance (foot bridges, water points, pit latrines, etc.) for project affected persons (“PAPs”) to address resettlement impacts and help ensure that the local communities affected most directly by the Mt. Coffee Rehabilitation Activity will experience benefits from such Activity;

(B) additional human resources support to LEC, including the PIU, to ensure timely and professional management, oversight and reporting of environmental and social impacts and risks;

(C) a watershed management plan (including climate change and fisheries studies); and

(D) rehabilitation of the raw water transmission line from MCHPP to the White Plains Water Treatment Works.

(iii) **LEC Training Center Activity.**

The LEC Training Center Activity aims to build LEC’s technical, operational, financial, and administrative capacity. The training center to be established (the “**LEC Training Center**”) will form the core base for training of technicians in the electricity sector. MCC Funding will support:

(A) construction of, and provision of equipment and training materials for, the LEC Training Center;

(B) development of a training curriculum, in the following core areas: (1) transmission and distribution, (2) electrical, (3) mechanical, (4) hydro-electric and (5) other specialized training; and

(C) training for the director, instructors, and support staff of the LEC Training Center, who will be hired as employees of LEC.

(iv) **Energy Sector Reform Activity.**

The Energy Sector Reform Activity aims to provide support to the key institutions responsible for policy making, investment planning, asset management, and environmental and social oversight of the sector – namely MLME, LEC, and the Environmental Protection Agency (“**EPA**”). MCC funding will support:
(A) **Establishment of an Independent Regulator Sub-Activity.** Building upon planned programming from the European Union ("EU") which focuses on the development of MLME’s Department of Energy ("DoE") this Sub-Activity will assist the DoE in standing up an independent regulatory agency over a three year period by supporting:

1. establishment of an electricity regulation unit, including the unit’s start-up staffing costs and other operational costs;

2. a situation assessment for the electricity sector;

3. development of a financial model for the electricity sector;

4. demand, willingness to pay and connection assessment analyses, and a cost-of service study; and

5. design of a regulatory information system.

(B) **Institutional Strengthening for the Environmental Protection Agency Sub-Activity.** This Sub-Activity aims to enhance the capacity of the EPA to better manage its core functions, including environmental licensing/permitting, review and approval of environmental and social impact assessments ("ESIA"), environmental and social management plans ("ESMP") and resettlement action plans ("RAP"), and monitoring and oversight of environmental and social impacts and risks in both the electricity and road sectors. MCC funding will support:

1. provision of technical assistance and capacity building for key EPA staff; and

2. provision of select materials and operational support in the form of technology, monitoring and laboratory equipment, vehicles and IT improvements to facilitate the EPA’s work.

(C) **Management Support to LEC Sub-Activity.** This Sub-Activity aims to support implementation of the management arrangement for LEC selected by the Government informed by a study of public management and private sector participation options for LEC over the medium and long term to determine which is most likely to lead to a financially sustainable utility. The form of assistance will depend on the management arrangement selected, but could, for example, include technical assistance to LEC management and staff in the case that a public management option is selected, or funding and technical assistance to execute a transaction for a private sector management option.

(b) **Environmental and Social Mitigation Measures.**

The Energy Project, with the Mt. Coffee Rehabilitation Activity at its core, is classified as Category A under the World Bank’s Environmental and Social Safeguard Policies given its potential to have significant adverse environmental and social impacts, some of which are likely to affect an area broader than the sites or facilities subject to physical works.
The management of environmental and social impacts and risks related to the Mt. Coffee Rehabilitation Activity has been carried out in accordance with the requirements of the Environment Protection and Management Law of Liberia, the EPA’s Environmental Impact Assessment Procedural Guidelines as well as applicable international standards. As agreed among the Pre-Existing Donors and the Government, the international standards applied to the Activity are the World Bank’s Environmental and Social Safeguard Policies. All other Activities under the Energy Project will be carried out in accordance with the MCC Environmental Guidelines.

Comprehensive ESIs were prepared and finalized for the rehabilitation of MCHPP in 2012. These ESIs were accepted by the EPA and permits were received in July 2012.

To address the identified impacts and risks and establish guidelines and standards for the mitigation measures to be put in place by the PIU and the project contractors during both construction and operation, an ESMP was prepared for both MCHPP and the transmission lines in 2013. A comprehensive RAP for the rehabilitation of MCHPP was prepared in 2013 and substantially updated in 2015.

(c) Social Inclusion and Gender Integration.

Social inclusion and gender integration under the Energy Sector Reform Activity are directed at strengthening socially inclusive and gender responsive planning and implementation capacity of MLME and LEC. The Government will establish and support staff salaries at dedicated social inclusion and gender focused units within the respective entities. MCC Funding will support:

- training for the staff and capacity building at such units; and
- detailed gender and social assessments of MLME and LEC in partnership with the Ministry of Gender and Children and Social Protection as part of a mid-term review of the Liberian gender policy. These assessments will identify the social and gender integration support needed for MLME and LEC.

In addition, MCC Funding will support the following efforts to support social inclusion and gender integration under the Mt. Coffee Support Activity:

- entrepreneurship development activities for women, youth, war-affected persons and marginalized groups to help enable them to scale up their productive activities, expand income and create jobs using electricity that will be generated from MCHPP. MCC will partner with private sector organizations in undertaking these activities;
- a communications campaign on productive use of electricity and economic opportunities will be conducted towards potential consumers, especially youth, war-affected persons and women entrepreneurs for increasing their access to electricity and expanding their income generating activities; and
- the hiring of an expert organization that will work with affected communities to enhance their livelihood, especially for local unemployed young men, women, war-affected persons and marginalized groups.
(d) **Donor Coordination.**

The Mt. Coffee Rehabilitation Activity has provided MCC an opportunity to partner with the Governments of Norway and Germany (through KfW) and the EIB as co-financiers of the project. MCC has also worked closely with the EU, African Development Bank, and the World Bank ("**WB**") as they program their electricity sector investments.

(e) **United States Agency for International Development ("**USAID**")**

As Liberia is a Power Africa focus country, MCC and USAID have worked to ensure activities proposed and implemented under the Energy Project complement existing and planned Power Africa initiatives. While USAID retains considerable investment in rural and renewable (off-grid) projects, MCC’s proposed investments focus on critical, capital intensive generation infrastructure. MCC and USAID’s environmental and education teams have also collaborated in the conceptual design of the LEC Training Center and for capacity building within the EPA. Finally, MCC, USAID and the U.S. Embassy in Monrovia will continue to collaborate to strengthen Liberia’s legal and regulatory environment in the energy sector, and continue to support LEC to improve its service delivery and financial viability.

(f) **Sustainability.**

The sustainability of the Energy Project relies on the leadership and implementation provided by the PIU, the selection by the Government of a management arrangement and subsequent implementation of a management plan for LEC, and upgrading LEC staff skills and capacity in order to operate and maintain generation and distribution infrastructure assets. These will be key factors in the success and sustainability of the Energy Project.

(g) **Policy, Legal and Regulatory Reforms.**

A number of important policy and institutional reforms will be required to modernize the energy sector. The Energy Project aims to build upon a reform agenda already supported by a number of sector stakeholders including the GoN, the WB, the EU, USAID and the African Development Bank ("**AfDB**"). The Parties have agreed to the following policy, legal, regulatory, and institutional reforms and actions that the Government will pursue in support, and to reach the full benefits of the Energy Project:

(i) the Government will pass an electricity law that incorporates the development of a regulatory unit followed by the creation of an independent regulatory agency over a three year period;

(ii) the Government will select a management arrangement for LEC, using the management options study as an input to that decision, and adopt and implement a management implementation plan to carry out the selected management arrangement;

(iii) the Government will strengthen the planning and execution functions of MLME; and

(iv) the Government will establish or strengthen gender, social, and environmental units and their planning capacity within MLME and LEC.
2. **Roads Project.**

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

The Roads Project comprises of two interconnected activities designed to build a foundation for national road maintenance planning and execution and build capacity within the sector.

(i) **National Road Maintenance Activity.**

The National Road Maintenance Activity aims to pilot and construct at least two regional maintenance centers (“RMC”), provide data collection equipment, lab equipment and vehicles to the RMCs, and match Government contributions to a road fund in an effort to better maintain and sustain Liberia’s paved roads and increase institutional capacity in the sector. The two RMCs will serve as pilots for the eventual and phased rollout of at least five RMCs in all regions of the country. MCC Funding will support:

(A) **Construction of Road Maintenance Centers Sub-Activity.** This Sub-Activity consists of design and construction of two regional pilot RMCs, one located in the western region of Liberia, in Tubmanburg, Bomi County and one located in the southeastern region of Liberia, in River Gee County. MCC may agree with the Government to fund an additional three RMCs upon successful completion and assessment of viability of the first two RMCs under this Compact.

(B) **Matching Road Maintenance Fund Sub-Activity.** MCC Funding will be used to finance periodic road maintenance works through an incentive matching fund (the "Road Fund") to be established during the first year of the Compact. MCC will match Government contributions to the Road Fund dedicated to periodic road maintenance on a one to one basis up to $8 million during the Compact Term, subject to measurable indicators of performance on maintenance planning, capacity and implementation. MCC and the Government envision that the Road Fund will be administered by the Road Fund Administration, a stand-alone autonomous entity to be established by the Government during the first year of the Compact.

(ii) **Roads Sector Reform Activity.**

The Roads Sector Reform Activity aims to build capacity and provide technical assistance at the national and regional level. MCC Funding will support:

(A) **Network Analysis/Data Collection.** In partnership with the Government, the United States Department of Transportation (“DoT”) will develop a national roadway inventory report and database by:

1. collecting roadway condition data to support a road network analysis throughout Liberia including primary roads, secondary roads and feeder roads,

2. collecting traffic volume data separated by mode and vehicle type in the dry and wet seasons on the primary and secondary road network,
(3) collecting any other data that feeds into MCC models or would feed into future models used by the Government, and

(4) training future RMC staff to routinely update inventory collection work and successfully apply data for maintenance planning.

(B) Sector Reform/Institutional Strengthening/Capacity Building. This task would assist MCC to ensure that Compact transportation sector investments are coordinated with and complement the projects of other major donors. Coordination would build on current efforts of the donor working group. DoT support could further institutionalize the involvement of other donors as important stakeholders in road maintenance activities and any other transportation planning and capacity building activities including:

(1) providing capacity building related to the Axle Load Control Law,

(2) strengthening the administrative and operational framework of the Road Fund,

(4) training and support in transportation planning methods,

(5) assisting in the development of a five year transportation asset management plan for Liberia,

(6) aiding urban transportation planning in Monrovia, and

(7) reviewing existing policies concerning road safety and developing a set of recommendations and framework of implementation.

(b) Environmental and Social Mitigation Measures.

According to the MCC Environmental Guidelines, the Roads Project is a Category C project because it is expected to have limited adverse environmental and social impacts that can be readily addressed through mitigation measures.

For the National Maintenance Activity, MCC Funding will be used to conduct site-specific environmental audits and/or environmental and social impact assessments (which will include environmental and social management plans) and resettlement action plans during the project design phase. The results of those audits will form the basis of site-specific ESIAs and/or ESMPs, and RAPs, as appropriate.

(c) Social Inclusion and Gender Integration.

Social inclusion and gender integration under the Road Sector Reform Activity are directed at strengthening socially inclusive and gender responsive planning and implementation capacity of the Ministry of Public Works (“MPW”) and the Ministry of Transportation (“MoT”). The Government will establish and support staff salaries at dedicated social inclusion and gender focused units within the respective entities. MCC Funding will support:
(i) training for the staff and capacity building at such units;

(ii) detailed gender and social assessments of MPW and MoT in partnership with the Ministry of Gender and Children and Social Protection as part of a mid-term review of the Liberian gender policy. These assessments will identify the social and gender integration support needed for MPW and MoT; and

(iii) the hiring of an expert organization for supporting stakeholder and community engagement in two RMCs, and raising awareness of road safety and developing skills of local community in road maintenance that can create seasonal job opportunities for local unemployed young men, women, war-affected persons and marginalized groups.

(d) Donor Coordination.

MCC and the Government of Germany through the German Corporation for International Cooperation (“GIZ”) are working closely to ensure that MCC’s investments complement the considerable work GIZ has undertaken as the lead donor supporting institutional development and sector reform activities.

MCC has engaged the DoT to support due diligence and project oversight efforts for the Roads Project. MCC, the Government and the DoT are also exploring the possibility of establishing a long term relationship with the Government that will survive the compact.

(e) USAID.

MCC and USAID will continue to coordinate closely should USAID’s programming in the transport sector increase.

(f) Sustainability.

Road maintenance and effective Government commitment and coordination related to such, is crucial for the long term function and benefit of the Roads Project. The sustainability of the Roads Project is dependent upon the Government’s adoption of the Road Fund Administration and, subsequently, the establishment and effective operation of the Road Fund which is designed to collect revenue designated for periodic and routine maintenance of the national road network.

(g) Policy, Legal and Regulatory Reforms.

The Parties have identified the following policy, legal, regulatory, and institutional reforms and actions that the Government will pursue in support of the Roads Project:

(i) the Government will pass legislation establishing the Road Fund and the Road Fund Administration as a stand-alone legal entity; and

(ii) the Government will pass the Axle Load Control Law.
C. IMPLEMENTATION FRAMEWORK

1. MCA-Liberia.
   
   (a) Structure and Establishment.

   The Government will establish an accountable entity, MCA-Liberia, as a legal, independent and autonomous agency of the Government under the laws of Liberia. MCA-Liberia will not be under the control of any state controlling body and it will have operational and legal independence, including, inter alia, the ability to (i) enter into contracts in its own name; (ii) sue and be sued; (iii) establish a bank account in its own name; (iv) expend MCC Funding and (v) engage contractors, consultants and/or grantees, including, without limitation, a procurement and fiscal agent. The Government will include MCA-Liberia with respect to the Government’s coordination of bilateral or multilateral development assistance projects related to the Program.

   MCA-Liberia’s internal operations will be governed by the act establishing it and by its bylaws, each in form and substance satisfactory to MCC.

   MCA-Liberia will be administered, managed, and supported by the following bodies: (A) a board of directors (the “Board”); (B) a management team and (C) one or more Stakeholders Committees (as defined below).

   (b) Board of Directors.

   The Board will have ultimate responsibility for the oversight, direction, and decisions of MCA-Liberia, as well as the overall implementation of the Compact. The Board will be comprised of nine voting members, plus one or more non-voting members. The voting members of the Board is initially expected to include the following representatives:

   (i) Minister of Finance and Development Planning;

   (ii) Minister of Justice;

   (iii) Minister of Lands, Mines and Energy;

   (iv) Minister of Public Works;

   (v) Head of Presidential Delivery Unit;

   (vi) Chairman of the board of directors of LEC;

   (vii) representative from the private sector;

   (viii) representative from civil society; and

   (ix) Chief Executive Officer of MCA-Liberia.

   The members of the Board may be represented by alternates appointed pursuant to MCA-Liberia’s governing documents. In addition, MCC’s Resident Country Director in Liberia will serve as a non-voting member of the Board.
The process of selecting the Board members will be consistent with the Governance Guidelines. The Government acknowledges and agrees that both: (A) continuity of Board membership and (B) authority of Board members to represent their respective ministry or organization, are each critical to fulfilling their duties and implementing the Program.

(c) Management Team.

The Management Team, as defined below, will report to the Board and will have principal responsibility for the day-to-day operations and management of MCA-Liberia, including contracting, program management, financial management, reporting, and monitoring and evaluation. The Management Team will be led by a Chief Executive Officer and will be composed of directors and officers as agreed between the Parties and consistent with the Governance Guidelines (the “Management Team”). The Management Team will be selected after an open and competitive recruitment and selection process, and the appointment of each member of the Management Team is subject to MCC approval. The directors will be supported by appropriate additional staff to enable the Management Team to execute its roles and responsibilities. Upon written notice by MCC to MCA-Liberia, the selection of candidates for additional positions within MCA-Liberia will be subject to MCC approval.

(d) Stakeholders’ Committee(s).

(i) Composition. MCA-Liberia will be assisted by one or more stakeholders’ committees, (each a “Stakeholders’ Committee”), which will be created according to a process in accordance with MCC’s Governance Guidelines, as approved by MCC. Without limiting the foregoing, as required in MCC’s Governance Guidelines, each Stakeholders’ Committee will be composed of inter alia, program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Compact, key non-governmental organizations, and any applicable civil society and private sector representatives.

(ii) Roles and Responsibilities. The Stakeholders’ Committee(s) will be responsible for continuing the consultative process throughout implementation of the Compact. While the Stakeholders’ Committee(s) will not have any decision-making authority, the Stakeholders’ Committee(s) will be responsible for reviewing, at the request of the Board or the Management Team, certain reports, agreements, and documents related to the implementation of the Compact in order to provide advice and input to MCA-Liberia regarding the implementation of the Program.

2. LEC Program Implementation Unit.

Responsibility for implementation of the Mt. Coffee Rehabilitation Activity has been assigned to the PIU within LEC. The PIU is an existing donor-funded implementation structure and has existing operational manuals detailing procurement, fiscal accountability, environmental and social standards and other related processes. The purpose of the PIU is to act as sole manager of the rehabilitation of MCHPP on behalf of LEC and the Government. The PIU is the single point of contact with all stakeholders for the rehabilitation of MCHPP. Currently, the PIU is led by a
project director, and is staffed by international and Liberian experts. In addition, the PIU will implement certain aspects of the Mt. Coffee Support Activity.

The Mt. Coffee Rehabilitation Activity and the Mt. Coffee Support Activity will be implemented in accordance with certain policies and guidelines established by the Pre-Existing Donors and the Government. The PIU utilizes a single set of procurement rules for all procurements of goods, works, consultant and non-consultant services that need to be acquired to implement the rehabilitation of MCHPP. The Pre-Existing Donors have agreed to follow KfW’s guidelines for procurement. The PIU’s management of environmental and social impacts and risks related to the rehabilitation of MCHPP is carried out in accordance with the requirements of the Environment Protection and Management Law of Liberia, the Republic of Liberia Environmental Protection Agency’s Environmental Impact Assessment Procedural Guidelines as well as applicable international standards. The Pre-Existing Donors and the Government have agreed to follow the World Bank’s Environmental and Social Safeguard Policies.

3. 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, the Government may engage one or more entities of the Government to implement and carry out any Project or Activity (or a component thereof) under this Compact (each, an “Implementing Entity”). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an “Implementing Entity Agreement”).

4. Fiscal Agent.

Unless MCC agrees otherwise in writing, the Government will engage a fiscal agent (a “Fiscal Agent”), which will be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding, and whose duties will include those set forth in the Program Implementation Agreement and such agreement as the Government enters into with the Fiscal Agent, which agreement will be in form and substance satisfactory to MCC.

5. Procurement Agent.

Unless MCC agrees otherwise in writing, the Government will engage one or more procurement agents (collectively, the “Procurement Agent”) to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent will be set forth in the Program Implementation Agreement or such agreement as the Government enters into with the Procurement Agent, which agreement will be in form and substance satisfactory to MCC. The Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.
ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

This Annex II summarizes the Multi-Year Financial Plan for the Program.

I. General.

A multi-year financial plan summary ("Multi-Year Financial Plan Summary") is attached hereto as Exhibit A to this Annex II. By such time as specified in the Program Implementation Agreement, the Government will 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 Government’s contribution of funds and resources, 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.
## Annex II - 2
### Exhibit A to Annex II
### Multi-Year Financial Plan Summary

<table>
<thead>
<tr>
<th>Component</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Energy Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity 1: Mt. Coffee Rehabilitation</td>
<td>80,000,000</td>
<td>45,500,000</td>
<td>19,300,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>146,800,000</td>
</tr>
<tr>
<td>Activity 2: Mt. Coffee Support</td>
<td>2,534,000</td>
<td>7,533,000</td>
<td>6,033,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>18,100,000</td>
</tr>
<tr>
<td>Activity 3: LEC Training Center</td>
<td>500,000</td>
<td>1,000,000</td>
<td>2,600,000</td>
<td>1,200,000</td>
<td>200,000</td>
<td>5,500,000</td>
</tr>
<tr>
<td>Activity 4: Energy Sector Reform</td>
<td>800,000</td>
<td>2,600,000</td>
<td>7,200,000</td>
<td>10,300,000</td>
<td>10,290,000</td>
<td>31,190,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>83,834,000</td>
<td>56,633,000</td>
<td>35,133,000</td>
<td>13,500,000</td>
<td>12,490,000</td>
<td>201,590,000</td>
</tr>
<tr>
<td>2. Roads Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity 1: National Roads Maintenance</td>
<td>80,000</td>
<td>3,212,560</td>
<td>1,500,000</td>
<td>7,147,440</td>
<td>3,060,000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Activity 2: Roads Sector Reform</td>
<td>1,740,000</td>
<td>1,325,000</td>
<td>1,635,000</td>
<td>1,055,000</td>
<td>315,000</td>
<td>6,070,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,820,000</td>
<td>4,537,560</td>
<td>3,135,000</td>
<td>8,202,440</td>
<td>3,375,000</td>
<td>21,070,000</td>
</tr>
<tr>
<td>3. Program Management and Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) MCA-Liberia Administration</td>
<td>3,013,200</td>
<td>3,113,200</td>
<td>3,713,200</td>
<td>3,713,200</td>
<td>3,513,200</td>
<td>17,066,000</td>
</tr>
<tr>
<td>(b) Financial Management and Procurement Controls</td>
<td>2,500,000</td>
<td>2,200,000</td>
<td>1,600,000</td>
<td>1,600,000</td>
<td>1,600,000</td>
<td>9,500,000</td>
</tr>
<tr>
<td>(c) Financial Audits</td>
<td>200,000</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td>600,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>5,713,200</td>
<td>5,713,200</td>
<td>5,713,200</td>
<td>5,713,200</td>
<td>5,713,200</td>
<td>28,566,000</td>
</tr>
<tr>
<td>4. Monitoring and Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Monitoring and Evaluation</td>
<td>1,835,000</td>
<td>335,000</td>
<td>585,000</td>
<td>685,000</td>
<td>2,060,000</td>
<td>5,500,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,835,000</td>
<td>335,000</td>
<td>585,000</td>
<td>685,000</td>
<td>2,060,000</td>
<td>5,500,000</td>
</tr>
<tr>
<td>GRAND TOTAL OF ESTIMATED MCC FUNDING</td>
<td>93,202,200</td>
<td>67,218,760</td>
<td>44,566,200</td>
<td>28,100,640</td>
<td>23,638,200</td>
<td>256,726,000</td>
</tr>
</tbody>
</table>
ANNEX III
COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes the monitoring and evaluation (“M&E”) plan for this Compact (“M&E Plan”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, will be agreed to by MCC and the Government in accordance with MCC’s Policy for Monitoring and Evaluation of Compacts and Threshold Programs (the “MCC M&E Policy”). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan will be posted publicly on the MCC Website and updated as necessary.

1. Objective.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Liberia will (a) monitor to determine whether the Projects are on track to achieve their intended results (“Monitoring Component”), and (b) evaluate to assess implementation strategies, provide lessons learned, determine cost effectiveness and estimate the impact of Compact interventions (“Evaluation Component”). The M&E Plan will summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of programs. The M&E Plan will also include any M&E requirements that MCA-Liberia must meet in order to receive Disbursements, and will serve as a communication tool so that MCA-Liberia staff and other stakeholders clearly understand the objectives and targets that MCA-Liberia is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, will be made publicly available on the website of MCA-Liberia and on the MCC Website.

2. Program Logic.

The M&E Plan will summarize the clearly defined compact-level logic model which illustrates how the Projects, Activities, and sub-activities (as necessary) contribute to the Compact Goal and Project Objectives. This higher level logic model will be complemented by lower level logic models at the Project, Activity, and/or sub-activity levels (as necessary) depending on Compact design and implementation. All logic models will clearly summarize the outputs, outcomes, and goal expected to result from the Program.
A diagram of the logic underlying the Compact is included below:
The Energy Project aims to improve various aspects of the energy sector in Liberia. The Mt. Coffee Rehabilitation Activity, aims to increase the amount of electricity generated in Liberia, facilitate a decrease in the overall electricity tariff, and contribute to increased reliability and adequacy of electricity. This Activity addresses the overarching problem in the energy sector, i.e. lack of access to affordable and reliable electricity, by targeting the insufficient supply of electricity in Liberia. Complementary activities in the Energy Project should support the results of the Mt. Coffee Rehabilitation Activity, address other root cause problems in the sector and/or mitigate negative impacts and risks of the investment.
The Roads Project aims to improve the quality of Liberia’s road network by supporting the piloting of a new maintenance regime and building capacity within the sector. Improved management of the road sector is expected to decrease vehicle operating costs and provide time savings for road users.

3. Projected Economic Benefits and Beneficiaries.

(a) Energy Project Economic Analysis.

Currently, the supply and distribution of electricity in Liberia is extremely limited, both in terms of the number of connections and the total demand of those connections. Current customers pay a high tariff, due to the expensive fuel price for the high speed diesel generators that are currently used for LEC’s entire supply of electricity. After the completion of the Mt. Coffee Rehabilitation Activity, existing customers on the grid will receive a one-time benefit of the drop in tariff, and after that will receive benefits based on their consumption of grid-delivered electricity, as measured by the amount they pay for electricity. Customers already on the grid are expected to have a fairly minimal increase in demand due to the change in cost (in general, the price elasticity of demand for electricity is fairly low, though the income elasticity of demand for electricity is higher, so if there is an overall increase in incomes, we would expect demand to rise more quickly). The majority of the increase in demand is expected to be gained through additional connections to the grid. The economic rate of return depends heavily on this increase in demand from new connections.

New customers to the grid see a one-time benefit based on their estimated willingness to pay, and after that similarly receive benefits based on their consumption of grid-delivered electricity, as measured by the amount they pay for electricity.
Costs in the model include all costs related to the rehabilitation of MCHPP, plus the costs that consumers will have to pay to connect to the grid and any cost they incur in readying their dwellings or businesses to connect to the grid (i.e. any wiring changes or other upgrades, as indicated upon inspection).

The Mt. Coffee Support Activity, LEC Training Center Activity, and the Energy Sector Reform Activity costs are included in the analysis, but potential benefits are not quantifiable at present. Economic Analysis for these Activities is pending, but will be undertaken once designs for these Activities are complete. All Activities for which we develop ERRs should meet the hurdle rate of 10 percent. Currently, the ERR point estimate for the Energy Project is 11 percent with an estimated ERR range, including all costs, of 3 – 17 percent, depending largely on the number of additional connections made by LEC during the lifetime of the Compact. Having sufficient demand connected to the grid remains the largest risk to the ERRs reaching the hurdle rate.

(b) Roads Project Economic Analysis.

Economic analysis is not currently available for the Roads Project. Economic analysis for the Roads Project is pending, but will be undertaken once designs and feasibility studies for this Project are finalized. All activities for which we develop ERRs should meet the hurdle rate of 10 percent.

(c) Beneficiary Analysis.

The M&E Plan will also define in detail the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of economic rate of return analysis that seeks to disaggregate the total increase in income to determine specifically which segments of society will benefit from the Program. MCC considers beneficiaries\(^1\) of projects to be those people who experience better standards of living as a result of the project through higher real incomes (in this case, through cost savings). The expected beneficiaries of this Compact are shown in the following table:

<table>
<thead>
<tr>
<th>Project</th>
<th>Estimated Beneficiary Range</th>
<th>Estimated Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Project</td>
<td>256,000 to 768,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Roads Project</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

(d) Assumptions and Risks.

The M&E Plan will also outline key assumptions and risks that underlie the program logic. However, such assumptions and risks will not excuse any Party’s performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions and risks include:

\(^1\) As used in this Compact, the term “beneficiary” has the meaning described MCC’s Guidelines for Economic and Beneficiary Analysis.
Energy Project

- Returns to the Energy Project are heavily dependent on increasing the demand for new generation and establishing new connections to the grid. There is currently uncertainty about the number and pace that can be expected for new connections.
- LEC currently has both technical and management capacity constraints based upon the current capacity of its staff, as well as the failure of the management contract to meet its capacity building goals. In addition, the financial condition of LEC is very weak due to low cash flow resulting from problems with billing and collections as well as delays in improvements in generation, transmission and distribution infrastructure.

Roads Project

- The sustainability and the functionality of the RMCs depends on the advancement of reforms in the road sector and a steady stream of revenue to finance maintenance and operating expenses.
- Increased maintenance depends on road contractors being ready and able to assume maintenance works. There is a risk that the private sector does not have the technical or financial capacity to respond to the Government’s maintenance needs.


As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan will identify (a) the Indicators (as defined below), (b) the definitions of the Indicators, (c) the sources and methods for data collection, (d) the frequency for data collection, (e) the party or parties responsible for collecting and analyzing relevant data, (f) the timeline for reporting on each Indicator to MCC and (g) required disaggregations (all indicators should be sex disaggregated when possible). It should be noted that some Indicators will continue to be tracked in a Post Compact M&E Plan after this Compact expires, as described further below.

Goal, Outcome, Output, and Process Indicators. The M&E Plan will measure the results of the Program using quantitative, objective, and reliable data (“Indicators”).

(i) The M&E Plan will establish 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 are thus a pre-requisite for adequate intervention design. The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(ii) The M&E Plan will establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result will be achieved (“Target”).

(iii) The M&E Plan will indicate which Indicators will be disaggregated by sex, income level, and age, and beneficiary types to the extent practical and applicable.
(iv) MCC’s Common Indicators (as described in the MCC M&E Policy) will also be included as relevant.

(v) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

(vi) MCA-Liberia 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 the M&E Plan. Additional guidance on indicator reporting is contained in MCC’s Guidance on Quarterly MCA Disbursement Request and Reporting Package. In the case that MCA-Liberia submits a six-month disbursement request, the ITT must still be submitted quarterly.

Key Indicators that can be reported on at least an annual basis will be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track will be tracked for evaluation purposes. The M&E Plan will contain the monitoring Indicators listed in the following tables. Under the Energy Project, indicators for the Mt. Coffee Rehabilitation Activity have been identified; however, indicators for the Mt. Coffee Support Activity, LEC Training Center Activity, and Energy Sector Reform Activity have not been included in the following tables and will be identified in the M&E Plan.

Table 1.1: Energy Project Monitoring Indicators

<table>
<thead>
<tr>
<th>Energy Project</th>
<th>Mt. Coffee Rehabilitation Activity</th>
<th>Result</th>
<th>Indicator</th>
<th>Definition</th>
<th>Unit</th>
<th>Baseline</th>
<th>Compact Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Outcome Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased consumption of electricity</td>
<td>Total electricity sold</td>
<td>Total megawatt hours of electricity sales to all customer types</td>
<td>Megawatt hours</td>
<td>TBD(^2)</td>
<td>289,396</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduced tariffs</td>
<td>Electricity tariff</td>
<td>Average tariff per kilowatt-hour</td>
<td>US Dollars</td>
<td>0.52</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased reliability and adequacy</td>
<td>System Average Interruption Frequency Index</td>
<td>Sum of the number of interruptions in a quarter/Total number of customers connected to network in the same quarter</td>
<td>Rate</td>
<td>TBD(^3)</td>
<td>TBD</td>
</tr>
</tbody>
</table>

\(^2\) The baseline year will be the 2015 LEC year (July 2014 to June 2015). Data for May and June 2015 is not currently available, so the baseline will be provided in the initial M&E Plan.

\(^3\) The baseline will be a quarterly average from the 2015 LEC year (July 2014 to June 2015). Data for May and June 2015 is not currently available, so the baseline will be provided in the initial M&E Plan.
### Energy Project
#### Mt. Coffee Rehabilitation Activity

<table>
<thead>
<tr>
<th>Result</th>
<th>Indicator</th>
<th>Definition</th>
<th>Unit</th>
<th>Baseline</th>
<th>Compact Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased reliability and adequacy</td>
<td>System Average Interruption Duration Index</td>
<td>Sum of durations, in customer-hours, of all customer interruptions in a quarter/Total number of customers connected to network in the same quarter</td>
<td>Hours</td>
<td>TBD⁴</td>
<td>TBD</td>
</tr>
<tr>
<td>Increased number of firms, institutions, and households connected to the grid</td>
<td>Customers added</td>
<td>Number of new customers that have gained access to a legal connection to electricity service from LEC</td>
<td>Number</td>
<td>0</td>
<td>91,502</td>
</tr>
</tbody>
</table>

#### Output Indicators

| Infrastructure Constructed or Rehabilitated | Generation capacity added                     | Generation capacity added, measured in megawatts, resulting from construction of new generating capacity or reconstruction, rehabilitation, or upgrading or existing generating capacity funded with MCC support | Megawatts | 0       | 88             |
| Infrastructure Constructed or Rehabilitated | Kilometers of transmission line upgraded or built | The sum of linear kilometers of new, reconstructed, rehabilitated, or upgraded transmission lines that have been energized, tested and commissioned with MCC support | Kilometers | 0       | 51             |

### Table 1.2: Roads Project Monitoring Indicators

<table>
<thead>
<tr>
<th>Result</th>
<th>Indicator</th>
<th>Definition</th>
<th>Unit</th>
<th>Baseline</th>
<th>Compact Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher quality road network</td>
<td>Roughness</td>
<td>The roughness of the road classified network measured by the international roughness index, disaggregated by paved and unpaved</td>
<td>Meters per kilometer</td>
<td>TBD⁵</td>
<td>TBD</td>
</tr>
</tbody>
</table>

---

⁴ The baseline will be a quarterly average from the 2015 LEC year (July 2014 to June 2015). Data for May and June 2015 is not currently available, so the baseline will be provided in the initial M&E Plan.

⁵ The baseline for this indicator will be informed by the network analysis to be supported by the Roads Project.
### Roads Project

<table>
<thead>
<tr>
<th>Result</th>
<th>Indicator</th>
<th>Definition</th>
<th>Unit</th>
<th>Baseline</th>
<th>Compact Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased road maintenance</td>
<td>Percentage of roads maintained according to the maintenance plan</td>
<td>Number of kilometers receiving maintenance / Number of kilometers that needed maintenance according to the maintenance plan, disaggregated by emergency, routine, and periodic maintenance</td>
<td>Percentage</td>
<td>N/A</td>
<td>TBD</td>
</tr>
<tr>
<td>Increased road maintenance</td>
<td>Expenditures on road maintenance</td>
<td>Actual expenditures on road maintenance, disaggregated by emergency, routine, and periodic maintenance</td>
<td>US Dollars</td>
<td>TBD⁶</td>
<td>TBD</td>
</tr>
<tr>
<td>Increased road maintenance</td>
<td>Fuel levy collected and provided to the Road Fund</td>
<td>Actual amount deposited in the Road Fund account compared to the amount planned/budgeted for in the maintenance plan</td>
<td>Percentage</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Output Indicators**

<table>
<thead>
<tr>
<th>Matching funds for maintenance provided</th>
<th>Matching funds provided to the Government by MCC for road maintenance</th>
<th>US Dollars</th>
<th>0</th>
<th>8,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building provided</td>
<td>Staff trained</td>
<td>Number</td>
<td>0</td>
<td>TBD</td>
</tr>
<tr>
<td>Pilot road maintenance centers developed</td>
<td>Pilot road maintenance centers built or rehabilitated, equipped, and staffed</td>
<td>Number</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

**Process Indicators**

<table>
<thead>
<tr>
<th>Support development of road fund</th>
<th>Passage of road fund legislation</th>
<th>Date</th>
<th>N/A</th>
<th>October 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axe control law passed</td>
<td>Passage of axle control legislation</td>
<td>Date</td>
<td>N/A</td>
<td>October 2016</td>
</tr>
</tbody>
</table>

5. **Evaluation Component.**

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC 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 and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation, and (iii) special studies, each of which is further described in the MCC M&E Policy.

⁶ The baseline for this indicator will be established with input from the Ministry of Public Works.
(a) **Independent Evaluations.** According to the MCC M&E Policy, every Project in a Compact must undergo a comprehensive, independent evaluation (impact and/or performance). The Evaluation Component of the M&E Plan will 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. If the Government wishes to engage an evaluator, the engagement will be subject to the prior written approval of MCC. Contract terms must ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Liberia is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

For all evaluations described below, evaluation opportunities will be discussed with the Government once the MCC-contracted evaluators are on-board and more information is available about the design and implementation of each Project.

(i) **Energy Project.**

An independent evaluator will be hired to assess evaluation methodology options. The evaluation will be designed to capture the likely effects of the Project on the expected outcomes of reducing tariffs, increasing the reliability and adequacy of electricity as well as increasing connections to the electrical grid.

The M&E Plan is expected to contain the following evaluation questions; however, the final list of questions will be documented in the final evaluation design:

<table>
<thead>
<tr>
<th>Energy Project Evaluation Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Was the Mt. Coffee Rehabilitation Activity implemented as planned?</td>
</tr>
<tr>
<td>2. To what extent has increased electricity generation contributed to increased reliability and adequacy of electricity supplied?</td>
</tr>
<tr>
<td>3. How has the electricity tariff changed since MCHPP was rehabilitated? To what extent does it cover the costs of electricity generation and other operating costs?</td>
</tr>
<tr>
<td>4. Who has connected and what has been the pattern of users connecting to the grid? How did households and businesses decide whether to connect?</td>
</tr>
<tr>
<td>5. To what extent are energy users changing their energy consumption and sources (such as moving away from the use of generators, kerosene, etc.)? Have the changes (if any) resulted in cost savings for users?</td>
</tr>
<tr>
<td>6. How have changes in electricity availability and reliability affected what consumers use electricity for? How do changes in use vary across different types of users, e.g., households/firms/institutions, or by demographic group?</td>
</tr>
<tr>
<td>7. How sustainable is MCHPP? How has the compact contributed to the commercial viability of LEC as a utility?</td>
</tr>
</tbody>
</table>
(ii) Roads Project.

The evaluation of this Project is expected to be a performance evaluation, using a well-known quantitative model for assessing the results of road improvements, in addition to political economy analysis of the road maintenance regime. The evaluation will be designed to capture the likely effects of the Project on road maintenance funding and execution, the quality of the road network, vehicle operating costs and travel time.

The M&E Plan is expected to contain the following evaluation questions; however, the final list of questions will be documented in the final evaluation design:

<table>
<thead>
<tr>
<th>Roads Project Evaluation Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Was the Roads Project implemented according to plan?</td>
</tr>
<tr>
<td>2. Did the Roads Project have any influence on the Government’s maintenance regime and practice? What are the governance arrangements that explain road maintenance practices? How is the road maintenance regulated? How is the sector funded?</td>
</tr>
<tr>
<td>3. How were routine and periodic maintenance costs determined and planned by the Government before the Compact? Were there any changes made during the Compact period? What is the status of these procedures since the end of the Compact?</td>
</tr>
<tr>
<td>4. How effective have the RMCs been? What is the condition of the roads served by the RMCs compared to other roads in Liberia?</td>
</tr>
<tr>
<td>5. Have vehicle operating costs and travel time been affected by any of the changes to the road maintenance regime and practice?</td>
</tr>
<tr>
<td>6. To what extent, if any, has the Roads Project affected private sector engagement in road maintenance?</td>
</tr>
<tr>
<td>7. How sustainable is the new road maintenance regime?</td>
</tr>
</tbody>
</table>

(b) Self-Evaluation. Upon completion of the Program, both MCC and MCA-Liberia will comprehensively assess three fundamental questions: (i) Did the Projects meet the Project Objectives; (ii) Why did the Projects meet or not meet these objectives; and (iii) What lessons can be learned from the implementation experience (both procedural and substantive). MCA-Liberia staff will draft a Compact completion report in the last year of compact implementation to evaluate these fundamental questions and other aspects of Program performance.

(c) Special Studies. Plans for conducting special studies will be determined jointly between the Government and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any special studies, ad hoc evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or ad hoc evaluations of Projects, Activities, or the Program as a whole prior to the expiration of the Compact Term.

The results of all evaluations will be made publicly available in accordance with the MCC M&E Policy.
6. Data Quality Reviews.

Data Quality Reviews ("DQR") are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs cover (a) quality of data, (b) data collection instruments, (c) survey sampling methodology, (d) data collection procedures, (e) data entry, storage and retrieval processes, (f) data manipulation and analyses, and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program or project under review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

7. Other Components of the M&E Plan.

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

(a) **Management Information System.** The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of the Program, and will be aligned with existing MCC systems, other service providers, and ministries.

(b) **Budget.** A detailed cost estimate for all components of the M&E Plan.

(c) **Responsibility for Developing the M&E Plan.** MCC desires to “[refrain] from requesting the introduction of performance Indicators that are not consistent with countries’ national development strategies.” For this reason, primary responsibility for developing the M&E Plan lies with the M&E staff of MCA-Liberia with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Liberia leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as Environmental and Social Performance and Gender and Social Inclusion), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Liberia Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

(d) **Approval and Implementation of the M&E Plan.**

---

7 Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5
The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC M&E Policy. All M&E Plan modifications made by MCA-Liberia must be submitted to MCC for formal approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

(e) **Post Compact M&E Plan.**

As part of the planning process for winding up the Program at the end of the Compact Term, MCC and MCA-Liberia will develop a post-Compact M&E Plan designed to observe the persistence of benefits created under the Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that will undertake these activities, and provide a budget framework for future monitoring and evaluation that reflects the Government’s and MCC’s contributions. The post-Compact M&E Plan should build directly off the Compact M&E Plan.
ANNEX IV
DEFINITIONS

609(g) Agreement has the meaning provided in Section 3.2(b).

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

Additional Representative has the meaning provided in Section 4.2.

AfDB has the meaning provided in paragraph 1(g) of Part B of Annex I.

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

Baseline has the meaning provided in Section 4(i) of Annex III.

Board has the meaning provided in Part C.1(a) of Annex I.

Compact has the meaning provided in the Preamble.

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.

Constraints Analysis has the meaning provided in Part A.1(a) of Annex I.

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.2.

DoE has the meaning provided in Part B.1(a)(iv)(A) of Annex I.

DoT has the meaning provided in Part B.2(a)(ii)(A) of Annex I.

DQR has the meaning provided in the Part 6 of Annex III.

EIB has the meaning provided in Part B.1(a)(i) of Annex I.

Energy Project means the project described in Section 1 of Part B of Annex I and whose Project Objectives are outlined in Section 1.2.

EPA has the meaning provided in Part B.1(a)(iv) of Annex I.

ERR has the meaning provided in Part A.1(a) of Annex I.

ESIA has the meaning provided in Part B.1(a)(iv)(B) of Annex I.

ESMP has the meaning provided in Part B.1(a)(iv)(B) of Annex I.

EU has the meaning provided in Part B.1(a)(iv)(A) of Annex I.
**Evaluation Component** has the meaning provided in Section 1 of Annex III.

**EVD** has the meaning provided in Part A.1(a) of Annex I.

**Fiscal Agent** has the meaning provided in Part C.4 of Annex I.

**GIZ** has the meaning provided in Part B.2(d) of Annex I.

**GoN** has the meaning provided in Part B.1(a)(i) of Annex I.

**Governance Guidelines** means MCC’s Guidelines for Accountable Entities and Implementation Structures.

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

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

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

**Implementing Entity** has the meaning provided in Part C.3 of Annex I.

**Implementing Entity Agreement** has the meaning provided in Part C.3 of Annex I.

**Indicators** has the meaning provided in Section 4 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, that are financed, in whole or in part, using MCC Funding.

**ITT** has the meaning provided in the Part 4(vi) of Annex III.

**KfW** has the meaning provided in Part B.1(a)(i) of Annex I.

**kV** has the meaning provided in Part B.1(a)(i) of Annex I.

**LEC** has the meaning provided in Part B.1(a) of Annex I.

**LEC Training Center** has the meaning provided in Part B.1(a)(iii) of Annex I.

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

**M&E** has the meaning provided in the first paragraph of Annex III.

**M&E Plan** has the meaning provided in the first paragraph of Annex III.
**Management Team** has the meaning provided in Part C.1(c) of *Annex I*.

**MCA Act** has the meaning provided in Section 3.3.

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

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

**MCC Environmental Guidelines** has the meaning provided in Section 2.5(c).

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

**MCC Gender Policy** means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

**MCC M&E Policy** has the meaning provided in the first paragraph of *Annex III*.

**MCC Program Closure Guidelines** means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

**MCC Program Procurement Guidelines** has the meaning provided in Section 3.6(a).

**MCC Website** means the MCC website at www.mcc.gov.

**MCHPP** has the meaning provided in Part B.1(a)(i) of *Annex I*.

**MLME** has the meaning provided in Part B.1(a) of *Annex I*.

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

**MoT** has the meaning provided in Part B.2(c) of *Annex I*.

**MPW** has the meaning provided in Part B.2(c) of *Annex I*.

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

**MW** has the meaning provided in Part B.1(a)(i) of *Annex I*.

**PAPs** has the meaning provided in Part B.1(a)(ii)(A) of *Annex I*.

**Party and Parties** have the meaning provided in the Preamble.

**Permitted Account** has the meaning provided in Section 2.2.

**PIU** has the meaning provided in Part B.1(a)(i) of *Annex I*.

**Pre-Existing Donors** has the meaning provided in Part B.1(a)(i) of *Annex I*.

**Principal Representative** has the meaning provided in Section 4.2.
**Procurement Agent** has the meaning provided in Part C.5 of Annex I.

**Program** has the meaning provided in the recitals to this Compact.

**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 Guidelines** means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Guidelines for Accountable Entities and Implementation Structures, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

**Program Implementation Agreement** and **PIA** have the meaning provided in Section 3.1.

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

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

**Provider** means (i) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

**RAP** has the meaning provided in Part B.1(a)(iv)(B) of Annex I.

**Reporting Guidelines** means the MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package.

**RMC** has the meaning provided in Part B.2(a)(i) of Annex I.

**Road Fund** has the meaning provided in Part B.2(a)(i)(B) of Annex I.

**Roads Project** means the project described in section 2 of Part B of Annex I and whose Project Objectives are outlined in Section 1.2.

**Stakeholders Committee** has the meaning provided in Part C.1(d)(i) of Annex I.

**Supplemental Agreement** means any agreement between (A) the Government (or any Government affiliate, including MCA-Liberia) and MCC (including, but not limited to, the PIA), or (B) MCC and/or the Government (or any Government affiliate, including MCA-Liberia), on the one hand, and any third party, on the other hand, including any of the Providers, 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 Section 4(ii) of **Annex III**.

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

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

**USAID** has the meaning provided in Part B.1(e) of **Annex I**.

**WB** has the meaning provided in Part B.1(d) of **Annex I**.