

MILLENNIUM CHALLENGE CORPORATION

[MCC FR 06–11]

Notice of Entering Into a Compact With the Government of the Republic of Ghana

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003 (Pub. L. 108–199, Division D), the Millennium Challenge Corporation (MCC) is publishing a summary and the complete text of the Millennium Challenge Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Government of the Republic of Ghana. Representatives of the United States Government and the Government of the Republic of Ghana executed the Compact documents on August 1, 2006.

Dated: August 9, 2006.

William G. Anderson Jr.,
Vice President & General Counsel (Acting).

Summary of Millennium Challenge Compact With the Government of the Republic of Ghana

I. Introduction

The five-year, approximately \$547 million Millennium Challenge Compact aims at reducing poverty by raising farmer incomes through private sector-led, agribusiness development. To this end, the program focuses on increasing the production and productivity of high-value cash and food staple crops in certain areas of Ghana, and on enhancing the competitiveness of Ghana's export base in horticultural and other traditional crops.

Agriculture is the backbone of Ghana's economy; it accounts for approximately 40 percent of the country's gross domestic product, directly employs approximately 60–70 percent of the labor force, and generates more than 55 percent of foreign exchange earnings.

The program will operate in 23 districts in the northern region, the central Afram Basin region and the southern horticultural belt in the southeastern region (each region, an Intervention Zone), where poverty rates

are generally above 40 percent. In fact, in the northern region and parts of the Afram Basin region, the incidence of poverty in the rural population is as high as 90 percent, with incomes below \$2 a day.

II. Program

The program consists of three projects: (i) Agriculture Project; (ii) Transportation Project; and (iii) Rural Services Project.

Agriculture Project

- *Farmer and Enterprise Training in Commercial Agriculture:* Accelerate the development of commercial skills and capacity among Farmer-Based Organizations (FBOs) and their business partners, including entities adding value to agricultural crops such as processors and marketers.

- *Irrigation Development:* Establish a limited number of retention ponds and weirs requested by the FBOs and FBO partnerships for whom access to water is critical to the success of their businesses.

- *Land Tenure Facilitation:* Improve tenure security for existing land users and facilitate access to land for higher value agricultural crops in the Intervention Zones.

- *Improvement of Post Harvest Handling and Value Chain Services:* Facilitate strategic investments by FBOs and FBO partnerships in post-harvest infrastructure improvements and build the capacity of the public sector to introduce and monitor compliance with international plant protection standards.

- *Improvement of Credit Services for On-Farm and Value Chain Investments:* Augment the supply of, and access to, credit provided by financial institutions operating in the Intervention Zones, providing seasonal credit to FBOs through commercial and rural banks, as well as through non-traditional channels such as input suppliers, and medium-term credit through banks to finance capital goods such as irrigation and post-harvest processing and storage facilities.

- *Rehabilitation of Feeder Roads:* Rehabilitate up to 950 kilometers of feeder roads in eight districts in the Intervention Zones to reduce transportation costs and time, to increase access to major domestic and international markets, and to facilitate transportation linkages from rural areas

to social service networks (including, for instance, hospitals, clinics and schools).

Transportation Project

- *Upgrades to Sections of N1 Highway:* Reduce the bottleneck in accessing the International Airport and the Port of Tema and support an expansion of Ghana's export-directed horticulture base beyond current production, by upgrading of 14 kilometers of the National Highway (N1 Highway) between Tema and Accra.

- *Improvements of Trunk Roads:* Facilitate the growth of agriculture and access to social services by rehabilitating or constructing up to 230 kilometers of trunk roads in the Afram Basin region.

- *Improvements of Lake Volta Ferry Services:* Facilitate the growth of agriculture in the Afram Basin region by improving the ferry service of Volta Lake Transport Company that connects Adawso on the southern shore to Ekye Amanfrom on the northern shore.

Rural Services Project

- *Strengthening of Public Sector Procurement Capacity:* Support the development of procurement professionals and reinforce the capabilities of the Government of Ghana (GoG) to procure goods and services, reinforcing execution of the overall program and, in particular, the community services.

- *Support for Community Services:* Complement the Agriculture Project by funding construction and rehabilitation of educational facilities, construction and rehabilitation of water and sanitation facilities and electrification of rural areas, and by providing capacity building support to local government institutions.

- *Strengthening of Rural Financial Services:* Automate and interconnect 121 rural banks that are private, community-owned banks, and provide other improvements in the national payments systems that will draw a large number of people currently not served or under-served into the financial system.

The table below outlines the estimated MCC contribution to the program by year and category over the term of the Compact.

[US \$ MILLION]

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Agriculture Project	32.6	47.1	70.3	65.1	25.9	241.0
Transportation Project	14.8	20.1	35.4	43.1	29.7	143.1
Rural Services Project	15.6	21.1	30.5	34.1	.....	101.3

[US \$ MILLION]—Continued

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Administration of Program & Audits	8.8	8.8	10.0	10.3	8.7	46.6
Monitoring & Evaluation of Program	3.0	3.0	3.0	3.0	3.0	15.0
Total	74.8	100.1	149.2	155.6	67.3	547.0

III. Impacts

Under the Agriculture Project, approximately 51,000 farm households are expected to complete a comprehensive program in agronomic, organizational and business skills training as members of FBOs. These households with five members on average comprise over 250,000 people. Less directly, the improvement of the GoG's Ministry of Food and Agriculture's extension services and the agents' work with FBOs will have collateral spillover benefits for a large number of farmers which are not quantified.

The Agriculture Project will also support the development and improved operations of approximately 120 small- and medium-size enterprises providing services to agriculture where concentrations of farmer and FBO training will have taken place. Increased access to credit will finance a majority of these changes, including irrigation and post-harvest infrastructure. Its support to facilitate the formal acquisition of land will decrease the transaction costs associated with negotiating and formalizing land leases with traditional land custodians, enhancing the willingness and ability of farmers to invest in on-farm improvements. As a further measure to improve the local profitability of agriculture, the Agriculture Project will finance the improvement of over 950 kilometers of feeder roads, which, along with the trunk roads below, will benefit a total population of more than 120,000 farming households with over 600,000 members. These activities will increase farm incomes from cultivation by U.S. \$450 to about U.S. \$1,000. For many of the poor, the compact intervention will represent an increase of one dollar or more in average income per person per day.

The Transportation Project is expected to open new economic opportunities for rural households by lowering transportation costs, including travel times, for both individuals and cargo, to markets and social service delivery points. Because the N1 Highway is a principal route from the south to the Port of Tema, widening the N1 Highway should benefit approximately 150,000 daily users.

Upwards of 500,000 people in the surrounding area of Accra, including consumers and agricultural export producers and other users of the highway in the Greater Accra Metropolitan Area, would benefit from the improved operation of the N1 Highway. Rehabilitation and upgrading of trunk roads and expansion of the ferry service in the Afram Basin region are expected to benefit up to 100,000 farm households, most of which are among the rural poor.

By improving both the community-service infrastructure and enhancing local government capacity to provide, operate and maintain community services related to this infrastructure, the Rural Services Project should benefit several tens of thousands of households, decrease the incidence of disease and the time spent collecting water and fuel, and increase school attendance, which in turn should lead to greater productivity. Linking banks and their branches nationwide via a wide-area network should increase access to financial services for the entire population of Ghana, especially in remote rural areas, in the form of savings, credit or cash transfers and remittances. Finally, strengthening of public sector procurement capacity will improve execution of the Support for Community Services activity directly and, more generally, all citizens of Ghana with material improvements in performance of the entire public sector.

In conclusion, as a first approximation, the program is anticipated to help directly alleviate the poverty of over 230,000 Ghanaians, and to substantially enhance the livelihoods and welfare of over one million Ghanaians in the aggregate.

IV. Program Management

Through an act of its Parliament, the GoG has created the Millennium Development Authority (MiDA) that will serve as the entity accountable for the implementation of the program under the Compact. MiDA will be governed by a Board of Directors comprised of members of GoG, the private sector, and the non-governmental organization (NGO) community. A chief executive officer will manage the day-to-day activities of

MiDA and will be supported by key officers in the areas of operations, agriculture, infrastructure, financial services, land, and administration. MiDA will remain accountable for the successful execution of the program while working through project implementers, whose interaction will be facilitated by a fiscal and procurement agent. As an organ of the GoG, MiDA will be subject to GoG audit requirements alongside those audit requirements of MCC under the Compact.

V. Other Highlights

A. Consultative Process

Ghana's Poverty Reduction Strategy process provided the basis for its process of consultation regarding the development of its proposal for the program. Specifically, in 2004, the GoG held the first of a series of Compact-related consultations with civil society members of the Ghanaian Association of Private and Voluntary Organizations in Development. Subsequent consultations included: (i) Initial consultations with stakeholders at both the national and local levels to focus the program's objectives; (ii) consultations with stakeholders in each district within each Intervention Zone throughout the design of the program regarding the exact type of interventions, proposed locations, arrangements for implementation, as well as the ownership structure for certain infrastructure investments; (iii) consultations with NGOs representing the environmental and social sector (including women and youth), local agribusinesses and farmers. MCC observed a number of the consultations, both local and national. The consultative process is ongoing and is expected to continue through the term of the Compact.

B. GoG Commitment and Effectiveness

The GoG is committed to assembling a capable team to staff MiDA. Recruitment is underway currently for the chief executive officer of MiDA and 13 other key officers who will directly support the implementation of the program. The incumbent Minister of Public Sector Reform, who led the GoG's team to develop the Compact, will become the chair of the board of

directors of MiDA. Other members of the board will come from line ministries directly relevant to the program, and the private sector and NGOs as a means to provide feedback on the implementation of the program. One advisory committee for each Intervention Zone will be formed to bring the on-the-ground perspective back to the MiDA. President Kufuor remains engaged, providing leadership and ensuring that MiDA will have the inter-ministerial cooperation necessary for the success of the program. In addition, the GoG will undertake to make up eventual shortfalls in funding, if any, necessary to sustain the program in such areas as road maintenance, community services recurrent costs, and environmental mitigation.

C. Sustainability

The activities under the Agriculture Project will create new and strengthen existing input suppliers, processors and marketers and enhance a climate that attracts additional outside investment in the agriculture sector, thus leading to its continued growth. The GoG has affirmed that it will maintain the rehabilitated roads in accordance with standards that have been agreed with the broad donor community and will increase funding commitment to the road sector accordingly. MCC is requiring from GoG that it will provide for the staffing, equipping, and other recurrent costs of new (and some existing) infrastructure investments. Selection criteria for community services infrastructure will also stipulate a minimum level of community contribution to investment and participation in upkeep of new facilities. Environmental and social sustainability of the program will be enhanced through oversight and ongoing public consultation. The Rural Services Project will include a capacity building component to reinforce participatory planning, procurement, financial management, maintenance planning and budgeting, operations and maintenance of physical infrastructure. MCC investments in secure land access will emphasize community consultation and resolution of disputes, important for durable secure tenure.

D. Environment and Social Assessments

According to MCC's environmental guidelines, the Agriculture Project is classified as "Category A" (with the exception of the credit-related activity that is classified as a "Category D" and requires lending guidelines that stipulate environmental requirements). Specifically, potentially adverse environmental impacts may result from

the irrigation retention ponds and weirs, the feeder roads, and large-scale agricultural intensification and conversion (e.g., deforestation, monoculture). The Transportation Project is classified as "Category A" due to potentially adverse site-specific impacts resulting from improvements to the N1 Highway and select trunk roads, including the acquisition of, or compensation for, approximately 800 permanent and temporary structures (e.g., containers and kiosks) on the N1 Highway's right of way. Furthermore, there will be both induced and cumulative impacts on the Afram Basin region resulting from increased access provided by the trunk roads and ferries. The Rural Services Project is classified as "Category B" and will require selection criteria for provision of community services that take into account environmental and social impacts.

Overall, because of the breadth and scope of the proposed program, strategic environmental assessments and baseline studies will be required for each Intervention Zone prior to initiating any required project-specific environmental impact assessments and substantial investment in physical infrastructure. Environmental management plans and resettlement action plans will be developed for all Projects as necessary. The environmental and social benefits expected from the Compact include enhanced livelihoods, greater access to social services, and more sustainable agricultural practices, ultimately leading to reduced slash and burn agriculture and improved soil quality.

E. Donor Coordination

The \$547 million Compact will place the U.S. among the top three donors to Ghana. As such, donor coordination is particularly important to ensure that MCC's investment is building upon and complementing the work of other donors.

There are significant complementarities between the program and current donor activity in Ghana. The Agriculture Project, for instance, will build upon activities pioneered by U.S. Agency for International Development's Trade and Investment Program for a Competitive Export Economy (TIPCEE), and those developed under the Agricultural Services Sub-Sector Investment Project supported by the World Bank, the UK's Department for International Development (DfID), African Development Bank, the International Fund for Agricultural Development and others. TIPCEE activities are expected to

continue during the course of the Compact.

In implementing the Transportation Project, MCC is working alongside several other donors active in the sector, namely the World Bank, European Union, Danish International Development Agency and DfID to avoid duplication and to ensure policy coordination.

MCC is basing its investments under the Rural Services Project on an existing Community Based Rural Development Project (CBRDP) financed by the World Bank and Agence Francaise de Développement. The MCC investments will extend the services of the program implementation unit developed under the CBRDP and the capacity building activities financed in the project will use the existing training program piloted by CBRDP.

Millennium Challenge Compact Between the United States of America Acting Through the Millennium Challenge Corporation and the Government of the Republic of Ghana

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Millennium Challenge Compact

This Millennium Challenge Compact (the "Compact") is made 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 Ghana (the "Government") (referred to herein individually as a "Party" and collectively, the "Parties"). A compendium of capitalized terms defined herein is included in Exhibit A attached hereto.

Recitals

Whereas, MCC, acting through its Board of Directors, has selected Ghana as eligible to present to MCC a proposal for the use of Millennium Challenge Account ("MCA") assistance to help facilitate poverty reduction through economic growth in Ghana;

Whereas, the Government has carried out a consultative process with the country's private sector and civil society to outline the country's priorities for the use of MCA assistance and developed a proposal, which final proposal was submitted to MCC on October 28, 2005 (the "Proposal");

Whereas, the Proposal focused on, among others, increasing farmer incomes through modernizing Ghana's agricultural sector, together with investments in developing transportation infrastructure and rural institutions, all designed to dismantle obstacles to realizing Ghana's agricultural potential as an engine of economic growth;

Whereas, MCC has evaluated the Proposal and related documents to determine whether the Proposal is

consistent with core MCA principles and includes projects and related activities that will advance the progress of Ghana towards achieving poverty reduction through economic growth; and

Whereas, based on MCC's evaluation of the Proposal and related documents and subsequent discussions and negotiations between the Parties, the Government and MCC determined to enter into this Compact to implement a program using MCC Funding to advance Ghana's progress towards poverty reduction through economic growth (the "Program");

Now, therefore, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

Article I. Purpose and Term

Section 1.1 Compact Goal; Objectives

The goal of this Compact is poverty reduction through economic growth in Ghana (the "Compact Goal"). The key to advancing the Compact Goal is the two-fold objective of the Program, first, to increase the production and productivity of high-value cash and food staple crops in the Intervention Zones in Ghana and, second, to enhance the competitiveness of Ghana's high-value cash and food crops in both local and international markets (collectively, the "Program Objective"). The Parties have identified the following project-level objectives (each, a "Project Objective") of this Compact to advance the Program Objective, and thus the Compact Goal, each of which is described in more detail in the Annexes attached hereto:

- Enhance the profitability of cultivation, services to agriculture and product handling in support of the expansion of commercial agriculture among groups of smallholder farmers (the "Agriculture Project Objective");
- Reduce the transportation costs affecting agricultural commerce at sub-regional and regional levels (the "Transportation Project Objective"); and
- Strengthen the rural institutions that provide services complementary to, and supportive of, agricultural and agribusiness development (the "Rural Development Project Objective").

The Government expects to achieve, and shall use its best efforts to ensure the achievement of, the Compact Goal, Program Objective and Project Objectives during the Compact Term. The Program Objective and the individual Project Objectives are collectively referred to herein as "Objectives" and each individually as an "Objective."

Section 1.2 Projects

The Annexes attached hereto describe the specific projects, the policy reforms and other activities related thereto (each, a "Project") that the Government will carry out, or cause to be carried out, in furtherance of this Compact to achieve the Objectives and the Compact Goal.

Section 1.3 Entry into Force; Compact Term

This Compact shall enter into force on the date of the last letter in an exchange of letters between the Principal Representatives of each Party confirming that each Party has completed its domestic requirements for entry into force of this Compact (including as set forth in Section 3.10) and that all conditions set forth in Section 4.1 have been satisfied by the Government and MCC (the "Entry into Force"). This Compact shall remain in force for five (5) years from the Entry into Force, unless earlier terminated in accordance with Section 5.4 (the "Compact Term").

Article II. Funding and Resources

Section 2.1 MCC Funding

(a) *MCC's Contribution.* MCC hereby grants to the Government, subject to the terms and conditions of this Compact, an amount not to exceed Five Hundred Forty Seven Million and Nine Thousand United States Dollars (US\$ 547,009,000) ("MCC Funding") during the Compact Term to enable the Government to implement the Program and achieve the Objectives.

(i) Subject to Sections 2.1(a)(ii), 2.2(b) and 5.4(b), the allocation of the MCC Funding within the Program and among and within the Projects shall be as generally described in Annex II or as otherwise agreed upon by the Parties from time to time.

(ii) If at any time MCC determines that a condition precedent to an MCC Disbursement has not been satisfied, MCC may, upon written notice to the Government, reduce the total amount of MCC Funding by an amount equal to the amount estimated in the applicable Detailed Budget for the Program, Project, Project Activity or sub-activity for which such condition precedent has not been met. Upon the expiration or termination of this Compact, (A) any amounts of MCC Funding not disbursed by MCC to the Government shall be automatically released from any obligation in connection with this Compact and (B) any amounts of MCC Funding disbursed by MCC to the Government as provided in Section 2.1(b)(i), but not re-disbursed as

provided in Section 2.1(b)(ii) or otherwise incurred as permitted pursuant to Section 5.4(e) prior to the expiration or termination of this Compact, shall be returned to MCC in accordance with Section 2.5(a)(ii).

(iii) Notwithstanding any other provision of this Compact and pursuant to the authority of Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "Act"), upon the conclusion of this Compact (and without regard to the satisfaction of all of the conditions for Entry into Force required under Section 1.3), MCC shall make available Ten Million and Three Hundred Seventy One Thousand United States Dollars (US\$ 10,371,000) ("Compact Implementation Funding") to facilitate certain aspects of Compact implementation as described in Schedule 2.1(a)(iii) attached hereto; *provided*, such Compact Implementation Funding shall be subject to (A) the limitations on the use or treatment of MCC Funding set forth in Section 2.3, as if such provision were in full force and effect, and (B) any other requirements for, and limitations on the use of, such Compact Implementation Funding as may be required by MCC in writing; *provided, further*, that any Compact Implementation Funding granted in accordance with this Section 2.1(a)(iii) shall be included in, and not additional to, the total amount of MCC Funding; and *provided further*, any obligation to provide such Compact Implementation Funding shall expire upon the expiration or termination of this Compact or five (5) years from the conclusion of this Compact, whichever occurs sooner, and in accordance with Section 5.4(e). Notwithstanding anything to the contrary in this Compact, this Section 2.1(a)(iii) shall provisionally apply prior to Entry into Force.

(b) Disbursements.

(i) *Disbursements of MCC Funding.* MCC shall from time to time make disbursements of MCC Funding (each such disbursement, an "MCC Disbursement") to a Permitted Account or through such other mechanism agreed by the Parties under and in accordance with the procedures and requirements set forth in Annex I, the Disbursement Agreement or as otherwise provided in any other Supplemental Agreement.

(ii) *Re-Disbursements of MCC Funding.* The release of MCC Funding from a Permitted Account (each such release, a "Re-Disbursement") shall be made in accordance with the procedures and requirements set forth in Annex I, the Disbursement Agreement or as

otherwise provided in any other Supplemental Agreement.

(c) *Interest.* Unless the Parties agree otherwise in writing, any interest or other earnings on MCC Funding that accrue (collectively, "Accrued Interest") shall be held in a Permitted Account and accrue in accordance with the requirements for the accrual and treatment of Accrued Interest as specified in Annex I or any Supplemental Agreement. On a quarterly basis and upon the termination or expiration of this Compact, the Government shall return, or ensure the return of, all Accrued Interest to any United States Government account designated by MCC.

(d) *Conversion; Exchange Rate.* The Government shall ensure that all MCC Funding that is held in any Permitted Account shall be denominated in the currency of the United States of America ("United States Dollars," "US\$" or "\$") prior to Re-Disbursement; *provided*, that a certain portion of MCC Funding may be transferred to a Local Account and may be held in such Local Account in the currency of the Ghana prior to Re-Disbursement in accordance with the requirements of Annex I and any Supplemental Agreement. To the extent that any amount of MCC Funding held in United States Dollars must be converted into the currency of Ghana for any purpose, including for any Re-Disbursement or any transfer of MCC Funding into a Local Account, the Government shall ensure that such amount is converted consistent with Annex I, including the rate and manner set forth in Annex I, and the requirements of the Disbursement Agreement or any other Supplemental Agreement between the Parties.

(e) *Guidance.* From time to time, MCC may provide guidance to the Government through Implementation Letters on the frequency, form and content of requests for MCC Disbursements and Re-Disbursements or any other matter relating to MCC Funding. The Government shall apply such guidance in implementing this Compact.

Section 2.2 Government Resources

(a) The Government shall provide or cause to be provided such Government funds and other resources, and shall take or cause to be taken such actions, including obtaining all necessary approvals and consents, as are specified in this Compact or in any Supplemental Agreement to which the Government is a party or as are otherwise necessary and appropriate effectively to carry out the Government Responsibilities or

other responsibilities or obligations of the Government under or in furtherance of this Compact during the Compact Term and through the completion of any post-Compact Term activities, audits or other responsibilities.

(b) If at any time during the Compact Term, the Government materially reallocates or reduces the allocation in its national budget or any other governmental authority of Ghana at a departmental, municipal, regional or other jurisdictional level materially reallocates or reduces the allocation in its respective budget of the normal and expected resources that the Government or such other governmental authority, as applicable, would have otherwise received or budgeted, from external or domestic sources, for the activities contemplated herein, the Government shall notify MCC in writing within fifteen (15) days of such reallocation or reduction, such notification to contain information regarding the amount of the reallocation or reduction, the affected activities, and an explanation for the reallocation or reduction. In the event that MCC independently determines, upon review of the executed national annual budget that such a material reallocation or reduction of resources has occurred, MCC shall notify the Government and, following such notification, the Government shall provide a written explanation for such reallocation or reduction and MCC may (i) reduce, in its sole discretion, the total amount of MCC Funding or any MCC Disbursement by an amount equal to the amount estimated in the applicable Detailed Budget for the activity for which funds were reduced or reallocated or (ii) otherwise suspend or terminate MCC Funding in accordance with Section 5.4(b).

(c) The Government shall use its best efforts to ensure that all MCC Funding is fully reflected and accounted for in the annual budget of Ghana on a multi-year basis.

Section 2.3 Limitations on the Use or Treatment of MCC Funding

(a) *Abortions and Involuntary Sterilizations.* The Government shall ensure that MCC Funding shall not be used to undertake, fund or otherwise support any activity that is subject to prohibitions on use of funds contained in (i) paragraphs (1) through (3) of section 104(f) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151b(f)(1)–(3)), a United States statute, which prohibitions shall apply to the same extent and in the same manner as such prohibitions apply to funds made available to carry out Part I of such Act; or (ii) any provision of law comparable

to the eleventh and fourteenth provisos under the heading "Child Survival and Health Programs Fund" of division E of Public Law 108-7 (117 Stat. 162), a United States statute.

(b) *United States Job Loss or Displacement of Production.* The Government shall ensure that MCC Funding shall not be used to undertake, fund or otherwise support any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production, including:

(i) Providing financial incentives to relocate a substantial number of United States jobs or cause a substantial displacement of production outside the United States;

(ii) Supporting investment promotion missions or other travel to the United States with the intention of inducing United States firms to relocate a substantial number of United States jobs or a substantial amount of production outside the United States;

(iii) Conducting feasibility studies, research services, studies, travel to or from the United States, or providing insurance or technical and management assistance, with the intention of inducing United States firms to relocate a substantial number of United States jobs or cause a substantial displacement of production outside the United States;

(iv) Advertising in the United States to encourage United States firms to relocate a substantial number of United States jobs or cause a substantial displacement of production outside the United States;

(v) Training workers for firms that intend to relocate a substantial number of United States jobs or cause a substantial displacement of production outside the United States;

(vi) Supporting a United States office of an organization that offers incentives for United States firms to relocate a substantial number of United States jobs or cause a substantial displacement of production outside the United States; or

(vii) Providing general budget support for an organization that engages in any activity prohibited above.

(c) *Military Assistance and Training.* The Government shall ensure that MCC Funding shall not be used to undertake, fund or otherwise support the purchase or use of goods or services for military purposes, including military training, or to provide any assistance to the military, police, militia, national guard or other quasi-military organization or unit.

(d) *Prohibition of Assistance Relating to Environmental, Health or Safety Hazards.* The Government shall ensure that MCC Funding shall not be used to undertake, fund or otherwise support

any activity that is likely to cause a significant environmental, health, or safety hazard. Unless MCC and the Government agree otherwise in writing, the Government shall ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by MCC Funding comply with environmental guidelines delivered by MCC to the Government or posted by MCC on its website or otherwise publicly made available, as such guidelines may be amended from time to time (the "Environmental Guidelines"), including any definition of "likely to cause a significant environmental, health, or safety hazard" as may be set forth in such Environmental Guidelines.

(e) *Taxation.*

(i) *Taxes.* The Government shall ensure that the Program, any Program Assets, MCC Funding and Accrued Interest shall be free from any taxes imposed under the laws currently or hereafter in effect in Ghana during the Compact Term. This exemption shall apply to any use of any Program Asset, MCC Funding and Accrued Interest, including any Exempt Uses, and to any work performed under or activities undertaken in furtherance of this Compact by any person or entity (including contractors and grantees) funded by MCC Funding, and shall apply to all taxes, tariffs, duties, and other levies (each a "Tax" and collectively, "Taxes"), including:

(1) To the extent attributable to MCC Funding, income taxes and other taxes on profit or businesses imposed on organizations or entities, other than nationals of Ghana, receiving MCC Funding, including taxes on the acquisition, ownership, rental, disposition or other use of real or personal property, taxes on investment or deposit requirements and currency controls in Ghana, or any other tax, duty, charge or fee of whatever nature, except fees for specific services rendered; for purposes of this Section 2.3(e), the term "national" refers to organizations established under the laws currently or hereafter in effect in Ghana, other than MiDA or any other entity established solely for purposes of managing or overseeing the implementation of the Program or any wholly-owned subsidiaries, divisions, or Affiliates of entities not registered or established under the laws currently or hereafter in effect in Ghana;

(2) Customs duties, tariffs, import and export taxes, or other levies on the importation, use and re-exportation of goods, services, or the personal belongings and effects, including personally-owned automobiles, for

Program use or the personal use of individuals who are neither citizens nor permanent residents of Ghana and who are present in Ghana for purposes of carrying out the Program or their family members, including all charges based on the value of such imported goods;

(3) Taxes on the income or personal property of all individuals who are neither citizens nor permanent residents of Ghana, including income and social security taxes of all types and all taxes on the personal property owned by such individuals, to the extent such income or property are attributable to MCC Funding; and

(4) Taxes or duties levied on the last transaction for the purchase of goods or services funded by MCC Funding, including sales taxes, tourism taxes, value-added taxes or other similar charges; for purposes of this Section 2.3(e)(i)(4), the term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities funded by MCC Funding.

(ii) This Section 2.3(e) shall apply, but is not limited to (A) any transaction, service, activity, contract, grant or other implementing agreement funded in whole or in part by MCC Funding; (B) any supplies, equipment, materials, property or other goods (referred to collectively in this Section 2.3(e) as "goods") or funds introduced into, acquired in, used or disposed of in, or imported into or exported from, Ghana by MCC, or by any person or entity (including contractors and grantees) as part of, or in conjunction with, MCC Funding or the Program; (C) any contractor, grantee, or other organization carrying out activities funded in whole or in part by MCC Funding; and (D) any employee of such organizations (the uses set forth in clauses (A) through (D) are collectively referred to herein as "Exempt Uses").

(iii) If a Tax has been levied and paid contrary to the requirements of this Section 2.3(e), whether inadvertently, due to the impracticality of implementation of this provision with respect to certain types or amounts of taxes, or otherwise, the Government shall refund promptly to an account designated by MCC the amount of such Tax in the currency of Ghana, within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing of such levy and tax payment, in accordance with procedures agreed by the Parties, whether by MCC or otherwise; *provided, however*, the Government shall apply national funds to satisfy its obligations under this paragraph and no MCC Funding,

Accrued Interest, or any assets, goods, or property (real, tangible, or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding ("Program Assets") may be applied by the Government in satisfaction of its obligations under this paragraph.

(iv) At MCC's request, the Parties shall memorialize in a mutually acceptable Supplemental Agreement, Implementation Letter or other suitable document the mechanisms for implementing this Section 2.3(e), including (A) a formula for determining refunds for Taxes paid, the amount of which is not susceptible to precise determination, (B) a mechanism for ensuring the tax-free importation, use, and re-exportation of goods, services, or the personal belongings of individuals (including all Providers) described in Section 2.3(e)(i)(2) above, (C) a requirement for the provision by the Government of a tax-exemption certificate which expressly includes, *inter alia*, the thirty (30) day refund requirement of Section 2.3(e)(iii) above, and (D) any other appropriate Government action to facilitate the administration of this Section 2.3(e).

(f) *Alteration.* The Government shall ensure that no MCC Funding, Accrued Interest or Program Assets shall be subject to any impoundment, rescission, sequestration or any provision of law now or hereafter in effect in Ghana that would have the effect of requiring or allowing any impoundment, rescission or sequestration of any MCC Funding, Accrued Interest or Program Asset.

(g) *Liens or Encumbrances.* The Government shall ensure that no MCC Funding, Accrued Interest, or Program Assets shall be subject to any lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each a "Lien"), except with the prior approval of MCC in accordance with Section 3(c) of Annex I, and in the event of the imposition of any Lien not so approved, the Government shall promptly seek the release of such Lien and if required by final non-appealable order, shall pay any amounts owed to obtain such release; *provided, however*, the Government shall apply national funds to satisfy its obligations under this Section 2.3(g) and no MCC Funding, Accrued Interest, or Program Assets may be applied by the Government in satisfaction of its obligations under this Section 2.3(g).

(h) *Other Limitations.* The Government shall ensure that the use or treatment of MCC Funding, Accrued Interest, and Program Assets shall be subject to and in conformity with such other limitations (i) as required by the

applicable law of the United States of America now or hereafter in effect during the Compact Term, (ii) as advisable under or required by applicable United States Government policies now or hereafter in effect during the Compact Term, or (iii) to which the Parties may otherwise agree in writing.

(i) *Utilization of Goods, Services and Works.* The Government shall ensure that any Program Assets, services, facilities or works funded in whole or in part (directly or indirectly) by MCC Funding, unless otherwise agreed by the Parties in writing, shall be used solely in furtherance of this Compact.

(j) *Notification of Applicable Laws and Policies.* MCC shall notify the Government of any applicable United States law or policy affecting the use or treatment of MCC Funding, whether or not specifically identified in this Section 2.3, and shall provide to the Government a copy of the text of any such applicable law and a written explanation of any such applicable policy.

Section 2.4 Incorporation; Notice; Clarification

(a) The Government shall include, or ensure the inclusion of, all of the requirements set forth in Section 2.3 in all Supplemental Agreements to which MCC is not a party and shall use its best efforts to ensure that no such Supplemental Agreement is implemented in violation of the prohibitions set forth in Section 2.3.

(b) The Government shall ensure notification of all of the requirements set forth in Section 2.3 to any Provider and all relevant officers, directors, employees, agents, representatives, Affiliates, contractors, sub-contractors, grantees and sub-grantees of any Provider. The term "Provider" shall mean (i) MiDA and any Government Affiliate or Permitted Designee involved in any activities in furtherance of this Compact or (ii) any third party who receives at least US\$ 50,000 in the aggregate of MCC Funding (other than employees of MiDA) during the Compact Term or such other amount as the Parties may agree in writing, whether directly from MCC, indirectly through Re-Disbursements, or otherwise.

(c) In the event the Government or any Provider requires clarification from MCC as to whether an activity contemplated to be undertaken in furtherance of this Compact violates or may violate any provision of Section 2.3, the Government shall notify MCC in writing and provide in such notification a detailed description of the activity in

question. In such event, the Government shall not proceed, and shall use its best efforts to ensure that no relevant Provider proceeds, with such activity, and the Government shall ensure that no Re-Disbursements shall be made for such activity, until MCC advises the Government or such Provider in writing that the activity is permissible. MCC shall use good faith efforts to respond timely to such notification for clarification.

Section 2.5 Refunds; Violation

(a) Notwithstanding the availability to MCC, or exercise by MCC, of any other remedies, including under international law, this Compact or any Supplemental Agreement:

(i) If any amount of MCC Funding, Accrued Interest or any other Program Asset is used for any purpose prohibited under this Article II or otherwise in violation of any of the terms and conditions of this Compact, any guidance in any Implementation Letter, or any Supplemental Agreement between the Parties, MCC may, upon written notice, require the Government to repay promptly to MCC to an account designated by MCC, or to others as MCC may direct, the amount of such misused MCC Funding or Accrued Interest, or the cash equivalent of the value of any other misused Program Asset, in United States Dollars, plus any interest that accrued or would have accrued thereon, within thirty (30) days after the Government is notified, whether by MCC or other duly authorized representative of the United States Government, of such prohibited use; *provided, however*, the Government shall apply national funds to satisfy its obligations under this Section 2.5(a)(i) and no MCC Funding, Accrued Interest, or any other Program Assets may be applied by the Government in satisfaction of its obligations under this Section 2.5(a)(i); and

(ii) If all or any portion of this Compact is terminated or suspended and upon the expiration of this Compact, the Government shall, subject to the requirements of Sections 5.4(e) and 5.4(f), refund, or ensure the refund of, to such account designated by MCC the amount of any MCC Funding, plus any Accrued Interest, promptly, but in no event later than thirty (30) days after the Government receives MCC's request for such refund; *provided*, that if this Compact is terminated or suspended in part, MCC may request a refund for only the amount of MCC Funding, plus any Accrued Interest, then allocated to the terminated or suspended portion; *provided, further*, that any refund of MCC Funding or Accrued Interest shall

be to such account(s) as designated by MCC.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under this Section 2.5 for a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

(c) If MCC determines that any activity or failure to act violates, or may violate, any Section in this Article II, MCC may refuse any further MCC Disbursements for or conditioned upon such activity, and may take any action to prevent any Re-Disbursement related to such activity.

Section 2.6 Bilateral Agreement

All MCC Funding shall be considered United States assistance under the General Agreement for a Programme of Technical Co-operation by and between the Government of the United States of America and the Government, dated June 3, 1957, as amended from time to time (the "Bilateral Agreement"). If there are conflicts or inconsistencies between any parts of this Compact and the Bilateral Agreement, as either may be amended from time to time, the provisions of this Compact shall prevail over those of the Bilateral Agreement.

Article III. Implementation

Section 3.1 Implementation Framework

This Compact shall be implemented by the Parties in accordance with this Article III and as further specified in the Annexes and in relevant Supplemental Agreements.

Section 3.2 Government Responsibilities

(a) The Government shall have principal responsibility for oversight and management of the implementation of the Program (i) in accordance with the terms and conditions specified in this Compact and relevant Supplemental Agreements, (ii) in accordance with all applicable laws then in effect in Ghana, and (iii) in a timely and cost-effective manner and in conformity with sound technical, financial and management practices (collectively, the "Government Responsibilities"). Unless otherwise expressly provided, any reference to the Government Responsibilities or any other responsibilities or obligations of the Government herein shall be deemed to apply to any Government Affiliate and any of their respective directors, officers, employees, contractors, sub-

contractors, grantees, sub-grantees, agents or representatives.

(b) The Government shall ensure that no person or entity shall participate in the selection, award, administration, or oversight of a contract, grant or other benefit or transaction funded in whole or in part (directly or indirectly) by MCC Funding, in which (i) the entity, the person, members of the person's immediate family or household or his or her business partners, or organizations controlled by or substantially involving such person or entity, has or have a direct or indirect financial or other interest or (ii) the person or entity is negotiating or has any arrangement concerning prospective employment, unless such person or entity has first disclosed in writing to the Government the conflict of interest and, following such disclosure, the Parties agree in writing to proceed notwithstanding such conflict. The Government shall ensure that no person or entity involved in the selection, award, administration, oversight or implementation of any contract, grant or other benefit or transaction funded in whole or in part (directly or indirectly) by MCC Funding shall solicit or accept from or offer to a third party or seek or be promised directly or indirectly for itself or for another person or entity any gift, gratuity, favor or benefit, other than items of *de minimis* value and otherwise consistent with such guidance as MCC may provide from time to time.

(c) The Government shall not designate any person or entity, including any Government Affiliate, to implement, in whole or in part, this Compact or any Supplemental Agreement between the Parties (including any Government Responsibilities or any other responsibilities or obligations of the Government under this Compact or any Supplemental Agreement between the Parties) or to exercise any rights of the Government under this Compact or any Supplemental Agreement between the Parties, except as expressly provided herein or with the prior written consent of MCC; *provided, however*, the Government may designate MiDA or, with the prior written consent of MCC, such other mutually acceptable persons or entities (each, a "Permitted Designee") to implement some or all of the Government Responsibilities or any other responsibilities or obligations of the Government or to exercise any rights of the Government under this Compact or any Supplemental Agreement between the Parties each in accordance with the terms and conditions set forth in this Compact or such Supplemental Agreement (referred to herein

collectively as "Designated Rights and Responsibilities"). Notwithstanding any provision herein or any other agreement to the contrary, no such designation shall relieve the Government of such Designated Rights and Responsibilities, for which the Government shall retain ultimate responsibility. In the event that the Government designates any person or entity, including any Government Affiliate, to implement any portion of the Government Responsibilities or other responsibilities or obligations of the Government, or to exercise any rights of the Government under this Compact or any Supplemental Agreement between the Parties, in accordance with this section 3.2(c), then the Government shall (i) cause such person or entity to perform such Designated Rights and Responsibilities in the same manner and to the full extent to which the Government is obligated to perform such Designated Rights and Responsibilities, (ii) ensure that such person or entity does not assign, delegate or contract (or otherwise transfer) any of such Designated Rights and Responsibilities to any person or entity and (iii) cause such person or entity to certify to MCC in writing that it will so perform such Designated Rights and Responsibilities and will not assign, delegate, or contract (or otherwise transfer) any of such Designated Rights and Responsibilities to any person or entity without the prior written consent of MCC.

(d) The Government shall, upon a request from MCC, execute, or ensure the execution of, an assignment to MCC of any cause of action which may accrue to the benefit of the Government, a Government Affiliate or any Permitted Designee, including MiDA, in connection with or arising out of any activities funded in whole or in part (directly or indirectly) by MCC Funding.

(e) The Government shall ensure that (i) no decision of MiDA is modified, supplemented, unduly influenced or rescinded by any governmental authority, except by a non-appealable judicial decision, and (ii) the authority of MiDA shall not be expanded, restricted, or otherwise modified, except in accordance with this Compact, the Governance Agreement, any other Governing Document or any other Supplemental Agreement between the Parties.

(f) The Government shall ensure that all persons and individuals that enter into agreements to provide goods, services or works under the Program or in furtherance of this Compact shall do so in accordance with the Procurement Guidelines and shall obtain all necessary immigration, business and

other permits, licenses, consents and approvals to enable them and their personnel to fully perform under such agreements.

Section 3.3 Government Deliveries

The Government shall proceed, and cause others to proceed, in a timely manner to deliver to MCC all reports, notices, certificates, documents or other deliveries required to be delivered by the Government under this Compact or any Supplemental Agreement between the Parties, in form and substance as set forth in this Compact or in any such Supplemental Agreement.

Section 3.4 Government Assurances

The Government hereby provides the following assurances to MCC that as of the date this Compact is signed:

(a) The information contained in the Proposal and any agreement, report, statement, communication, document or otherwise delivered or communicated to MCC by or on behalf of the Government on or after the date of the submission of the Proposal (i) are true, correct and complete in all material respects and (ii) do not omit any fact known to the Government that if disclosed would (A) alter in any material respect the information delivered, (B) likely have a material adverse effect on the Government's ability to implement effectively, or ensure the effective implementation of, the Program or any Project or otherwise to carry out its responsibilities or obligations under or in furtherance of this Compact, or (C) have likely adversely affected MCC's determination to enter into this Compact or any Supplemental Agreement between the Parties.

(b) Unless otherwise disclosed in writing to MCC, the MCC Funding made available hereunder is in addition to the normal and expected resources that the Government usually receives or budgets for the activities contemplated herein from external or domestic sources.

(c) This Compact does not conflict and will not conflict with any international agreement or obligation to which the Government is a party or by which it is bound.

(d) No payments have been (i) received by any official of the Government or any other government body in connection with the procurement of goods, services or works to be undertaken or funded in whole or in part (directly or indirectly) by MCC Funding, except fees, taxes, or similar payments legally established in Ghana (subject to Section 2.3(e)) and consistent with the applicable requirement of the laws of Ghana or (ii) made to any third party, in connection with or in

furtherance of this Compact, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. 78a *et seq.*).

Section 3.5 Implementation Letters; Supplemental Agreements

(a) MCC may, from time to time, issue one or more letters to furnish additional information or guidance to assist the Government in the implementation of this Compact (each, an "Implementation Letter"). The Government shall apply such guidance in implementing this Compact.

(b) The details of any funding, implementing and other arrangements in furtherance of this Compact may be memorialized in one or more agreements between (i) the Government (or any Government Affiliate or Permitted Designee) and MCC, (ii) MCC or the Government (or any Government Affiliate or Permitted Designee) and any third party, including any of the Providers or Permitted Designee or (iii) any third parties where neither MCC nor the Government is a party, before, on or after the Entry into Force (each, a "Supplemental Agreement"). The Government shall deliver, or cause to be delivered, to MCC within five (5) days of its execution a copy of any Supplemental Agreement to which MCC is not a party.

Section 3.6 Procurement; Awards of Assistance

(a) The Government shall ensure that the procurement of all goods, services and works by the Government or any Provider in furtherance of this Compact shall be consistent with the procurement guidelines (the "Procurement Guidelines") reflected in a Supplemental Agreement between the Government (and a mutually acceptable Government Affiliate or MiDA) and MCC (the "Procurement Agreement"), which Procurement Guidelines shall include the following requirements:

(i) Internationally accepted procurement rules with open, fair and competitive procedures are used in a transparent manner to solicit, award and administer contracts, grants, and other agreements and to procure goods, services and works;

(ii) Solicitations for goods, services, and works shall be based upon a clear and accurate description of the goods, services or works to be acquired;

(iii) Contracts shall be awarded only to qualified and capable contractors that have the capability and willingness to perform the contracts in accordance with the terms and conditions of the applicable contracts and on a cost effective and timely basis; and

(iv) No more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, services, and works.

(b) The Government shall maintain, and shall use its best efforts to ensure that all Providers maintain, records regarding the receipt and use of goods, services and works acquired in furtherance of this Compact, the nature and extent of solicitations of prospective suppliers of goods, services and works acquired in furtherance of this Compact, and the basis of award of contracts, grants and other agreements in furtherance of this Compact.

(c) The Government shall use its best efforts to ensure that information, including solicitations, regarding procurement, grant and other agreement actions funded (or to be funded) in whole or in part (directly or indirectly) by MCC Funding shall be made publicly available in the manner outlined in the Procurement Guidelines or in any other manner agreed upon by the Parties in writing.

(d) The Government shall ensure that no goods, services or works may be funded in whole or in part (directly or indirectly) by MCC Funding which are procured pursuant to orders or contracts firmly placed or entered into prior to the Entry into Force, except as the Parties may otherwise agree in writing.

(e) The Government shall ensure that MiDA and any other Permitted Designee follows, and uses its best efforts to ensure that all Providers follow, the Procurement Guidelines in procuring (including soliciting) goods, services and works and in awarding and administering contracts, grants and other agreements in furtherance of this Compact, and shall furnish MCC evidence of the adoption of the Procurement Guidelines by MiDA no later than the time specified in the Disbursement Agreement.

(f) The Government shall include, or ensure the inclusion of, the requirements of this section 3.6 into all Supplemental Agreements between the Government, any Government Affiliate or Permitted Designee or any of their respective directors, officers, employees, Affiliates, contractors, sub-contractors, grantees, sub-grantees, representatives or agents, on the one hand, and a Provider, on the other hand.

Section 3.7 Policy Performance; Policy Reforms

In addition to the specific policy and legal reform commitments identified in Annex I and the Schedules thereto, the Government shall seek to maintain and

to improve its level of performance under the policy criteria identified in section 607 of the Act, and the MCA selection criteria and methodology published by MCC pursuant to section 607 of the Act from time to time ("MCA Eligibility Criteria").

Section 3.8 Records and Information; Access; Audits; Reviews

(a) *Reports and Information.* The Government shall furnish to MCC, and shall use its best efforts to ensure that all Providers and any other third party receiving MCC Funding, as appropriate, furnish to the Government (and the Government shall provide to MCC), any records and other information required to be maintained under this Section 3.8 and such other information, documents and reports as may be necessary or appropriate for the Government to carry out effectively its obligations under this Compact, including under section 3.12.

(b) *Government Books and Records.* The Government shall maintain, and shall use its best efforts to ensure that all Providers maintain, accounting books, records, documents and other evidence relating to this Compact adequate to show, to the satisfaction of MCC, without limitation, the use of all MCC Funding, including all costs incurred by the Government and the Providers in furtherance of this Compact, the receipt, acceptance and use of goods, services and works acquired in furtherance of this Compact by the Government and the Providers, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods, services and works acquired by the Government and the Providers in furtherance of this Compact, the basis of award of Government and other contracts and orders in furtherance of this Compact, the overall progress of the implementation of the Program, and any documents required by this Compact or any Supplemental Agreement between the Parties or reasonably requested by MCC upon reasonable notice ("Compact Records"). The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with the prior written approval by MCC, other accounting principles, such as those (i) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (ii) then prevailing in Ghana. Compact Records shall 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 then pending litigation, claims or audit findings or any statutory requirements.

(c) *Access.* Upon the request of MCC, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the 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 a Permitted Designee to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect activities funded in whole or in part (directly or indirectly) by MCC Funding or undertaken in connection with the Program, the utilization of goods and services purchased or funded in whole or in part (directly or indirectly) by MCC Funding, and Compact Records, including of the Government or any Provider, relating to activities funded or undertaken in furtherance of, or otherwise relating to, this Compact, and shall use its best efforts to ensure access by MCC, the Inspector General, the United States Government Accountability Office or relevant auditor, reviewer or evaluator or their respective representatives or agents to all relevant directors, officers, employees, Affiliates, contractors, representatives and agents of the Government or any Provider.

(d) *Audits.*

(i) *Government Audits.* The Government shall, on at least an annual basis and as the Parties may otherwise agree in writing, conduct, or cause to be conducted, financial audits of all MCC Disbursements and Re-Disbursements during the year since the Entry into Force or since the prior anniversary of the Entry into Force in accordance with the following terms, except as the Parties may otherwise agree in writing. As requested by MCC in writing, the Government shall use, or cause to be used, or select or cause to be selected, an auditor named on the approved list of auditors in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" (the "Audit Guidelines") issued by the Inspector General of the United States Agency for International Development (the "Inspector General"), and as approved by MCC, to conduct such annual audits. Such audits shall be performed in accordance with such Audit Guidelines and be subject to quality assurance oversight by the

Inspector General in accordance with such Audit Guidelines. An audit shall be completed and delivered to MCC no later than ninety (90) days after the first period to be audited and no later than ninety (90) days after each anniversary of the Entry into Force thereafter, or such other period as the Parties may otherwise agree in writing.

(ii) *Audits of U.S. Entities.* The Government shall ensure that Supplemental Agreements between the Government or any Provider, on the one hand, and a United States non-profit organization, on the other hand, state that the United States organization is subject to the applicable audit requirements contained in OMB Circular A-133, notwithstanding any other provision of this Compact to the contrary. The Government shall ensure that Supplemental Agreements between the Government or any Provider, on the one hand, and a United States for-profit Covered Provider, on the other hand, state that the United States organization is subject to audit by the cognizant United States Government agency, unless the Government and MCC agree otherwise in writing.

(iii) *Audit Plan.* The Government shall submit, or cause to be submitted, to MCC no later than twenty (20) days prior to the date of its adoption a plan, in accordance with the Audit Guidelines, for the audit of the expenditures of any Covered Providers, which audit plan, in the form and substance as approved by MCC, the Government shall adopt, or cause to be adopted, no later than sixty (60) days prior to the end of the first period to be audited (such plan, the "Audit Plan").

(iv) *Covered Provider.* A "Covered Provider" is (A) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$ 300,000 or more of MCC Funding in any MiDA fiscal year or any other non-United States person or entity that receives, directly or indirectly, US\$ 300,000 or more of MCC Funding from any Provider in such fiscal year or (B) any United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$ 500,000 or more of MCC Funding in any MiDA fiscal year or any other United States person or entity that receives, directly or indirectly, US\$ 500,000 or more of MCC Funding from any Provider in such fiscal year.

(v) *Corrective Actions.* The Government shall use its best efforts to ensure that Covered Providers take, where necessary, appropriate and timely corrective actions in response to audits, consider whether a Covered Provider's

audit necessitates adjustment of its own records, and require each such Covered Provider to permit independent auditors to have access to its records and financial statements as necessary.

(vi) *Audit Reports.* The Government shall furnish, or use its best efforts to cause to be furnished, to MCC an audit report in a form satisfactory to MCC for each audit required by this Section 3.8, other than audits arranged for by MCC, no later than ninety (90) days after the end of the period under audit, or such other time as may be agreed by the Parties from time to time.

(vii) *Other Providers.* For Providers who receive MCC Funding under this Compact pursuant to direct contracts or agreements with MCC, MCC shall include appropriate audit requirements in such contracts or agreements and shall, on behalf of the Government, unless otherwise agreed by the Parties, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(viii) *Audit by MCC.* MCC retains the right to perform, or cause to be performed, the audits required under this Section 3.8 by utilizing MCC Funding or other resources available to MCC for this purpose, and to audit, conduct a financial review, or otherwise ensure accountability of any Provider or any other third party receiving MCC Funding, regardless of the requirements of this Section 3.8.

(e) *Application to Providers.* The Government shall include, or ensure the inclusion of, at a minimum, the requirements of:

(i) Paragraphs (a), (b), (c), (d)(ii), (d)(iii), (d)(v), (d)(vi), and (d)(viii) of this Section 3.8 into all Supplemental Agreements between the Government, any Government Affiliate, any Permitted Designee or any of their respective directors, officers, employees, Affiliates, contractors, sub-contractors, grantees, sub-grantees, representatives or agents (each, a "Government Party"), on the one hand, and a Covered Provider that is not a non-profit organization domiciled in the United States, on the other hand;

(ii) Paragraphs (a), (b), (c), (d)(ii), and (d)(viii) of this Section 3.8 into all Supplemental Agreements between a Government Party and a Provider that does not meet the definition of a Covered Provider; and

(iii) Paragraphs (a), (b), (c), (d)(ii), (d)(v) and (d)(viii) of this Section 3.8 into all Supplemental Agreements between a Government Party and a Covered Provider that is a non-profit organization domiciled in the United States.

(f) *Reviews or Evaluations.* The Government shall conduct, or cause to be conducted, such performance reviews, data quality reviews, environmental and social audits, or program evaluations during the Compact Term or otherwise and in accordance with the M&E Plan or as otherwise agreed in writing by the Parties.

(g) *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, including as reflected on Exhibit A to Annex II, and in no event shall the Government be responsible for the costs of any such audits, reviews or evaluations from financial sources other than MCC Funding.

Section 3.9 Insurance; Performance Guarantees

The Government shall, to MCC's satisfaction, insure or cause to be insured all Program Assets and shall obtain or cause to be obtained such other appropriate insurance and other protections to cover against risks or liabilities associated with the operations of the Program, including by requiring Providers to obtain adequate insurance and post adequate performance bonds or other guarantees. MiDA or the Implementing Entity, as applicable, shall be named as the payee on any such insurance and the beneficiary of any such guarantee, including performance bonds, to the extent permissible under applicable laws unless otherwise agreed by the Parties. MCC, and to the extent it is not named as the insured party, MiDA shall be named as additional insureds on any such insurance or other guarantee, to the extent permissible under applicable laws unless otherwise agreed by the Parties. The Government shall ensure that any proceeds from claims paid under such insurance or any other form of guarantee shall be used to replace or repair any loss of Program Assets or to pursue the procurement of the covered goods, services, works, or otherwise; *provided, however,* at MCC's election, such proceeds shall be deposited in a Permitted Account as designated by MiDA and acceptable to MCC or as otherwise directed by MCC. To the extent MiDA is held liable under any indemnification or other similar provision of any agreement between MiDA, on the one hand, and any other Provider or other third party, on the other hand, the Government shall pay in full on behalf of MiDA any such obligation; *provided, further,* the Government shall apply national funds to satisfy its obligations under this

Section 3.9 and no MCC Funding, Accrued Interest, or Program Asset may be applied by the Government in satisfaction of its obligations under this Section 3.9.

Section 3.10 Domestic Requirements

The Government shall proceed in a timely manner to seek ratification of this Compact as necessary or required by the laws of Ghana, or similar domestic requirement, in order that (a) this Compact (and any Supplemental Agreement to which MCC is a party) shall be given the status of an international agreement, (b) no laws of Ghana (other than the Constitution of Ghana) now or hereafter in effect shall take precedence or prevail over this Compact (or any Supplemental Agreement to which MCC is a party) during the Compact Term (or a longer period to the extent provisions of this Compact remain in force following the expiration of the Compact Term pursuant to Section 5.13) and (c) each of the provisions of this Compact (and each of the provisions of any Supplemental Agreement to which MCC is a party) is valid, binding and in full force and effect under the laws of Ghana. The Government shall initiate such process promptly after the conclusion of this Compact. Notwithstanding anything to the contrary in this Compact, this Section 3.10 shall provisionally apply prior to Entry into Force.

Section 3.11 No Conflict

The Government shall undertake not to enter into any agreement in conflict with this Compact or any Supplemental Agreement during the Compact Term.

Section 3.12 Reports

The Government shall provide, or cause to be provided, to MCC at least on each anniversary of the Entry into Force (or such other anniversary agreed by the Parties in writing) and otherwise within thirty (30) days of any written request by MCC, or as otherwise agreed in writing by the Parties, the following information:

(a) The name of each entity to which MCC Funding has been provided;

(b) The amount of MCC Funding provided to such entity;

(c) A description of the Program and each Project funded in furtherance of this Compact, including:

(i) A statement of whether the Program or any Project was solicited or unsolicited; and

(ii) A detailed description of the objectives and measures for results of the Program or Project;

(d) The progress made by Ghana toward achieving the Compact Goal and Objectives;

(e) A description of the extent to which MCC Funding has been effective in helping Ghana to achieve the Compact Goal and Objectives;

(f) A description of the coordination of MCC Funding with other United States foreign assistance and other related trade policies;

(g) A description of the coordination of MCC Funding with assistance provided by other donor countries;

(h) Any report, document or filing that the Government, any Government Affiliate or any Permitted Designee submits to any government body in connection with this Compact;

(i) Any report or document required to be delivered to MCC under the Environmental Guidelines, any Audit Plan, or any Implementation Document; and

(j) Any other report, document or information requested by MCC or required by this Compact or any Supplemental Agreement between the Parties.

Article IV. Conditions Precedent; Deliveries

Section 4.1 Conditions Prior to the Entry into Force and Deliveries

As conditions precedent to the Entry Into Force, the Parties shall satisfy the conditions set forth in this Section 4.1.

(a) The Government (or a mutually acceptable Government Affiliate), a Permitted Designee, and MCC shall execute a Disbursement Agreement, which agreement shall be in full force and effects as of the Entry into Force.

(b) The Government (or a mutually acceptable Government Affiliate), a Permitted Designee, and MCC shall execute a Procurement Agreement, which agreement shall be in full force and effect as of the Entry into Force.

(c) The Government (or a mutually acceptable Government Affiliate), a Permitted Designee, and MCC shall execute a governance agreement (the "Governance Agreement"), which agreement shall be in full force and effects as of the Entry into Force.

(d)(i) The Government shall deliver one or more of the Supplement Agreements or other documents identified on Exhibit B attached hereto, which agreements or other documents shall be fully executed by the parties thereto and in full force and effect, or (ii) the Government (or a mutually acceptable Government Affiliate), a Permitted Designee, and MCC shall execute one or more term sheets that set forth the material and principal terms

and conditions that will be included in any such Supplemental Agreement or other documents that have not been entered into or effective as of the Entry into Force (the "Supplemental Agreement Term Sheets").

(e) The Government shall deliver a written statement as to the incumbency and specimen signature of the Principal Representative and each Additional Representative of the Government executing any document under this Compact, such written statement to be signed by a duly authorized official of the Government other than the Principal Representative or any such Additional Representative.

(f) The Government shall deliver a certificate signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, that:

(i) Certifies the Government has completed all of its domestic requirements in order that (1) this Compact (and any Supplemental Agreement to which MCC is a party) shall be given the status of an international agreement, (2) no laws of Ghana (other than the Constitution of Ghana) now or hereafter in effect shall take precedence or prevail over this Compact (or any Supplemental Agreement to which MCC is a party) during the Compact Term (or a longer period to the extent provisions of this Compact remain in force following the Compact Term pursuant to Section 5.13) and (3) each of the provisions of this Compact (and each of the provisions of any Supplemental Agreement to which MCC is a party) shall be valid, binding and in full force and effect under the laws of Ghana; and

(ii) Attaches thereto, and certifies that such attachments are, true, correct and complete copies of all decrees, legislation, regulations or other governmental documents relating to its domestic requirements for this Compact to enter into force and the satisfaction of Section 3.10 (including any requirements under section 96 of the Ghana Public Procurement Act, 2003 (Act 663) to cause the Procurement Guidelines (as defined in Section 3.6(a)) to apply to the transactions contemplated by this Compact, which MCC may post on its website or otherwise make publicly available.

(g) MCC shall deliver a written statement as to the incumbency and specimen signature of the Principal Representative and each Additional Representative of MCC executing any document under this Compact such written statement to be signed by a duly authorized official of MCC other than

the Principal Representative or any such Additional Representative.

(h) The Government has not engaged subsequent to the conclusion of this Compact in any action or omission inconsistent with the MCA Eligibility Criteria, as determined by MCC in its sole discretion.

Section 4.2 Conditions Precedent to MCC Disbursements or Re-Disbursements

Prior to, and as condition precedent to, any MCC Disbursement or Re-Disbursement, the Government shall satisfy, or ensure the satisfaction of, all applicable conditions precedent in the Disbursement Agreement.

Article V. Final Clauses

Section 5.1 Communications

Unless otherwise expressly stated in this Compact or otherwise agreed in writing by the Parties, any notice, certificate, request, report, document or other communication required, permitted, or submitted by either Party to the other under this Compact shall be (a) in writing, (b) in English and (c) deemed duly given: (i) upon personal delivery to the Party to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party, if not, then on the next business day; or (iii) three (3) business days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:

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

To the Government:

Ministry of Public Sector Reform, Attention: Minister of Public Sector Reform, Private Mail Bag, Stadium Post Office, Accra, Ghana, Facsimile: (233-21) 670295, Phone: (233-21) 684086, E-mail: nduom@africaonline.com.gh.

With a copy to MiDA:

At an address, and to the attention of the person, to be designated in writing to MCC by the Government.

Notwithstanding the foregoing, any audit report delivered pursuant to

Section 3.8, if delivered by facsimile or electronic mail, shall be followed by an original in overnight express mail. This Section 5.1 shall not apply to the exchange of letters contemplated in Section 1.3 or any amendments under Section 5.3.

Section 5.2 Representatives

Unless otherwise agreed in writing by the Parties, for all purposes relevant to this Compact, the Government shall be represented by the individual holding the position of, or acting as, Minister of Public Sector Reform of Ghana, and MCC shall be represented by the individual holding the position of, or acting as, Vice President for Operations (each, a "Principal Representative"), each of whom, by written notice to the other Party, may designate one or more additional representatives (each, an "Additional Representative") for all purposes other than signing amendments to this Compact. The names of the Principal Representative and any Additional Representative of each of the Parties shall be provided, with specimen signatures, to the other Party, and the Parties may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Compact, until receipt of written notice of revocation of their authority. A Party may change its Principal Representative to a new representative of equivalent or higher rank upon written notice to the other Party, which notice shall include the specimen signature of the new Principal Representative.

Section 5.3 Amendments

The Parties may amend this Compact only by a written agreement signed by the Principal Representatives of the Parties and subject to the respective domestic approval requirements to which this Compact was subject.

Section 5.4 Termination; Suspension

(a) Subject to Section 2.5, either Party may terminate this Compact in its entirety by giving the other Party thirty (30) days' written notice.

(b) Notwithstanding any other provision of this Compact, including Section 2.1, or any Supplemental Agreement between the Parties, subject to Section 2.5, MCC may suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation or sub-obligation related thereto, upon giving the Government written notice, if MCC determines, in its sole discretion, that:

(i) Any use or proposed use of MCC Funding or Program Assets or continued implementation of the Compact would

be in violation of applicable law or United States Government policy, whether now or hereafter in effect;

(ii) The Government, any Provider, or any other third party receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(iii) The Government or any Permitted Designee has committed an act or omission or an event has occurred that would render Ghana 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 the Foreign Assistance Act of 1961 or any other provision of law;

(iv) The Government or any Permitted Designee has engaged in a pattern of actions or omissions inconsistent with the MCA Eligibility Criteria, or there has occurred a significant decline in the performance of Ghana on one or more of the eligibility indicators contained therein;

(v) The Government or any Provider has materially breached one or more of its assurances or any covenants, obligations or responsibilities under this Compact or any Supplemental Agreement;

(vi) An audit, review, report or any other document delivered in furtherance of the Compact or any Supplemental Agreement or any other evidence reveals that actual expenditures for the Program, any Project or any Project Activity were greater than the projected expenditure for such activities identified in the applicable Detailed Budget or are projected to be greater than projected expenditures for such activities;

(vii) If the Government (A) materially reallocates or reduces the allocation in its national budget or any other Government budget of the normal and expected resources that the Government would have otherwise received or budgeted, from external or domestic sources, for the activities contemplated herein, (B) fails to contribute or provide the amount, level, type and quality of resources required to carry out effectively the Government Responsibilities or any other responsibilities or obligations of the Government under or in furtherance of this Compact, or (C) fails to pay any of its obligations as required under this Compact or any Supplemental Agreement, including such obligations which shall be paid solely out of national funds;

(viii) If the Government, any Provider, or any other third party receiving MCC

Funding or using Program Assets, or any of their respective directors, officers, employees, Affiliates, contractors, sub-contractors, grantee, sub-grantee, representatives or agents, is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking;

(ix) Any MCC Funding or Program Assets are applied, directly or indirectly, to the provision of resources and support to, individuals and organizations associated with terrorism, sex trafficking or prostitution;

(x) An event or condition of any character has occurred that: (A) Materially and adversely affects, or is likely to materially and adversely affect, the ability of the Government or any other party to effectively implement, or ensure the effective implementation of, the Program or any Project or otherwise to carry out its responsibilities or obligations under or in furtherance of this Compact or any Supplemental Agreement or to perform its obligations under or in furtherance of this Compact or any Supplemental Agreement or to exercise its rights thereunder; (B) makes it improbable that the Objectives will be achieved during the Compact Term; (C) materially and adversely affects the Program Assets or any Permitted Account; or (D) constitutes misconduct injurious to MCC, or constitutes a fraud or a felony, by the Government, any Government Affiliate, Permitted Designee or Provider, or any officer, director, employee, agent, representative, Affiliate, contractor, grantee, subcontractor or sub-grantee of any of the foregoing;

(xi) The Government, any Permitted Designee or Provider has taken any action or omission or engaged in any activity in violation of, or inconsistent with, the requirements of this Compact or any Supplemental Agreement to which the Government or any Permitted Designee or Provider is a party;

(xii) There has occurred a failure to meet a condition precedent or series of conditions precedent or any other requirements or conditions in connection with MCC Disbursement as set out in and in accordance with any Supplemental Agreement between the Parties; or

(xiii) Any MCC Funding, Accrued Interest or Program Asset becomes subject to a Lien without the prior approval of MCC, and the Government fails to obtain the release of such Lien (at its own expense and not with MCC Funding, Accrued Interest, or Program Assets) within thirty (30) days after the imposition of such Lien.

(c) MCC may reinstate any suspended or terminated MCC Funding under this

Compact or any Supplemental Agreement if MCC determines, in its sole discretion, that the Government or other relevant party has demonstrated a commitment to correcting each condition for which MCC Funding was suspended or terminated.

(d) The authority to suspend or terminate this Compact or any MCC Funding under this Section 5.4 includes the authority to suspend or terminate any obligations or sub-obligations relating to MCC Funding under any Supplemental Agreement without any liability to MCC whatsoever.

(e) All MCC Disbursements and Re-Disbursements shall cease upon expiration, suspension, or termination of this Compact; *provided, however*, (i) reasonable expenditures for goods, services and works that are properly incurred under or in furtherance of this Compact before such expiration, suspension or termination of this Compact and (ii) reasonable expenditures for goods and services (including certain administrative expenses) properly incurred within one hundred and twenty (120) days after such expiration, suspension or termination of the Compact in connection with the winding up of the Program may be paid from MCC Funding, *provided, further*, that, in cases described in clauses (i) and (ii), the request for such payment shall be (A) properly submitted within ninety (90) days after such expiration, suspension or termination of the Compact and (B) subject to the prior written consent of MCC.

(f) Other than the payments permitted pursuant to Section 5.4(e), in the event of the suspension or termination of this Compact or any Supplemental Agreement, in whole or in part, the Government, at MCC's sole discretion, shall suspend, for the period of the suspension, or terminate, or ensure the suspension or termination of, as applicable, any obligation or sub-obligation of the Parties to provide financial or other resources under this Compact or any Supplemental Agreement, or to the suspended or terminated portion of this Compact or such Supplemental Agreement, as applicable. In the event of such suspension or termination, the Government shall use its best efforts to suspend or terminate, or ensure the suspension or termination of, as applicable, all such noncancelable commitments related to the suspended or terminated MCC Funding. Any portion of this Compact or any such Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(g) Upon the full or partial suspension or termination of this Compact or any MCC Funding, MCC may, at its expense, direct that title to Program Assets be transferred to MCC if such Program Assets are in a deliverable state; *provided*, for any Program Asset(s) partially purchased or funded (directly or indirectly) by MCC Funding, the Government shall reimburse to a United States Government account designated by MCC the cash equivalent of the portion of the value of such Program Asset(s), such value as determined by MCC.

(h) Prior to the expiration of this Compact or upon termination of this Compact, the Parties shall consult in good faith with a view to reaching an agreement in writing on (i) the post-Compact Term treatment of MiDA, (ii) the process for ensuring the refunds of MCC Disbursements that have not yet been released from a Permitted Account through a valid Re-Disbursement or otherwise committed in accordance with Section 5.4(e), or (iii) any other matter related to the winding up of the Program and this Compact.

Section 5.5 Privileges and Immunities

MCC is an agency of the Government of the United States of America and its personnel assigned to Ghana will be notified pursuant to the Vienna Convention on Diplomatic Relations as members of the mission of the Embassy of the United States of America. The Government shall ensure that any personnel of MCC so notified, including individuals detailed to or contracted by MCC, and the members of the families of such personnel, while such personnel are performing duties in Ghana, shall enjoy the privileges and immunities that are enjoyed by a member of the United States Foreign Service, or the family of a member of the United States Foreign Service so notified, as appropriate, of comparable rank and salary of such personnel, if such personnel or the members of the families of such personnel are not a national of, or permanently resident in, Ghana.

Section 5.6 Attachments

Any annex, schedule, exhibit, table, appendix or other attachment expressly attached hereto (collectively, the "Attachments") is incorporated herein by reference and shall constitute an integral part of this Compact.

Section 5.7 Inconsistencies

(a) Conflicts or inconsistencies between any parts of this Compact shall be resolved by applying the following descending order of precedence:

(i) Articles I through V, and

(ii) Any Attachments.

(b) In the event of any conflict or inconsistency between this Compact and any Supplemental Agreement between the Parties, the terms of this Compact shall prevail. In the event of any conflict or inconsistency between any Supplemental Agreement between the Parties and any other Supplemental Agreement, the terms of the Supplemental Agreement between the Parties shall prevail. In the event of any conflict or inconsistency between Supplemental Agreements between any parties, the terms of a more recently executed Supplemental Agreement between such parties shall take precedence over a previously executed Supplemental Agreement between such parties. In the event of any inconsistency between a Supplemental Agreement between the Parties and any Implementation Document, the terms of the relevant Supplemental Agreement shall prevail.

Section 5.8 Indemnification

The Government shall indemnify and hold MCC and any MCC officer, director, employee, Affiliate, contractor, agent or representative (each of MCC and any such persons, an "MCC Indemnified Party") harmless from and against, and shall compensate, reimburse and pay such MCC Indemnified Party for, any liability or other damages which (a) are directly or indirectly suffered or incurred by such MCC Indemnified Party, or to which any MCC Indemnified Party may otherwise become subject, regardless of whether or not such damages relate to any third-party claim, and (b) arise from or as a result of the negligence or willful misconduct of the Government, any Government Affiliate, MiDA or any Permitted Designee, directly or indirectly connected with, any activities (including acts or omissions) undertaken in furtherance of this Compact; *provided, however*, the Government shall apply national funds to satisfy its obligations under this Section 5.8 and no MCC Funding, Accrued Interest, or Program Asset may be applied by the Government in satisfaction of its obligations under this Section 5.8.

Section 5.9 Headings

The Section and Subsection headings used in this Compact are included for convenience only and are not to be considered in construing or interpreting this Compact.

Section 5.10 Interpretation

(a) Any reference to the term "including" in this Compact shall be

deemed to mean “including without limitation” except as expressly provided otherwise.

(b) Any reference to activities undertaken “in furtherance of this Compact” or similar language shall include activities undertaken by the Government, any Government Affiliate, any Permitted Designee, any Provider or any other third party receiving MCC Funding involved in carrying out the purposes of this Compact or any Supplemental Agreement, including their respective directors, officers, employees, Affiliates, contractors, sub-contractors, grantees, sub-grantees, representatives or agents, whether pursuant to the terms of this Compact, any Supplemental Agreement or otherwise.

(c) References to “day” or “days” shall be calendar days unless provided otherwise.

(d) Defined terms importing the singular also include the plural, and vice versa.

Section 5.11 Signatures

A signature to this Compact or an amendment to this Compact pursuant to Section 5.3 shall be delivered only as an original signature. With respect to all other signatures, a signature delivered by facsimile or electronic mail in accordance with Section 5.1 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying document, certificate, notice, instrument or agreement on the basis of the signature’s legal effect, validity or enforceability solely because it is in facsimile or electronic form. Without limiting the foregoing, a signature on an audit report or a signature evidencing any modification identified in Sections 2(b) and (4)(a)(iv) of Annex I, Section 4 of Annex II or Section 5(c) Annex III shall be followed by an original in overnight express mail. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 5.12 Designation

MCC may designate any Affiliate, agent, or representative to implement, in whole or in part, its obligations, and exercise any of its rights, under this Compact or any Supplemental Agreement between the Parties. MCC shall inform the Government of any such designation.

Section 5.13 Survival

Any Government Responsibilities, covenants, or obligations or other responsibilities to be performed by the

Government after the Compact Term shall survive the termination or expiration of this Compact and expire in accordance with their respective terms. Notwithstanding the termination or expiration of this Compact, the following provisions shall remain in force: Sections 2.2, 2.3, 2.5, 3.2, 3.3, 3.4, 3.5, 3.8, 3.9 (for one year), 3.12, 5.1, 5.2, 5.4(d), 5.4(e) (for one hundred and twenty (120) days), 5.4(f), 5.4(g), 5.4(h), 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12, this Section 5.13, 5.14, and 5.15.

Section 5.14 Consultation

Either Party may, at any time, request consultations relating to the interpretation or implementation of this Compact or any Supplemental Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations and the other Party shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within twenty (20) days from the commencement of the consultations, then each Party shall forward the consultation to the Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than forty five (45) days from date of commencement. If the matter is not resolved within such time period, either Party may terminate this Compact pursuant to Section 5.4(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner and by the principles of international law. Any dispute arising under or related to this Compact shall be determined exclusively through the consultation mechanism set forth in this Section 5.14.

Section 5.15 MCC Status

MCC is a United States Government corporation acting on behalf of the United States Government in the implementation of this Compact. As such, MCC has no liability under this Compact, is immune from any action or proceeding arising under or relating to this Compact and the Government hereby waives and releases all claims related to any such liability. In matters arising under or relating to this Compact, MCC is not subject to the jurisdiction of the courts or other body of Ghana or any other jurisdiction and all disputes arising under or relating to this Compact shall be determined in accordance with Section 5.14.

Section 5.16 Language

This Compact is prepared in English and in the event of any ambiguity or conflict between this official English version and any other version translated into any language for the convenience of the Parties, this official English version shall prevail.

Section 5.17 Publicity; Information and Marking

The Government shall give appropriate publicity to this Compact as a program to which the United States, through MCC, has contributed, including by posting this Compact, and any amendments thereto, on the Web site operated by MiDA (“MiDA Web site”), identifying Program activity sites, and marking Program Assets; *provided*, any announcement, press release or statement regarding MCC or the fact that MCC is funding the Program or any other publicity materials referencing MCC, including the publicity described in this Section 5.17, shall be subject to prior approval by MCC and shall be consistent with any instructions provided by MCC from time to time in relevant Implementation Letters. Upon the termination or expiration of this Compact, MCC may request the removal of, and the Government shall, upon such request, remove, or cause the removal of, any such markings and any references to MCC in any publicity materials or on the MiDA Web site. MCC may post this Compact, and any amendments thereto, on the Web site of MCC. MCC shall have the right to use any information or data provided in any report or document provided to MCC for the purpose of satisfying MCC reporting requirements or in any other manner.

In Witness Whereof, the undersigned, duly authorized by their respective governments, have signed this Compact this 1st day of August, 2006 and this Compact shall enter into force in accordance with Section 1.3.

Done at Washington, DC, in English.

For the United States of America, acting through the Millennium Challenge Corporation,

Name: John J. Danilovich,
Title: Chief Executive Officer.

For the Government of the Republic of Ghana,

Name: Dr. P. Kwesi Nduom,
Title: Minister of Public Sector Reform.

Exhibit A—Definitions

The following compendium of capitalized terms that are used herein is provided for the convenience of the reader. To the extent that there is a conflict or inconsistency between the definitions in this Exhibit A and the

definitions elsewhere in the text of this Compact, the definition elsewhere in this Compact shall prevail over the definition in this Exhibit A.

Accrued Interest shall have the meaning set forth in Section 2.1(c).

Act shall have the meaning set forth in Section 2.1(a)(iii).

Additional Representative shall have the meaning set forth in Section 5.2.

ADR shall have the meaning set forth in Section 2(c)(ii) of Schedule 1 to Annex I.

Affiliate means the affiliate of a party, which is a person or entity that controls, is controlled by, or is under the same control as the party in question, whether by ownership or by voting, financial or other power or means of influence. References to Affiliate herein shall include any of their respective directors, officers, employees, affiliates, contractors, sub-contractors, grantees, sub-grantees, representatives, and agents.

Afram Basin Zone shall have the meaning set forth in Section 1(a) of Annex I.

Agriculture Project shall have the meaning set forth in the Preamble to Schedule 1 to Annex I.

Agriculture Project Objective shall have the meaning set forth in Section 1.1(a).

Attachments shall have the meaning set forth in Section 5.6.

Audit Guidelines shall have the meaning set forth in Section 3.8(d)(i).

Audit Plan shall have the meaning set forth in Section 3.8(d)(iii).

Auditor shall have the meaning set forth in Section 3(h) of Annex I.

Auditor/Reviewer Agreement shall have the meaning set forth in Section 3(h) of Annex I.

Bank(s) means any bank holding a Permitted Account.

Bank Agreement shall have the meaning set forth in Section 4(d) of Annex I.

Beneficiaries shall have the meaning set forth in Section 2(a) of Annex III.

Bilateral Agreement shall have the meaning set forth in Section 2.6.

Board shall have the meaning set forth in Section 3(d)(i)(2) of Annex I.

CEO shall have the meaning set forth in Section 3(d)(iii)(2) of Annex I.

Chair shall have the meaning set forth in Section 3(d)(ii)(2)(A)(i) of Annex I.

Civil Member shall have the meaning set forth in Section 3(d)(ii)(2)(A) of Annex I.

Civil Society Stakeholders shall have the meaning set forth in Section 3(e)(iv) of Annex I.

Commercial Training Activity shall have the meaning set forth in Section 2(a) of Schedule 1 to Annex I.

Community Services Activity shall have the meaning set forth in Section 2(b) of Schedule 3 to Annex I.

Compact shall have the meaning set forth in the Preamble.

Compact Goal shall have the meaning set forth in Section 1.1.

Compact Goal Indicator shall have the meaning set forth in Section 2(a) of Annex III.

Compact Implementation Funding shall have the meaning set forth in Section 2.1(a)(iii).

Compact Records shall have the meaning set forth in Section 3.8(b).

Compact Reports shall have the meaning set forth in Section 3(d)(ii)(3)(C) of Annex I.

Compact Term shall have the meaning set forth in Section 1.3.

Covered Provider shall have the meaning set forth in Section 3.8(d)(iv).

Credit Activity shall have the meaning set forth in Section 2(e) of Schedule 1 to Annex I.

DACF shall have the meaning set forth in Section 2(b)(ii) of Schedule 3 to Annex I.

Designated Rights and Responsibilities shall have the meaning set forth in Section 3.2(c).

Detailed Budget shall have the meaning set forth in Section 4(a)(ii) of Annex I.

DFID shall have the meaning set forth in Section 4 of Schedule 2 to Annex I.

DFR shall have the meaning set forth in Section 6 of Schedule 2 to Annex I.

Disbursement Agreement shall have the meaning set forth in the Preamble to Annex I.

DUR shall have the meaning set forth in Section 6 of Schedule 2 to Annex I.

EIA shall have the meaning set forth in Section 6(b) of Annex I.

EMP shall have the meaning set forth in Section 6(b) of Annex I.

eNGO Invitee shall have the meaning set forth in Section 3(d)(ii)(2)(F) of Annex I.

Entry into Force shall have the meaning set forth in Section 1.3.

Environmental Guidelines shall have the meaning set forth in Section 2.3(d).

EU shall have the meaning set forth in Section 1 of Schedule 1 to Annex I.

Evaluation Component shall have the meaning set forth in Section 1 of Annex III.

Exempt Uses shall have the meaning set forth in Section 2.3(e)(ii).

FBOs shall have the meaning set forth in Section 2 of Schedule 1 to Annex I.

Feeder Roads Activity shall have the meaning set forth in Section 2(f) of Schedule 1 to Annex I.

Ferry Activity shall have the meaning set forth in Section 2(c) of Schedule 2 to Annex I.

Final Evaluation shall have the meaning set forth in Section 3(a) of Annex III.

Financial Plan Annex shall have the meaning set forth in the Preamble to Annex II.

Financial Services Activity shall have the meaning set forth in Section 2(c) of Schedule 3 to Annex I.

Fiscal Accountability Plan shall have the meaning set forth in Section 4(c) of Annex I.

Fiscal Agent shall have the meaning set forth in Section 3(g) of Annex I.

Fiscal Agent Agreement shall have the meaning set forth in Section 3(g) of Annex I.

GDP shall have the meaning set forth in Section 1(a) of Annex I.

GHA shall have the meaning set forth in Section 6 of Schedule 2 to Annex I.

Ghana means the Republic of Ghana.

Governance Agreement shall have the meaning set forth in Section 4.1(c).

Governing Document shall have the meaning set forth in Section 3(c)(i)(9) of Annex I.

Government shall have the meaning set forth in the Preamble.

Government Affiliate means an Affiliate, ministry, bureau, department, agency, government, corporation or any other entity chartered or established by the Government. References to Government Affiliate shall include any of their respective directors, officers, employees, affiliates, contractors, sub-contractors, grantees, sub-grantees, representatives, and agents.

Government Member shall have the meaning set forth in Section 3(d)(ii)(2)(A) of Annex I.

Government Party shall have the meaning set forth in Section 3.8(e)(i).

Government Responsibilities shall have the meaning set forth in Section 3.2(a).

GPRS shall have the meaning set forth in Section 1(a) of Annex I.

GRF shall have the meaning set forth in Section 6 of Schedule 2 to Annex I.

Implementation Document shall have the meaning set forth in Section 3(a) of Annex I.

Implementation Letter shall have the meaning set forth in Section 3.5(a).

Implementing Entity shall have the meaning set forth in Section 3(f) of Annex I.

Implementing Entity Agreement shall have the meaning set forth in Section 3(f) of Annex I.

Indicators shall have the meaning set forth in Section 2(a) of Annex III.

Inspector General shall have the meaning set forth in Section 3.8(d)(i).

Interim Evaluations shall have the meaning set forth in Section 3(b) of Annex III.

Intervention Zone shall have the meaning set forth in Section 1(a) of Annex I.

IPPC shall have the meaning set forth in Section 2(d) of Schedule 1 to Annex I.

Irrigation Activity shall have the meaning set forth in Section 2(b) of Schedule 1 to Annex I.

Land Activity shall have the meaning set forth in Section 2(c) of Schedule 1 to Annex I.

LAP shall have the meaning set forth in Section 2(c) of Schedule 1 to Annex I.

Lien shall have the meaning set forth in Section 2.3(g).

Local Account shall have the meaning set forth in Section 4(d)(ii) of Annex I.

M&E shall have the meaning set forth in Section 3 of Annex I.

M&E Annex shall have the meaning set forth in the Preamble to Annex III.

M&E Plan shall have the meaning set forth in Section 2(e) of Annex I.

Management shall have the meaning set forth in Section 3(d)(i)(2) of Annex I.

Material Agreement shall have the meaning set forth in Section 3(c)(i)(4) of Annex I.

Material Re-Disbursement shall have the meaning set forth in Section 3(c)(i)(7) of Annex I.

MCA shall have the meaning set forth in the Recitals.

MCA Eligibility Criteria shall have the meaning set forth in Section 3.7.

MCC shall have the meaning set forth in the Preamble.

MCC Disbursement shall have the meaning set forth in Section 2.1(b)(i).

MCC Disbursement Request shall have the meaning set forth in Section 4(b) of Annex I.

MCC Funding shall have the meaning set forth in Section 2.1(a).

MCC Indemnified Party shall have the meaning set forth in Section 5.8.

MCC Representative shall have the meaning set forth in Section 3(d)(ii)(2)(B)(i) of Annex I.

MiDA shall have the meaning set forth in the Preamble to Annex I.

MiDA Web site shall have the meaning set forth in Section 5.17.

MOFA shall have the meaning set forth in Section 2(a)(i) of Schedule 1 to Annex I.

Monitoring Component shall have the meaning set forth in Section 1 of Annex III.

MoT shall have the meaning set forth in Section 6 of Schedule 2 to Annex I.

Multi-Year Financial Plan shall have the meaning set forth in Section 4(a)(i) of Annex I.

Multi-Year Financial Plan Summary shall have the meaning set forth in Section 1 to Annex II.

N1 Activity shall have the meaning set forth in Section 2(a) of Schedule 2 to Annex I.

N1 Highway shall have the meaning set forth in Section 2 of Schedule 2 to Annex I.

NGOs shall have the meaning set forth in Section 1(b) of Annex I.

Northern Zone shall have the meaning set forth in Section 1(a) of Annex I.

Objective(s) shall have the meaning set forth in Section 1.1.

Objective Indicator shall have the meaning set forth in Section 2(a) of Annex III.

Observer shall have the meaning set forth in Section 3(d)(ii)(2)(B) of Annex I.

Officer shall have the meaning set forth in Section 3(d)(iii)(1) of Annex I.

Outcome shall have the meaning set forth in Section 2(a) of Annex III.

Outcome Indicator shall have the meaning set forth in Section 2(a) of Annex III.

Party or Parties shall have the meaning set forth in the Preamble.

Permitted Account(s) shall have the meaning set forth in Section 4(d) of Annex I.

Permitted Designee shall have the meaning set forth in Section 3.2(c).

Pledge shall have the meaning set forth in Section 3(c)(i)(8) of Annex I.

Post-Harvest Activity shall have the meaning set forth in Section 2(d) of Schedule 1 to Annex I.

PPB shall have the meaning set forth in Section 4 of Schedule 3 to Annex I.

PRDs shall have the meaning set forth in Section 2(c)(ii) of Schedule 1 to Annex I.

Principal Representative shall have the meaning set forth in Section 5.2.

Procurement Agent shall have the meaning set forth in Section 3(i) of Annex I.

Procurement Agent Agreement shall have the meaning set forth in Section 3(i) of Annex I.

Procurement Agreement shall have the meaning set forth in Section 3.6(a).

Procurement Capacity Activity shall have the meaning set forth in Section 2(a) of Schedule 3 to Annex I.

Procurement Guidelines shall have the meaning set forth in Section 3.6(a).

Procurement Plan shall have the meaning set forth in Section 3(i) of Annex I.

Program shall have the meaning set forth in the Recitals.

Program Annex shall have the meaning set forth in the Preamble to Annex I.

Program Assets shall have the meaning set forth in Section 2.3(e)(iii).

Program Objective shall have the meaning set forth in Section 1.1.

Project shall have the meaning set forth in Section 1.2.

Project Activity shall have the meaning set forth in Section 2(b) of Annex I.

Project Objective shall have the meaning set forth in Section 1.1.

Proposal shall have the meaning set forth in the Recitals.

Provider shall have the meaning set forth in Section 2.4(b).

RAP shall have the meaning set forth in Section 6(b) of Annex I.

Re-Disbursement shall have the meaning set forth in Section 2.1(b)(ii).

Reviewer shall have the meaning set forth in Section 3(h) of Annex I.

RICU shall have the meaning set forth in Section 2(b)(i) of Schedule 3 to Annex I.

RSDP shall have the meaning set forth in Section 1 of Schedule 2 to Annex I.

Rural Development Project shall have the meaning set forth in the Preamble to Schedule 3 to Annex I.

Rural Development Project Objective shall have the meaning set forth in Section 1.1(c).

SEA shall have the meaning set forth in Section 6(a) of Annex I.

SMEs shall have the meaning set forth in Section 2(a)(ii) of Schedule 1 of Annex I.

Southern Zone shall have the meaning set forth in Section 1(a) of Annex I.

Special Account shall have the meaning set forth in Section 4(d)(i) of Annex I.

Supplemental Agreement shall have the meaning set forth in Section 3.5(b).

Supplemental Agreement between the Parties means any agreement between MCC on the one hand, and the Government, any Government Affiliate or Permitted Designee on the other hand.

Supplemental Agreement Term Sheets shall have the meaning set forth in Section 4.1(d).

Target shall have the meaning set forth in Section 2(a) of Annex III.

Tax(es) shall have the meaning set forth in Section 2.3(e)(i).

TIPCEE shall have the meaning set forth in Section 5 of Schedule 1 to Annex I.

TQM shall have the meaning set forth in Section 2 of Schedule 2 to Annex I.

Transportation Project shall have the meaning set forth in the Preamble to Schedule 2 to Annex I.

Transportation Project Objective shall have the meaning set forth in Section 1.1(b).

Trunk Roads Activity shall have the meaning set forth in Section 2(b) of Schedule 2 to Annex I.

United States Dollars, US\$ or \$ shall have the meaning set forth in Section 2.1(d).

United States Government means any branch, agency, bureau, government corporation, government chartered entity or other body of the Federal government of the United States.

USAID shall have the meaning set forth in Section 5 of Schedule 1 to Annex I.

VLTC shall have the meaning set forth in Section 2 of Schedule 2 to Annex I.

Work Plan shall have the meaning set forth in Section 3(a) of Annex I.

Zonal Advisory Committee shall have the meaning set forth in Section 3(e)(i) of Annex I.

Exhibit B—List of Certain Supplemental Agreements

1. Fiscal Agent Agreement.
2. Procurement Agent Agreement.
3. Bank Agreement.
4. Implementing Entity Agreement.

Schedule 2.1(a)(iii)—Compact Implementation Funding

The Compact Implementation Funding provided pursuant to Section 2.1(a)(iii) of this Compact shall support the following activities:

(a) Three strategic environmental assessments, one for each Intervention Zone in connection with the requirements of Section 6 of Annex I.

(b) Development or refinement of FBO and staple food and horticulture crop curriculum (including production of materials) and related training and certification of MOFA and private sector extension agents, training in set-up and launching of effective technology demonstrations, and related international tours, all in connection with the Commercial Training Activity under Section 2(a) of Schedule 1 of Annex I.

(c) Community sensitization and information gathering, inventorying of land rights, and production of composite maps of community boundaries and parcels in the rural areas of Awutu Efutu Senya to pre-test the first steps in the pilot land registration activity, accompanied by a gender consultant to provide guidance on gender issues and women's participation, and coordinated by a supervisory consultant, in connection with the Land Activity under Section 2(c) of Schedule 1 of Annex I.

(d) A feasibility study; and an EIA, an EMP and a RAP, each as may be necessary, and design, in connection with the Feeder Roads Activity under Section 2(f)(ii)(1) of Schedule 1 of Annex I.

(e) A feasibility study; and an EIA, an EMP and a RAP, each as may be

necessary, and design, in connection with the N1 Activity under Section 2(a)(ii)(1) of Schedule 2 of Annex I.

(f) A feasibility study; and an EIA, an EMP and a RAP, each as may be necessary, and design, in connection with the Trunk Roads Activity under Section 2(b)(ii)(2) of Schedule 2 of Annex I.

(g) A feasibility study; and an EIA, an EMP and a RAP, each as may be necessary, and design, in connection with the Ferry Activity under Section 2(c)(vii)(1) of Schedule 2 of Annex I.

(h) Start-up costs such as staff salaries and administrative support expenses of MiDA (or mutually acceptable Government Affiliate) such as rent, computers and other information technology or capital equipment.

The total amount of funds disbursed in accordance with Section 2.1(a)(iii) shall not exceed the amount set forth in Section 2.1(a)(iii).

Annex I—Program Description

This Annex I to the Compact (the "Program Annex") generally describes the Program that MCC Funding will support in Ghana during the Compact Term and the results to be achieved from the investment of MCC Funding. Prior to any MCC Disbursement or Re-Disbursement, including for the Projects described herein, MCC, the Government (or a mutually acceptable Government Affiliate) and Millennium Development Authority ("MiDA") shall enter into a Supplemental Agreement that (i) further specifies the terms and conditions of such MCC Disbursements and Re-Disbursements, (ii) is in a form and substance mutually satisfactory to the Parties and (iii) is signed by the Principal Representative of each Party (or in the case of a Government Affiliate, the principal representative of such Government Affiliate) and of MiDA (the "Disbursement Agreement").

Except as specifically provided herein, the Parties may amend this Program Annex only by written agreement signed by the Principal Representative of each Party. Each capitalized term in this Program Annex shall have the same meaning given such term elsewhere in this Compact. Unless otherwise expressly stated, each Section reference herein is to the relevant Section of the main body of the Compact.

1. Background and Ghana Development Strategy; Consultative Process

(a) Background; Ghana Development Strategy. Bordering the Gulf of Guinea and located between Côte d'Ivoire and Togo, Ghana is a West African country of 22 million people. Approximately a

third of its population lives in poverty. Its gross domestic product ("GDP") is growing at about 6% per year. Ghana's agricultural sector, the backbone of its economy, plays an important role in the socio-economic development of the country by ensuring food security for its people, providing raw material for local industries and offering employment and income for a large portion of its population.

In 2003, the Government developed, through a broad consultative process, the Ghana Poverty Reduction Strategy (the "GPRS"), a comprehensive development policy framework to support poverty reduction in Ghana over a three-year period from 2003 to 2005. The GPRS identified, as one of the key strategies for poverty reduction, increasing the production from, and employment in, the agricultural sector. Specifically, the strategy entailed, among others, modernizing the agricultural practices so as to increase the production of staple crops and to encourage additional agro-processing and value-added production of high-value agricultural crops, while at the same time reforming the land acquisition process. The GPRS indicated that such modernization efforts should be supported by developing both transportation and social infrastructure targeted on certain areas of the country in order to ensure the enhanced delivery of educational, health and other social services to such areas.

Consistent with the aims of the GPRS, the Program consists of a series of strategic investments in an effort to modernize Ghana's agricultural sector, together with investments in developing transportation infrastructure and rural institutions in the following three areas of the country (each, an "Intervention Zone"):¹

- The Northern area consisting of the following five districts: Savelugu Nanton, Tolon Kumbungu, Tamale, West Mamprusi and Karaga (the "Northern Zone");

- The Afram Basin area consisting of the following six districts: Ejura Sekyedumasi, Kwahu South, Fanteakwa, Afram Plains, Sekyere East and Sekyere West (the "Afram Basin Zone"); and

- The Southern Horticultural Belt area consisting of the following twelve districts: Gomaa, Awutu Efutu Senya, Akuapim South, Manya Krobo, Dangme West, Yilo Krobo, North Dayi, Hohoe, Ketu, Keta, South Tongu and Akatsi (the "Southern Zone").

¹ Some of the N1 Activity will take place in the district of Ga West.

(b) *Consultative Process.* In order to develop the Proposal, beginning in 2004, the Government held a series of consultations with various stakeholders at both the national and local levels, in which numerous policymakers, farmers, FBOs, exporters, industry associations, environmental organizations, gender organizations, the media, and other civil society groups participated. The objective of the consultations was the selection, as well as the prioritization, of the proposed interventions under the MCA assistance that are consistent with the GPRS and complement existing donor-supported and government-funded programs for poverty reduction in Ghana.

These consultations revealed that the proposed interventions should primarily target the agricultural sector, with a special focus on the production of high-value crops for exports. Subsequently, the Government formed a team of managers and sector experts to develop further the details of the proposed interventions.

As the proposed interventions became better defined, additional consultations with the stakeholders were held in each district within each Intervention Zone to discuss the exact type of the interventions, their locations, the arrangements for their implementations as well as the ownership structure for certain infrastructure resulting from the interventions. The non-governmental organizations ("NGOs") representing the environmental and social sector participated in the early rounds of these additional consultations and influenced the design of the interventions eventually included in the Proposal. During MCC's due diligence of the Proposal, the Government made additional efforts to consult the various NGOs representing the environment and social sector as well as the farmers and FBOs. MCC observed the consultations both at the local level and the national level. This consultative process is still ongoing, and is expected to continue through the Compact Term.

2. Overview

(a) *Program Objective.* The Program consists of a series of specific and complementary Projects that the Parties expect will achieve the two-fold Program Objective, thus advancing the Compact Goal. Specifically, the two-fold Program Objective is, first, to increase the production and productivity of high-value cash and food staple crops in the three Intervention Zones and, second, to enhance the competitiveness of Ghana's agricultural products in both regional and international markets. To this end, the Program aims to strengthen the

contribution of other agricultural sub-sectors to the growth of the economy and to reduce, through diversification, risks of not achieving consistently strong agricultural performance. As such, the Program Objective is fully consistent with, and directly supports, the GPRS.

(b) *Projects.* The Parties have identified the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance each Project Objective. Each Project is described in the Schedules to this Program Annex. The Schedules to this Program Annex also identify one or more of the activities that will be undertaken in furtherance of each Project (each, a "Project Activity") as well as the various activities within each Project Activity. Notwithstanding anything to the contrary in this Compact, the Parties may agree to modify, amend, terminate or suspend these Projects or to create a new project by written agreement signed by the Principal Representative of each Party without amending this Compact; *provided, however*, any such modification or amendment of a Project or creation of a new project is (i) consistent with the Objectives; (ii) does not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of this Compact; (iii) does not cause the Government's responsibilities or contribution of resources to be less than specified in Section 2.2 of this Compact or elsewhere in this Compact; and (iv) does not extend the Compact Term.

(c) *Beneficiaries.* The intended beneficiaries of each Project are described in the respective Schedule to this Program Annex and Annex III to the extent identified as of the date hereof. The intended beneficiaries shall be identified more precisely during the initial phases of implementation of the Program. The Government shall provide to MCC information on the population of the areas in which the Projects will be active, disaggregated by gender, income level and age. The Parties shall agree upon the description of the intended beneficiaries and the Parties will make publicly available a more detailed description of the intended beneficiaries of the Program, including publishing such description on the MiDA Web site.

(d) *Civil Society.* Civil society shall participate in overseeing the implementation of the Program through its representation on the Board and the three Zonal Advisory Committees (which will include representatives from NGOs and private sector entities), as provided in Section 3(d) and Section

3(e), respectively, of this Program Annex. In addition, ongoing consultations with the civil society regarding the manner in which each Project is being implemented will take place throughout the Compact Term.

(e) *Monitoring and Evaluation.* Annex III of this Compact generally describes the plan to measure and evaluate progress toward achievement of the Compact Goal and Objectives (the "M&E Plan"). As outlined in the Disbursement Agreement and other Supplemental Agreements, continued disbursement of MCC Funding under this Compact (whether as MCC Disbursements and Re-Disbursements) shall be contingent, among others, on successful achievement of certain targets as set forth in the M&E Plan.

3. Implementation Framework

The implementation framework and the plan for ensuring adequate governance, oversight, management, monitoring and evaluation ("M&E") and fiscal accountability for the use of MCC Funding is summarized below and in the Schedules attached to this Program Annex, and as may otherwise be agreed in writing by the Parties.

(a) *General.* The elements of the implementation framework will be further described in the relevant Supplemental Agreements and in a set of detailed documents for the implementation of the Program, consisting of (i) a Multi-Year Financial Plan, (ii) a Fiscal Accountability Plan, (iii) a Procurement Plan, (iv) an M&E Plan and (v) a Work Plan (each, an "Implementation Document"). MiDA shall adopt each Implementation Document in accordance with the requirements and timeframe as may be specified in this Program Annex, the Disbursement Agreement or as may otherwise be agreed by the Parties from time to time. MiDA may amend any Implementation Document without amending this Compact, provided that any material amendment of such Implementation Document has been approved by MCC and is otherwise consistent with the requirements of this Compact and any relevant Supplemental Agreement. By such time as may be specified in the Disbursement Agreement, or as may otherwise be agreed by the Parties from time to time, MiDA shall adopt a work plan for the overall administration of the Program (the "Work Plan"). The Work Plan shall set forth, with respect to (i) the administration of the Program, (ii) the monitoring and evaluation of the Program, and (iii) the implementation of each Project: (1) Each activity to be undertaken or funded by MCC Funding

(to the level of detail mutually acceptable to MiDA and MCC), (2) the Detailed Budget, and (3) where appropriate, the allocation of roles and responsibilities for specific activities, other programmatic guidelines, performance requirements, targets, and other expectations related thereto.

(b) Government.

(i) The Government shall promptly take all necessary and appropriate actions to carry out the Government Responsibilities and other obligations or responsibilities of the Government under and in furtherance of this Compact, including undertaking or pursuing such legal, legislative or regulatory actions or procedural changes and contractual arrangements as may be necessary or appropriate to achieve the Objectives, to successfully implement the Program, to designate any rights or responsibilities to any Permitted Designee, and to establish MiDA, which shall be a Permitted Designee and shall be responsible for the oversight and management of the implementation of this Compact on behalf of the Government. The Government shall promptly deliver to MCC certified copies of any documents, orders, decrees, laws or regulations evidencing such legal, legislative, regulatory, procedural, contractual or other actions.

(ii) The Government shall ensure that MiDA is duly authorized and organized, sufficiently staffed and empowered to carry out fully the Designated Rights and Responsibilities. Without limiting the generality of the preceding sentence, MiDA shall be organized, and have such roles and responsibilities, as described in Section 3(d) of this Program Annex and as provided in any Governing Documents; *provided, however*, the Government or another Permitted Designee may, subject to MCC approval, carry out any of the roles and responsibilities designated to be carried out by MiDA and described in Section 3(d) of this Program Annex or elsewhere in this Program Annex, any Governing Document or any other Supplemental Agreement prior to and during the initial period of the establishment and staffing and operational formation of MiDA, but in no event longer than the earlier of (1) the formation and convening of organizational meetings of the Board and the formation and operational establishment of MiDA (including the selection and engagement of Officers and other key employees) and (2) three months from the Entry into Force, unless otherwise agreed by the Parties in writing.

(c) MCC.

(i) Notwithstanding Section 3.1 of this Compact or any provision in this

Program Annex to the contrary, and except as may be otherwise agreed upon by the Parties from time to time, MCC must approve in writing each of the following transactions, activities, agreements and documents prior to the execution or carrying out of such transaction, activity, agreement or document and prior to MCC Disbursements or Re-Disbursements in connection therewith:

(1) MCC Disbursements;

(2) Each Implementation Document (including each component thereto) and any material amendments and supplements thereto;

(3) Any Audit Plan;

(4) Agreements (i) between the Government and MiDA, (ii) between the Government, a Government Affiliate, MiDA or any other Permitted Designee, on the one hand, and any Provider or Affiliate of a Provider, on the other hand, which require such MCC approval under applicable law, the Procurement Agreement, any Governing Document, or any other Supplemental Agreement or (iii) in which the Government, a Government Affiliate, MiDA or any other Permitted Designee appoints, hires, or engages any of the following in furtherance of this Compact:

(A) Auditor;

(B) Reviewer;

(C) Fiscal Agent;

(D) Procurement Agent;

(E) Bank;

(F) Implementing Entity; and

(G) A member of the Board (including any Observer), any Officer or any other key employee of MiDA (including agreements involving the terms of any compensation for any such person). (Any agreement described in clause (i) through (iii) of this Section 3(c)(i)(4) of this Program Annex and any amendments and supplements thereto, each, a "Material Agreement");

(5) Any modification, termination or suspension of a Material Agreement, or any action that would have the effect of such a modification, termination or suspension of a Material Agreement;

(6) Any agreement that is (A) not at arm's length or (B) with a party related to the Government, MiDA or any of their respective Affiliates;

(7) Any Re-Disbursement (each, a "Material Re-Disbursement") that requires such MCC approval under applicable law, any Governing Document, or any other Supplemental Agreement;

(8) Any pledge of any MCC Funding or any Program Assets, or any guarantee, directly or indirectly, of any indebtedness (each, a "Pledge");

(9) Any decree, legislation, regulation, contractual arrangement (including the

Governance Agreement and the Millennium Development Authority Act of 2006 (Act 702)), or other charter document establishing or governing MiDA (each, a "Governing Document");

(10) Any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization or other change of (A) MiDA, including any revocation or modification of or supplement to any Governing Document related thereto, or (B) any subsidiary or Affiliate of MiDA;

(11) Any change in character or location of any Permitted Account;

(12) Formation or acquisition of any direct or indirect subsidiary, or other Affiliate, of MiDA;

(13)(A) Any change of any member of the Board (including any Observer), of the member serving as the Chair or in the composition or size of the Board, and the filling of any vacant seat of any member of the Board (including any Observer), (B) any change of any Officer or other key employee of MiDA or in the composition or size of the Management, and the filling of any vacant position of any Officer or other key employee of MiDA, and (C) any material change in the composition or size of any Zonal Advisory Committee;

(14) Any decision by MiDA to engage, to accept or to manage any funds from any donor agencies or organizations in addition to MCC Funding during the Compact Term;

(15) Any decision to amend, supplement, replace, terminate, or otherwise change any of the foregoing; and

(16) Any other activity, agreement, document or transaction requiring the approval of MCC in this Compact, applicable law, any Governing Document, the Procurement Agreement, the Disbursement Agreement, or any other Supplemental Agreement between the Parties.

(ii) MCC shall have the authority to exercise its approval rights set forth in this Section 3(c) of this Program Annex in its sole discretion and independent of any participation or position taken by the MCC Representative at a meeting of the Board. MCC retains the right to revoke its approval of any matter, agreement, or action if MCC concludes, in its sole discretion, that its approval was issued on the basis of incomplete, inaccurate or misleading information furnished by the Government, any Government Affiliate, MiDA or any other Permitted Designee. Notwithstanding any provision in this Compact or any Supplemental Agreement to the contrary, the exercise by MCC of its approval rights under this Compact or any Supplemental Agreement shall not (1) diminish or

otherwise affect the Government Responsibilities or any other obligations or responsibilities of the Government under this Compact or any Supplemental Agreement, (2) transfer any such obligations or responsibilities of the Government, or (3) otherwise subject MCC to any liability.

(d) MiDA.

(i) *General.* Unless otherwise agreed by the Parties in writing, MiDA shall, as a Permitted Designee, be responsible for the oversight and management of the implementation of this Compact. MiDA shall be governed by applicable law and the Governing Documents, each such Governing Document to be in form and substance satisfactory to MCC and effective on or before the time specified in the Disbursement Agreement, and based on the following principles:

(1) The Government shall ensure that MiDA shall not assign, delegate or contract any of the Designated Rights and Responsibilities without the prior written consent of the Government and MCC. MiDA shall not establish any Affiliates or subsidiaries (direct or indirect) without the prior written consent of the Government and MCC.

(2) Unless otherwise agreed by the Parties in writing, MiDA shall consist of (A) an independent board of directors (the "Board") to oversee MiDA's responsibilities and obligations under this Compact (including any Designated Rights and Responsibilities) and (B) a management unit (the "Management") to have overall management responsibility for the implementation of this Compact.

(ii) Board.

(1) *Formation.* The Government shall ensure that the Board shall be formed, constituted, governed and operated in accordance with the terms and conditions set forth in the Governing Documents and any Supplemental Agreement.

(2) *Composition.* Unless otherwise agreed by the Parties in writing, the Board shall consist of at least nine (9) but no more than eleven (11) voting members and four (4) non-voting observers identified below.

(A) The Board shall initially be composed of nine (9) voting members as follows, *provided* that the members identified in subsections (i)–(vi) below (each, a "Government Member," and each of the other voting members, a "Civil Member") may be replaced by another government official from a ministry or other government body relevant to the Program activities pursuant to the Governing Documents, subject to approval by MCC (such replacement to be referred to thereafter as a Government Member):

(i) Dr. P. Kwesi Nduom, the incumbent Minister of the Ministry of Public Sector Reform, appointed as the chair ("Chair") as provided in the Governing Documents;

(ii) The Minister, or any other government official of the rank of director or higher, from the Ministry of Food and Agriculture, initially to be the Minister of Food and Agriculture;

(iii) The Minister, or any other official of the rank of director or higher, from the Ministry of Trade, Industry, Private Sector and Presidential Special Initiatives, initially to be the Minister of Trade, Industry, Private Sector and Presidential Special Initiatives;

(iv) The Minister, or any other official of the rank of director or higher, from the Ministry of Local Government, Rural Development and Environment, initially to be the Minister of Local Government, Rural Development and Environment;

(v) The Minister, or any other official of the rank of director or higher, from the Ministry of Finance and Economic Planning, initially to be the Minister of Finance and Economic Planning;

(vi) The CEO;

(vii) Two representatives, each selected by the Private Enterprise Foundation; and (viii) A representative, selected by the Ghana Association of Private Voluntary Organizations in Development.

(B) The non-voting observers of the Board (each, an "Observer") shall be:

(i) A representative designated by MCC (the "MCC Representative"); and

(ii) Three representatives, each selected by lot by the district assemblies within each Intervention Zone.

(C) Each Government Member position (other than the Chair) shall be filled by the individual, during the Compact Term, holding the office identified and all Government Members (including the Chair) shall serve in their capacity as the applicable Government officials and not in their personal capacity.

(D) The voting members identified in Section 3(d)(ii)(2)(A) of this Program Annex, by majority vote, may alter the size of the Board in accordance with the Governing Documents so long as the total does not exceed eleven (11) members.

(E) Each Observer shall have rights to attend all meetings of the Board, participate in the discussions of the Board, and receive all information and documents provided to the Board, together with any other rights of access to records, employees or facilities as would be granted to a member of the Board under the Governing Documents.

(F) The Board shall, pursuant to the Governing Documents, invite a

representative selected by the registered NGOs representing the environmental community (the "eNGO Invitee") to all meetings of the Board, and the eNGO Invitee shall receive all information and documents provided to the Board as more specifically provided in the Governance Agreement.

(G) The voting members identified in Section 3(d)(ii)(2)(A) of this Program Annex shall exercise their duties solely in accordance with the best interests of MiDA, the Program and the Objectives, and shall not undertake any action that is contrary to those interests or would result in personal gain or a conflict of interest.

(3) Roles and Responsibilities.

(A) The Board shall oversee the Management, the overall implementation of the Program, and the performance of the Designated Rights and Responsibilities.

(B) Certain actions may be taken and certain agreements, documents or instruments executed and delivered, as the case may be, by MiDA only upon the approval and authorization of the Board as provided under applicable law or as set forth in any Governing Document, including each MCC Disbursement Request, selection or termination of certain Providers and any Implementation Document.

(C) The Chair, unless otherwise provided in the applicable Governing Documents, shall certify any documents or reports delivered to MCC in satisfaction of the Government's reporting requirements under this Compact or any Supplemental Agreement between the Parties (the "Compact Reports") or any other documents or reports from time to time delivered to MCC by MiDA (whether or not such documents or reports are required to be delivered to MCC), and that such documents or reports are true, correct and complete.

(D) Without limiting the generality of the Designated Rights and Responsibilities that the Government may designate to MiDA, and subject to MCC's contractual rights of approval as set forth in Section 3(c) of this Program Annex, elsewhere in this Compact or any Supplemental Agreement, the Board shall have the exclusive authority as between the Board and the Management for all actions defined for the Board in any Governing Document and which are expressly designated therein as responsibilities that cannot be delegated further.

(4) *Indemnification of Civil Members, Observers, and Officers.* The Government shall ensure, at the Government's sole cost and expense, that appropriate insurance is obtained

and appropriate indemnifications and other protections are provided, acceptable to MCC and to the fullest extent permitted under the laws of Ghana, to ensure that (A) Civil Members and Observers shall not be held personally liable for the actions or omissions of the Board or MiDA and (B) Officers shall not be held personally liable for the actions or omissions of the Board, MiDA or actions or omissions of the Officer so long as properly within the scope of Officer's authority.

Pursuant to Section 5.5 and Section 5.8 of this Compact, the Government and MiDA shall hold harmless the MCC Representative for any liability or action arising out of the MCC Representative's role as an Observer on the Board. The Government hereby waives and releases all claims related to any such liability and acknowledges that the MCC Representative has no fiduciary duty to MiDA. In matters arising under or relating to the Compact, the MCC Representative is not subject to the jurisdiction of the courts or any other body of Ghana. MiDA shall provide a written waiver and acknowledgement that no fiduciary duty to MiDA is owed by the MCC Representative.

(iii) *Management.* Unless otherwise agreed in writing by the Parties, the Management shall report, through the CEO or other Officer as designated in any Governing Document, directly to the Board and shall have the composition, roles and responsibilities described below and set forth more particularly in the Governing Documents.

(1) *Composition.* The Government shall ensure that the Management shall be composed of qualified experts from the public or private sectors, including such offices and staff as may be necessary to carry out effectively its responsibilities, each with such powers and responsibilities as set forth in the Governing Documents, and from time to time in any Supplemental Agreement between the Parties, including without limitation the following: (A) CEO; (B) Internal Auditor; (C) Legal Counsel; (D) Director of the Agricultural Transformation Program; (E) Director of Procurement; (F) Director of Monitoring and Evaluation; (G) Director of Finance and Administration; (H) Director of Environmental and Social Impact; and (I) Director of Community and Public Outreach. The Management shall also include: (J) Commercialization of Agriculture Project Manager, (K) Community Services Project Manager, (L) Transportation and Agricultural Infrastructure Project Manager, and (M) Land Administration Project Manager, each of whom shall report to the

Director of Agricultural Transformation Program and (N) Agricultural Financial Services and Bank Capacity Building Manager, who shall report to the Commercialization of Agriculture Project Manager. Each person holding the position in any of the sub-clauses (A) through (N), and such other offices as may be created and designated in accordance with any Governing Document and any Supplemental Agreement, shall be referred to as an "Officer." The Management shall be supported by appropriate administrative and support personnel consistent with the Detailed Budget for Program administration and any Implementation Document.

(2) *Appointment of Officers.* The Chief Executive Officer ("CEO") of MiDA shall be selected after an open and competitive recruitment and selection process, and appointed in accordance with the Governing Documents, which appointment shall be subject to MCC approval. Such appointment shall be further evidenced by such document as the Parties may agree. Unless otherwise specified in the Governing Documents, the Officers of MiDA other than the CEO shall be selected and hired by the Board after an open and competitive recruitment and selection process, and appointed in accordance with the Governing Documents, which appointment shall be subject to MCC approval. Such appointment shall be further evidenced by such document as the Parties may agree.

(3) *Roles and Responsibilities.*

(A) Management shall assist the Board in overseeing the implementation of the Program and shall have principal responsibility (subject to the direction and oversight of the Board and subject to MCC's contractual rights of approval as set forth in Section 3(c) of this Program Annex or elsewhere in this Compact or any Supplemental Agreement) for the overall management of the implementation of the Program.

(B) Without limiting the foregoing general responsibilities or the generality of Designated Rights and Responsibilities that the Government may designate to MiDA, Management shall develop each Implementation Document, oversee the implementation of the Projects, manage and coordinate monitoring and evaluation, ensure compliance with the Fiscal Accountability Plan, and such other responsibilities as set out in the Governing Documents or otherwise delegated to Management by the Board from time to time.

(C) Appropriate Officers as designated in the Governing Documents shall have

the authority to contract on behalf of MiDA under any procurement undertaken in accordance with the Procurement Agreement (including the Procurement Guidelines) in furtherance of the Program.

(D) Management shall have the obligation and right to approve certain actions and documents or agreements, including certain Re-Disbursements, MCC Disbursement Requests, Compact Reports, certain human resources decisions and certain other actions, as provided in the Governing Documents.

(e) *Zonal Advisory Committees.*

(i) *Formation.* The Government shall ensure the establishment of three (3) zonal advisory committees with governmental representatives (each, a "Zonal Advisory Committee"), each representing one of the three Intervention Zones.

(ii) *Composition.* Each Zonal Advisory Committee shall be comprised, unless otherwise agreed by the Parties, of the following members: (A) A district planning officer from each district within the applicable Intervention Zone; (B) a district director of agriculture from each district within the applicable Intervention Zone; (C) a district chief executive from each district within the applicable Intervention Zone; (D) an elected representative from each district assembly from the applicable Intervention Zone; and (E) a regional environmental officer from each region within the applicable Intervention Zone. The Government shall take all actions necessary and appropriate to ensure that each Zonal Advisory Committee is established consistent with this Section 3(e) of this Program Annex and as otherwise specified in the Governing Documents or otherwise agreed in writing by the Parties. The composition of each Zonal Advisory Committee may be adjusted by agreement of the Parties from time to time to ensure, among others, an adequate representation of the intended beneficiaries of the Program. Each member position identified in this Section 3(e)(ii) of this Program Annex shall be filled by the individual, during the Compact Term, holding the office identified and such individual shall serve in his capacity as the applicable Government official and not in his personal capacity. In the event that such member is unable to participate in a meeting of the respective Zonal Advisory Committee, such member's deputy may participate in the member's stead.

(iii) *Roles and Responsibilities.* Each Zonal Advisory Committee shall be a mechanism to provide representatives of the private sector, civil society and local and regional governments the

opportunity to provide advice and input to MiDA regarding the implementation of the Compact. At the request of each Zonal Advisory Committee, MiDA shall provide such information and documents as it deems advisable, subject to appropriate treatment of such information and documents by the members of each Zonal Advisory Committee. Specifically, during each meeting of each Zonal Advisory Committee, MiDA shall present an update on the implementation of this Compact and progress towards achievement of the Objectives. Each Zonal Advisory Committee shall have an opportunity to provide regularly to MiDA its views or recommendations on the performance and progress on the Projects and Project Activities, any Implementation Document, procurement, financial management or such other issues as may be presented from time to time to each Zonal Advisory Committee or as otherwise raised by each Zonal Advisory Committee.

(iv) *Meetings.* Each Zonal Advisory Committee shall hold at least two meetings per year as well as such other periodic meetings of the Zonal Advisory Committee or the respective subcommittees thereof, designated along sectoral, regional, or other lines, as may be necessary or appropriate from time to time. Representatives of the FBOs, banking organizations, microfinance institutions, farmer associations, horticultural product associations, women's associations, chambers of commerce, anti-corruption associations, environmental and social organizations ("Civil Society Stakeholders"), among others, shall be provided timely advance notice of all such meetings, invited to participate in all such meetings and afforded an opportunity during each such meeting to present their views or recommendations to the Zonal Advisory Committee.

(v) *Accessibility; Transparency.* The members of each Zonal Advisory Committee shall be accessible to the beneficiaries they represent to receive the beneficiaries' comments or suggestions regarding the Program. The notices for, and the minutes (including the views or recommendations of the Civil Society Stakeholders expressed) of all meetings of, each Zonal Advisory Committee and any respective subcommittees shall be made public on the MiDA Web site or otherwise (including television, radio and print) in a timely manner.

(f) *Implementing Entities.* Subject to the terms and conditions of this Compact and any other Supplemental Agreement between the Parties, MiDA

may provide MCC Funding, directly or indirectly through MiDA, to one or more (i) pre-determined ministries, bureaus or agencies of the Government based on their sector expertise or (ii) government bodies, businesses, NGOs, vendors or contractors, selected according to the Procurement Guidelines, to implement and carry out any Project, Project Activity (or a component thereof), or any other activities to be carried out in furtherance of this Compact (each, an "Implementing Entity"). The Government shall ensure that MiDA enters into an agreement with each Implementing Entity, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of such Implementing Entity and other appropriate terms and conditions (including the payment of the Implementing Entity, if any) (the "Implementing Entity Agreement"). An Implementing Entity shall report directly to the relevant Officer, as designated in the applicable Implementing Entity Agreement or as otherwise agreed by the Parties.

(g) *Fiscal Agent.* The Government shall ensure that MiDA engages one fiscal agent following an international competitive process (a "Fiscal Agent") who shall be responsible for, among others: (i) Assisting MiDA in preparing the Fiscal Accountability Plan; (ii) ensuring and certifying that Re-Disbursements are properly authorized and documented in accordance with established control procedures set forth in the Disbursement Agreement, the Fiscal Agent Agreement and other relevant Supplemental Agreements; (iii) Re-Disbursement from, and cash management and account reconciliation of, any Permitted Account established and maintained for the purpose of receiving MCC Disbursements and making Re-Disbursements (to which Fiscal Agent has sole signature authority); (iv) providing applicable certifications for MCC Disbursement Requests; (v) maintaining and retaining proper accounting, records and document disaster recovery system of all MCC funded financial transactions and certain other accounting functions; (vi) producing reports on MCC Disbursements and Re-Disbursements (including any requests therefore) in accordance with established procedures set forth in the Disbursement Agreement, the Fiscal Agent Agreement, the Fiscal Accountability Plan, or any other relevant Supplemental Agreements; (vii) assisting in the preparation of budget development procedures; and (viii) internal management of the Fiscal Agent

operations. Upon the written request of MCC, the Government shall ensure that MiDA terminates the Fiscal Agent, without any liability to MCC, and the Government shall ensure that MiDA engages a new Fiscal Agent, subject to the approval by the Board and MCC. The Government shall ensure that MiDA enters into an agreement with each Fiscal Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions, such as payment of the Fiscal Agent (each, a "Fiscal Agent Agreement"), such Fiscal Agent Agreement shall not be terminated until MiDA has engaged a successor Fiscal Agent or as otherwise agreed by MCC in writing.

(h) *Auditors and Reviewers.* The Government shall ensure that MiDA carries out the Government's audit responsibilities as provided in Sections 3.8(d), (e) and (f) of this Compact, including engaging one or more auditors (each, an "Auditor") required by Section 3.8(d) of this Compact. As requested by MCC in writing from time to time, the Government shall ensure that MiDA also engages (i) an independent reviewer to conduct reviews of performance and compliance under this Compact pursuant to Section 3.8(f) of this Compact, which reviewer shall have the capacity to (1) conduct general reviews of performance or compliance, (2) conduct environmental audits and (3) conduct data quality assessments in accordance with the M&E Plan, as described more fully in Annex III, and/or (ii) an independent evaluator to assess performance as required under the M&E Plan (each, a "Reviewer"). MiDA shall select the Auditor(s) or Reviewer(s) in accordance with any Governing Document or other relevant Supplemental Agreement. The Government shall ensure that MiDA enters into an agreement with each Auditor or Reviewer, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Auditor or Reviewer with respect to the audit, review or evaluation, including access rights, required form and content of the applicable audit, review or evaluation and other appropriate terms and conditions such as payment of the Auditor or Reviewer (the "Auditor/Reviewer Agreement"). In the case of a financial audit required by Section 3.8(f) of this Compact, such Auditor/Reviewer Agreement shall be effective no later than one hundred and twenty (120) days prior to the end of the relevant period to be audited; *provided, however*, if MCC requires concurrent audits of

financial information or reviews of performance and compliance under this Compact, then such Auditor/Reviewer Agreement shall be effective no later than the date agreed by the Parties in writing.

(i) *Procurement Agent.* The Government shall ensure that MiDA engages one or more procurement agents through an international competitive process (each, a "Procurement Agent") to carry out and certify specified procurement activities in furtherance of this Compact on behalf of the Government, MiDA, or Implementing Entity. The roles and responsibilities of such Procurement Agent and the criteria for selection of a Procurement Agent shall be as set forth in the applicable Implementation Letter or Supplemental Agreement. The Government shall ensure that MiDA enters into an agreement with the Procurement Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions, such as payment of the Procurement Agent (the "Procurement Agent Agreement"). Any Procurement Agent shall adhere to the procurement standards set forth in the Procurement Agreement and Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by MiDA pursuant to the Procurement Agreement (the "Procurement Plan") unless MiDA and MCC otherwise agree in writing.

4. *Finances and Fiscal Accountability*

(a) *Multi-Year Financial Plan; Detailed Budget.*

(i) *Multi-Year Financial Plan.* The multi-year financial plan for the Program, showing the estimated amount of MCC Funding allocable to each Project (and related Project Activities), the administration of the Program (and its components) and the monitoring and evaluation of the Program (the "Multi-Year Financial Plan") over the Compact Term on an annual basis, is summarized in Annex II to this Compact.

(ii) *Detailed Budget.* During the Compact Term, the Government shall ensure that MiDA timely delivers to MCC a detailed budget, at a level of detail and in a format mutually acceptable to MiDA and MCC, for the administration of the Program, monitoring and evaluation of the Program, and the implementation of each Project (the "Detailed Budget"). The Detailed Budget shall be a component of the Work Plan and shall be delivered by such time as specified

in the Disbursement Agreement, or as may otherwise be agreed by the Parties.

(iii) *Expenditures.* Unless the Parties otherwise agree in writing, no financial commitment involving MCC Funding shall be made, no obligation of MCC Funding shall be incurred, and no Re-Disbursement shall be made or MCC Disbursement Request shall be submitted, for any activity or expenditure unless the expense for such activity or expenditure is provided for in the Detailed Budget, and unless uncommitted funds exist in the balance of the Detailed Budget for the relevant period.

(iv) *Modifications to Multi-Year Financial Plan or Detailed Budget.* Notwithstanding anything to the contrary in this Compact, MiDA may amend or supplement the Multi-Year Financial Plan, the Detailed Budget, or any component thereof, without amending this Compact so long as MiDA requests and receives the approval of MCC for such amendment or supplement and such amendment or supplement is consistent with the requirements of this Compact (including Section 4 of Annex II) and any relevant Supplemental Agreement between the Parties. If such amendment or supplement, if adopted, would reallocate the funds among the Projects, the Project Activities, or any activity under Program administration or M&E as shown in Annex II, MiDA shall submit a written request for approval by MCC of such amendment or supplement. Any such amendment or supplement shall (1) be consistent with the Objectives and the Implementation Documents; (2) shall not materially adversely impact the applicable Project, Project Activity (or any component thereof), or any activity under Program administration or M&E as shown in Annex II; (3) shall not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of this Compact; and (4) shall not cause the Government's obligations or responsibilities or overall contribution of resources to be less than as specified in Section 2.2(a) of this Compact, this Annex I or elsewhere in this Compact. Upon any such amendment or supplement, MiDA shall deliver to MCC a revised Detailed Budget, together with a revised Multi-Year Financial Plan, reflecting such amendment or supplement, along with the next MCC Disbursement Request.

(b) *Disbursement and Re-Disbursement.* The Disbursement Agreement (and any schedules thereto), as amended from time to time, shall specify the terms, conditions and procedures on which MCC

Disbursements and Re-Disbursements shall be made. The obligation of MCC to make MCC Disbursements or approve Re-Disbursements is subject to the fulfillment, waiver or deferral of any such terms and conditions. The Government and MiDA shall jointly submit the applicable request for an MCC Disbursement (the "MCC Disbursement Request") as may be specified in the Disbursement Agreement. MCC will make MCC Disbursements in tranches to a Permitted Account from time to time as provided in the Disbursement Agreement or as may otherwise be agreed by the Parties, subject to Program requirements and performance by the Government, MiDA and other relevant parties in furtherance of this Compact. Re-Disbursements will be made from time to time based on requests by an authorized representative of the appropriate party designated for the size and type of Re-Disbursement in accordance with any Governing Document and Disbursement Agreement; *provided, however*, unless otherwise agreed by the Parties in writing, no Re-Disbursement shall be made unless and until the written approvals specified herein or in any Governing Document and Disbursement Agreement for such Re-Disbursement have been obtained and delivered to the Fiscal Agent.

(c) *Fiscal Accountability Plan.* By such time as specified in the Disbursement Agreement or as otherwise agreed by the Parties, MiDA shall adopt, as part of the Implementation Documents, a plan that identifies the principles, mechanisms and procedures to ensure appropriate fiscal accountability for the use of MCC Funding provided under this Compact, including the process to ensure that open, fair, and competitive procedures will be used in a transparent manner in the administration of grants or cooperative agreements and the procurement of goods, works and services for the accomplishment of the Objectives (the "Fiscal Accountability Plan"). The Fiscal Accountability Plan shall set forth, among others, requirements with respect to the following matters: (i) Re-Disbursement, timely payment to vendors, cash management and account reconciliation; (ii) funds control and documentation; (iii) accounting standards and systems; (iv) content and timing of reports; (v) preparing budget development procedures and the Compact implementation budget; (vi) policies concerning records, document disaster recovery, public availability of all

financial information and asset management; (vii) procurement and contracting practices; (viii) inventory control; (ix) the role of independent auditors; (x) the roles of fiscal agents and procurement agents; (xi) separation of duties and internal controls; and (xii) certifications, powers, authorities and delegations.

(d) *Permitted Accounts.* The Government shall establish, or cause to be established, such accounts (each, a "Permitted Account," and collectively "Permitted Accounts") as may be agreed by the Parties in writing from time to time, including:

(i) A single, completely separate United States Dollar interest-bearing account (the "Special Account") at the Bank of Ghana to receive MCC Disbursements;

(ii) If necessary, a local currency of Ghana account (interest-bearing as appropriate and as further specified in the relevant Supplemental Agreement) (the "Local Account") at the Bank of Ghana to which the Fiscal Agent may authorize transfer from any United States Dollar Permitted Account for the purpose of making Re-Disbursements payable in local currency; and

(iii) Such other interest-bearing accounts to receive MCC Disbursements in such banks as the Parties mutually agree upon in writing.

No other funds shall be commingled in a Permitted Account other than MCC Funding and Accrued Interest thereon. All MCC Funding held in an interest-bearing Permitted Account shall earn interest at a rate of no less than such amount as the Parties may agree in the Bank Agreement or otherwise. MCC shall have the right, among others, to view any Permitted Account statements and activity directly on-line, where feasible, or at such other frequency as the Parties may otherwise agree. By such time as shall be specified in the Disbursement Agreement or as otherwise agreed by the Parties, the Government shall ensure that MiDA enters into an agreement with the Bank, satisfactory to MCC, that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to the Permitted Account (the "Bank Agreement").

(e) *Currency Exchange.* The Bank shall convert MCC Funding to the currency of Ghana at a rate to which the parties to the Bank Agreement mutually agree, subject to MCC approval.

5. *Transparency; Accountability*

Transparency and accountability to MCC and to the beneficiaries are important aspects of the Program and

the Projects. Without limiting the generality of the foregoing, and in an effort to achieve the goals of transparency and accountability, the Government shall ensure that MiDA:

(a) Establishes an e-mail suggestion box as well as a means for other written comments that interested persons may use to communicate ideas, suggestions or feedback to MiDA;

(b) Considers as a factor in its decision-making the recommendations of the Zonal Advisory Committees;

(c) Develops and maintains, in a timely, accurate and appropriately comprehensive manner, the MiDA Web site that includes postings of information and documents in English (and other languages where relevant);

(d) Posts on the MiDA Web site, and otherwise makes publicly available via appropriate means (including television, radio and print), in the appropriate language the following documents or information from time to time:

(i) The Compact;

(ii) All minutes of the meetings of the Board and the meetings of each Zonal Advisory Committee unless otherwise agreed by the Parties;

(iii) The M&E Plan, as amended from time to time, along with periodic reports on Program performance;

(iv) Such financial information as may be required by this Compact, the Disbursement Agreement or any other Supplemental Agreement, or as may otherwise be agreed from time to time by the Parties;

(v) All Compact Reports;

(vi) All audit reports by an Auditor and any periodic reports or evaluations by a Reviewer;

(vii) All relevant environmental impact assessments and supporting documents, and such other environmental documentation as MCC may request;

(viii) A copy of the Disbursement Agreement, as amended from time to time;

(ix) A copy of any document relating to the formation, organization and governance of MiDA, including all Governing Documents, together with any amendments thereto;

(x) A copy of the Procurement Agreement (including the Procurement Guidelines), as amended from time to time, and any procurement policies or procedures and standard documents; and

(xi) A copy of certain information derived from each Procurement Plan, as specified in the Procurement Agreement, and all bid requests and notifications of awarded contracts.

6. *Environmental Accountability*

(a) The Government shall ensure that MiDA (or any other Permitted Designee) undertakes and completes three strategic environmental assessments (each, an "SEA"), each as a condition precedent to certain MCC Disbursements as described in the Schedules to this Program Annex and further specified in the Disbursement Agreement, and in form and substance satisfactory to MCC, covering, respectively, the Northern Zone, the Afram Basin Zone and the Southern Zone.

(b) The Government shall ensure that MiDA (or any other Permitted Designee) (i) undertakes and completes any environmental impact assessments (each, an "EIA"), environmental management plans (each, an "EMP") and resettlement action plans (each, a "RAP"), each in form and substance satisfactory to MCC, and as required under the laws of Ghana, the Environmental Guidelines, this Compact or any Supplemental Agreement or as otherwise required by MCC and (ii) undertakes to implement any environmental and social mitigation measures identified in such assessments or plans to MCC's satisfaction.

(c) Government shall commit to fund all necessary costs of environmental mitigation (including costs of resettlement) not specifically provided for in the budget for any Project.

Schedule 1 to Annex I—Agriculture Project

This Schedule 1 generally describes and summarizes the key elements of the Agricultural Productivity and Value-Added Development Project (the "Agriculture Project") that the Parties intend to implement in furtherance of the Agriculture Project Objective. Additional details regarding the implementation of the Agriculture Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background

Owing to its ability to grow successfully a wide diversity of tropical and sub-tropical crops, Ghana has the potential to become the leading West African supplier of horticultural products into the markets in neighboring African countries and the European Union ("EU") where the demand for tropical, organic and conventional fruits and vegetables is experiencing strong growth. In addition, domestic food security can be significantly enhanced by expanding the country's utilization of arable land

dedicated to maize, yams, cassava and other traditional food crops.

Agriculture is the backbone of Ghana's economy: it accounts for approximately 40% of the country's GDP, directly employs more than 60% of the labor force and generates more than 55% of the foreign exchange earnings. The agricultural sector consists of five sub-sectors: crops (other than cocoa) and livestock account for 58% of the GDP attributable to the agricultural sector, cocoa for 20%, fisheries for 11% and forestry for the remaining 11%.

Ghana's current agricultural production is largely dominated by rain-fed production of crops for local consumption by smallholder farmers using rudimentary technology. Furthermore, inconsistency in both the supply and the quality of agriculture crops hampers Ghana's ability to compete against other countries supplying the same to the regional and EU markets. Despite non-traditional horticultural crops' potential for earning foreign exchange, the agricultural sector currently produces mostly traditional crops under sub-optimal conditions, including lack of interconnectivity between production areas and markets and limited access to credit. Furthermore, insecure land access and inefficient land registration processes are key risks to the successful expansion of higher-value agribusiness.

Fortunately, a number of concrete steps can set the stage for significant increases in food security, household income, profitable agribusinesses, jobs creation and capital investment in Ghana's agricultural sector. Specifically, in order to exploit fully its agricultural potential, Ghana must improve its yields of high quality product, increase the acreage devoted to commercial, high-value horticultural crops, and consistently meet the international export market standards. Inefficiencies in the value chain will be remedied by improving entrepreneurial and technical skills among farmers and businesses to maximize their output and sales by building a post-harvest infrastructure for preserving the quality of crops during their transportation from the production site to final market destination.

A number of mutually reinforcing activities has been identified to address the above-described constraints that Ghana is facing in achieving the Agriculture Project Objective within the Intervention Zones. In addition, the participation in, and benefits from, the Agriculture Project may extend to those farmers in nearby districts who operate or trade within, or provide supplies to, the Intervention Zones.

2. Summary of the Agriculture Project and Related Projects Activities

The Agriculture Project is designed to enhance the profitability of staple food and horticulture crops and to improve delivery of business and technical services to support the expansion of commercial agriculture among farmer-based organizations ("FBOs"), which are groups of eligible farmers, input suppliers selling to such farmers, or output processors buying from such farmers. MCC Funding will support the following Project Activities:

- *Farmer and Enterprise Training in Commercial Agriculture:* To accelerate the development of commercial skills and capacity among FBOs and their business partners (including service providers to FBOs and other entities adding value to agricultural crops such as processors);

- *Irrigation Development:* To establish a limited number of retention ponds and weirs requested by the FBOs and FBO partnerships for whom access to water is critical to the success of their business objectives;

- *Land Tenure Facilitation:* To improve tenure security for existing land users and to facilitate access to land for commercial crops in the Intervention Zones;

- *Improvement of Post-Harvest Handling and Value Chain Services:* To facilitate strategic investments by FBOs in post-harvest infrastructure improvements and to build the capacity of the public sector to introduce and monitor compliance with international plant protection standards;

- *Improvement of Credit Services for On-Farm and Value Chain Investments:* To augment the supply of, and access to, credit provided by financial institutions operating in the Intervention Zones; and

- *Rehabilitation of Feeder Roads:* To rehabilitate up to 950 km of feeder roads in eight (8) districts in the Intervention Zones in order to reduce transportation costs and time, to increase access to major domestic and international markets, and to facilitate transportation linkages from rural areas to social service networks (including, for instance, hospitals, clinics and schools).

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Agriculture Project. Performance against these benchmarks, as well as the overall impact of the Agriculture Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that

additional indicators will be identified during implementation of the Agriculture Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Agriculture Project, as well as the Project Activities undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Agriculture Project are identified in Annex II. Conditions precedent to each Project Activity under the Agriculture Project, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, any other Supplemental Agreements and the relevant Implementation Documents.

The following summarizes each Project Activity under the Agriculture Project:

(a) *Project Activity: Farmer and Enterprise Training in Commercial Agriculture ("Commercial Training Activity")*

Successful FBOs are critical to the development of Ghana's agricultural potential. The Program will support FBOs by providing training in business management, planning and finance practices, market analyses and marketing, customer service and pricing mechanisms. By achieving critical mass, FBOs can exercise bargaining power in purchasing quality inputs and processing, transport, marketing and other services at lower prices, and consistently provide sufficient quantities of quality produce and crops in the necessary volume, as well as add value to these services, all necessary to enter the commercial markets with competitive products. The continued viability of the FBOs after the Compact Term will be a key to the Ghanaian farmers' continued economic growth, improved farming practices, ability to secure best prices for inputs, access to credit and building of strong farmer communities.

The Commercial Training Activity seeks to strengthen and support both FBOs and certain agribusiness service providers who offer various value-adding services to the FBOs that meet a pre-determined set of criteria to be adopted by MiDA with the approval of MCC.

Specifically, MCC Funding will support the following:

(i) Extension activities by the Ministry of Food and Agriculture ("MOFA"). MOFA will be responsible for providing preliminary organizational and technical support to FBOs seeking eligibility to participate in the commercial training program. MCC Funding will be used for the

mobilization of MOFA's district level extension agents to identify nascent and existing FBOs, as well as farmers and suppliers who are good candidates to organize new FBOs in collaboration with the district assemblies.

(ii) Commercial training program for FBOs. An intensive, multi-phase commercial training program will be offered to the FBOs to improve significantly their skills in management, business planning, technology applications and marketing. Such FBOs will include small and medium-sized enterprises ("SMEs") that provide agribusiness-related, value-adding services to farmers. Each phase of the program will incorporate training to improve business literacy and numeracy of the members of the FBOs. A priority will be placed on attracting significant participation of women and young adults and on encouraging their engagement in agriculture business opportunities in the target districts in each Intervention Zone. Specifically, the commercial training program will consist of the following three phases:

(1) *Phase One*: To strengthen the business capacity of FBOs, this phase will provide intensive training in strengthening the organization, developing a business vision, and learning to use realistic planning tools towards commercialization and profitability will be provided. Participants will be required to prepare a long-term business plan for approval in accordance with evaluation criteria, adopted by MiDA with the approval of MCC, before moving on to Phase Two of the program. An organization-building incentive in the form of business and communication technology will be available to each participating entity, whether an FBO or an SME, that completes and begins implementing the approved business plan.

(2) *Phase Two*: The business plans developed in Phase One will determine the specific technical training, infrastructure support and inputs to be provided to the participating entities during Phase Two. The focus during Phase Two will be to enable the participating entities to transition into new agricultural crop varieties and to adopt and fully integrate good agricultural practices into their commercial operations.

(3) *Phase Three*: The assistance during Phase Three will focus on helping FBOs to maximize sales volumes in the commercial agriculture markets (domestic, regional or export), with consistent, competitive products and services. Training will focus on quality assurance management (including product handling and

preservation, packaging and transportation), as well as on improving the linkages with processors and traders and facilitating their access to market through branding, advertising, information services and promotion of agricultural crops.

(b) Project Activity: Irrigation Development ("Irrigation Activity")

In order to combat the frequent crop failure and food shortage due to variation in the amount and intensity of rain, along with intermittent droughts, the Government has begun to encourage improved management of water resources by farmers and to support irrigation development programs. For instance, the Government, through the Ghana Irrigation Development Authority, has constructed 22 public irrigation schemes with a combined area of 8,745 hectares designed to grow rice, either double cropped or in rotation with vegetables.

Nonetheless, Ghana's water resources, composed of Lake Volta, formed by the Akosombo Dam and the many tributaries of the Volta River, have been only lightly exploited to irrigate the country's vast tracts of unused land. The Irrigation Activity aims to support the expansion of fruit and vegetable production by smallholder farmers, as well as the various farmer groups, by providing irrigated water to them.

Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) The construction of small retention ponds in all three Intervention Zones, as well as weirs in the Northern Zone, upon approval by MiDA of proposals for such ponds and weirs submitted by the FBOs. The proposals will be evaluated for funding based on a pre-determined set of criteria to be adopted by MiDA with the approval of MCC, which will include, among others, appropriate assessment of the environmental and social impact of, approved permits for, and the appropriate screening for the economic effects of, the proposed construction.

(ii) With respect to each construction described in Section 2(b)(i) of this Schedule 1 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant irrigation infrastructure), an EIA, an EMP and a RAP, each as may be necessary; and

(2) Implementation of environmental and social mitigation measures, as identified in the studies described in Section 2(b)(ii)(1) of this Schedule 1 to

Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such rehabilitation and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12).

(c) Project Activity: Land Tenure Facilitation ("Land Activity")

Ghana currently suffers from an inadequate land policy and regulatory framework, fragmented institutional arrangements, and an underdeveloped land registration system. For instance, six separate public agencies operate in loose coordination under two different ministries, and each has a role in land administration. In part as a result of this institutional fragmentation, land transactions are costly and not transparent, and produce numerous tenure disputes. Other problems in land administration in Ghana include a lack of formal documentation of customary holdings, indeterminate boundaries of private and other land holdings, conflicting records of land rights and delays in negotiating and registering acquisition and transfer of land rights. Currently, there are approximately 40,000 land tenure disputes pending before the courts.

In Ghana, customary rights in land are prevalent and are offered strong legal protections by Ghanaian legislation. In addition, investors and local farmers access land use rights by long-term lease arrangements or other tenancy arrangements, and in some cases by purchases negotiated directly with the relevant community or the Government on behalf of the community. Sound agricultural development in Ghana would be greatly strengthened by making access to land more efficient and secure while preserving secure tenure for local communities.

The Government is in the process of implementing, with support from multiple donors, the Land Administration Project ("LAP") that seeks to remedy these problems through a systematic reform of the policy and institutional framework governing land tenure. Consistent with the overall policy and methodological framework of LAP, the Land Activity seeks to contribute to an environment of more secure land tenure and more efficient land access in the three Intervention Zones.

Specifically, MCC Funding will support the following:

(i) Facilitation of land transactions by providing on-demand services. To facilitate land transactions on an on-demand basis in all the districts within

the Intervention Zones, MCC Funding will be used to support:

(1) Assessment of the demand for assistance with land transactions and registration, as well as the potential risks to vulnerable people in land transactions, in each district within the Intervention Zones;

(2) Expansion of access to local services, such as information provision, legal services, valuation, land surveying and mediation of land disputes, in collaboration with the Lands Commission, based on the assessment described in Section 2(c)(i)(1) of this Schedule 1 to Annex I;

(3) Development and management of, and creation of awareness for, a land market information database, outreach about the process of land registration and production and circulation, as necessary, of information regarding formal and customary rules and administrative practices on land access and registration; and

(4) Strengthening the capacity of the Lands Commission, and other land sector agencies as appropriate, for more efficient processing of land registration requests, including, subject to approval by MiDA and MCC, supplementing the staffing and providing equipment to automate the processing of land registration requests.

(ii) A pilot program for area-wide registration of rural land rights involving, among others, certain preparatory tasks (including, among others, community sensitization, composite maps and inventory of land rights) and the formalization of land rights consistent with the methodology developed under LAP (including, among others, resolution of land disputes via alternative dispute resolution ("ADR") mechanisms, formal demarcation of parcel boundaries and issuance of registered land titles). The pilot program for registration of land rights will take place in two phases. In Phase One, the rural areas of the districts of Awutu Efutu Senya, Savalugu-Nanton and Afram Plains will be declared pilot registration districts ("PRDs"). In Phase Two, a similar set of activities, revised to incorporate the lessons learned in Phase One, will be carried out in six additional PRDs selected by MiDA based upon a pre-determined set of criteria adopted by MiDA with the approval of MCC, incorporating the lessons learned in Phase One.

(iii) Development of innovative solutions to the land tenure problems and the fostering of informed stakeholder dialogue on technical, social or policy issues relevant to land tenure and access. This activity will

include the development and implementation of (1) a training action plan to build capacity for public and private sector land administration services; (2) an assessment and analysis of the legal and administrative aspects of compensation resulting from ADRs; (3) a small grants program, in coordination with LAP, designed to encourage constructive debate on land issues; (4) workshops and other forums for dialogue; and (5) development and adoption of a gender strategy for implementation of the Land Activity.

(iv) Improvement of the courts' ability to process land disputes. To establish expeditious and inexpensive ways to resolve land disputes and to reduce the backlog of land dispute cases in certain circuit courts, MiDA will collaborate with the Judicial Service to refine their understanding of the nature and scope of existing land disputes and the prospective dispute resolution mechanisms to resolve such disputes; to finalize and implement an action plan identifying the most appropriate approach; to remove the identified backlog of land disputes in each participating court; to automate the records relating to the resolution of the land disputes; and to develop a practice manual on the use of various ADR procedures for use by various members of the circuit courts in the Intervention Zones involved in handling land disputes.

(d) Project Activity: Improvement of Post-Harvest Handling and Value Chain Services ("Post-Harvest Activity")

A number of post-harvest infrastructure improvements are necessary for the Ghanaian horticulture export industry to become a significant supplier of fruits and vegetables to the EU and other export markets. Therefore, MCC Funding will be used to develop post-harvest handling capacity that maintains the quality of product from the farm to the market. In addition, the capacity of the public sector will be improved to meet International Plant Protection Convention ("IPPC") standards. In order to ensure the long-term growth and sustainability of the post-harvest infrastructure, the ownership and operation of such infrastructure will be privatized during the Compact Term based on a privatization plan adopted by MiDA with the approval of MCC.

Specifically, MCC Funding will support the following:

(i) Improvements to existing nucleus farm packhouses in the form of forced-air cooling and temporary cold storage units, to be owned and operated by the current owners of such packhouses.

Nucleus farmers that procure products from small outgrowers, or are willing to procure outgrower-grown product in the future, will be eligible to obtain such improvements. Eligibility requirements will also include, among others, membership in an agricultural export association that will facilitate the collection of the full repayment of the cost of such improvements, with interest at market rate comparable to that charged borrowers under the Credit Activity, from the nucleus farmer in accordance with guidelines on provision of credit adopted by MiDA with the approval of MCC. Such repayments will be deposited in a special account established by MiDA for reinvestment into activities with the export associations that are consistent with the Program Objective selected by MiDA based on a pre-determined set of criteria adopted by MiDA with the approval of MCC.

(ii) Construction of packhouses and other post-harvest infrastructure for eligible FBOs located in target districts within the Intervention Zones to serve the needs of disadvantaged smallholder farmers growing pineapple, papaya, mango, and certain vegetable and staple crops. The eligibility requirements will include, among others, a plan for full recovery of the operation and maintenance costs of such packhouses in accordance with guidelines on provision of credit adopted by MiDA with the approval of MCC. Any required permits, including environmental permits, will be obtained prior to construction. The ownership of the packhouses will be transferred from MiDA before the expiration of the Compact Term to the relevant FBOs that demonstrate sustained commercial operations.

(iii) Construction of infrastructure for packing and cooling at the Kotoka International Airport that meets international standards, which will be completed in two phases. The first phase will include the construction of basic infrastructure to facilitate packing and storage of fresh agriculture produce, with provision for future installation of cooling facilities. The installation of cooling facilities in the second phase will be triggered by a demonstrated need for such capacity and a plan for the full recovery of the cost of installation, operations and maintenance of such capacity, in accordance with guidelines on provision of credit adopted by MiDA with the approval of MCC. Any required permits, including environmental permits, will be obtained prior to construction.

(iv) Upgrade of Ghana's capacity to meet IPPC standards. Equipment installation, systems improvement and staff training of the Plant Protection and Regulatory Services Directorate within MOFA, the Ghana Standards Board and the Water Resource Institute, will be implemented to improve service delivery to the private sector.

(e) Project Activity: Improvement of Credit Services for On-Farm and Value Chain Investments ("Credit Activity")

Financial service providers are few and far between in most of the districts in the Intervention Zones and have limited abilities to expand rapidly. Only one commercial bank, the Agriculture Development Bank, is meaningfully engaged in making loans to agricultural clients in the Northern Zone and the Afram Basin Zone. Although there are 37 privately-owned rural banks and seven financial NGOs that serve rural clients in the Intervention Zones, their resources and capacity are very limited. The Credit Activity will support the other Project Activities under the Agriculture Project by facilitating access to credit in the Intervention Zones and assisting the banks to improve their ability to assess, grant and manage agriculture loans.

Specifically, MCC Funding will support the following:

(i) Provision of funds for banks, financial NGOs and other eligible financial intermediaries for on-lending to borrowers in the agricultural sector in the Intervention Zones. It is anticipated that rural banks and financial NGOs will access the facility to make seasonal and other working capital loans with maturities of less than 18 months, and commercial banks will access the facility to make medium-term loans. The financial intermediaries will assume one-half of the credit risk on the loans made using the facility. As an incentive to participate in granting and effectively collecting the loans, the highest-performing rural banks and financial NGOs will be eligible at the end of the Compact Term to receive a portion of the facility as a grant based on a set of performance evaluation criteria adopted by MiDA with the approval of MCC. This will strengthen the capital base of successful banks, enhancing their ability to sustain credit to farmers and the agricultural value chain.

(ii) Establishment of new office locations, branches or loan production offices, in all the Intervention Zones, with a special preference given to the Northern Zone and the Afram Basin Zone for banks, selected based on eligibility criteria adopted by MiDA

with the approval of MCC to provide access to credit and financial services in unserved areas.

(iii) Training for rural banks and financial NGOs on credit and management skills consisting of classroom and on-site training throughout the Compact Term, including the purchase of a mobile training center for use in the rural areas for banking training classes and the necessary technology.

(iv) Establishment of pilot programs intended to speed the flow of credit along the agriculture value chain, such as voucher programs with retail input providers.

(f) Project Activity: Rehabilitation of Feeder Roads ("Feeder Roads Activity")

To improve transportation linkages and to reduce transport costs, MCC Funding will support the rehabilitation or upgrading of about 950 km of feeder roads in the Intervention Zones. The extent to which the feeder roads are rehabilitated or upgraded will depend upon, among others, their current condition, the present and projected traffic volume as a result of increased agricultural activity and productivity in those districts, and the results of an EIA, if any, required under Section 2(f)(ii)(1) of this Schedule 1 to Annex I.

Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) Rehabilitation and upgrading of the identified segments of feeder roads as follows:

(1) Approximately 205 km of feeder roads in Awutu Efutu Senya;

(2) Approximately 181 km of feeder roads in Akwapim South;

(3) Approximately 55 km of feeder roads in South Tongu;

(4) Approximately 7 km of feeder roads in Keta;

(5) Approximately 49 km of feeder roads in Ketu;

(6) Approximately 44 km of feeder roads in North Dayi;

(7) Approximately 66 km of feeder roads in Hohoe; and

(8) Approximately 337 km of feeder roads in Savelugu Nanton.

(ii) With respect to each feeder road identified in Section 2(f)(i) of this Schedule 1 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant feeder roads), an EIA, an EMP and a RAP, each as may be necessary;

(2) Implementation of environmental and social mitigation measures, as

identified in the studies described in Section 2(f)(ii)(1) of this Schedule 1 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such rehabilitation and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12);

(3) Posting of signage and making other safety improvements; and

(4) Project management, supervision and auditing of such rehabilitation and upgrades.

3. Beneficiaries

The Agriculture Project will directly benefit more than 100,000 farm and rural households, comprising an estimated 500,000 individuals, through the commercial activities of at least 1,200 FBOs and 120 service providers located throughout the 23 target districts in the three Intervention Zones. In addition, the participation in, and benefits from, the Agriculture Project may extend to those farmers in nearby districts who operate or trade within, or provide supplies to, the Intervention Zones. In the Intervention Zones, farmers and others will also benefit through more secure land tenure with an estimated 5,000 tracts of land gaining registered rights, more efficient registration services and more efficient circuit courts for resolution of land disputes. Over 50 commercial banks, rural banks and financial NGOs will benefit from access to new funding, new banking capacity skills, and potentially a permanent injection of new capital at the expiration of the Compact Term to improve seasonal and medium-term credits to rural households and other enterprises engaged in commercial agriculture activities. The rehabilitation and upgrades to the feeder roads is expected to benefit up to 95,000 farm households and agricultural producers by facilitating access to domestic and international markets, and to critical social services.

4. Donor Coordination; Role of Private Sector and Civil Society

Where a number of donors, trade associations and agricultural lenders are already supporting capacity building of the agriculture industry, the Commercial Training Activity, the Irrigation Activity and the Post-Harvest Activity will build upon, and complement, these existing efforts. The lessons learned from other donors' experiences, especially regarding the need to avoid narrowly targeted lending and over-subsidization of interest rates, in order to encourage sustainability will be incorporated into the implementation

of the Credit Activity. The World Bank, Department for International Development of the United Kingdom, KfW Entwicklungsbank, Canadian International Development Agency, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, and Nordic Development Fund all support the LAP. The Land Activity has been conceived within the framework of the LAP and the various lessons learned from the LAP to date will be considered in the implementation of the Land Activity. Selection of feeder roads for inclusion under the Feeder Roads Activity has been coordinated with those roads being funded by the EU under its Feeder Roads Improvement Project.

Ongoing consultations with private sector representatives, as well as smallholder farmers, large farmers, agricultural input suppliers, development organizations, microfinance institutions, processors, traders, exporters and transporters of agricultural products, agricultural industry associations, formal banking institutions, research and higher education institutions, and the representatives of women's and environmental NGOs will be held by MiDA throughout the implementation of the Agriculture Project.

5. U.S. Agency for International Development ("USAID")

In 2005, USAID initiated the Trade and Investment Program for a Competitive Export Economy ("TIPCEE") to achieve growth in Ghana's sales of non-traditional exports. TIPCEE seeks to provide, among others, certain targeted farmers with training in improved agricultural practices and access to new varieties of seeds and inputs. The Agriculture Project has been designed with input from USAID so that TIPCEE and the Agriculture Project will mutually support each other. Furthermore, research on land issues by the Institute of Statistical, Social and Economic Research at the University of Ghana will inform the implementation of the small grants program under Section 2(c)(iii)(3) of this Schedule 1 to Annex I. While USAID currently has no projects focusing on the rehabilitation or upgrade of feeder roads in Ghana, the Government intends to continue dialoguing with USAID to identify areas in which USAID's activities may complement the Feeder Roads Activity. Finally, USAID has reviewed and provided input into the designing of the Credit Activity, and the goals and methods of the Credit Activity are consistent with the practices in favor of financial institution's sustainability and

the avoidance of subsidies as advocated by USAID.

6. Sustainability

Each Project Activity under the Agriculture Project is designed to advance the food crop and horticulture industry in Ghana and to lay the foundation for substantial and sustainable economic growth. To that end, the improvements in human resource capacity under the Commercial Training Activity, availability of water resources under the Irrigation Activity, land tenure security under the Land Activity, production of exportable produce under the Post-Harvest Activity, the amount of available credit to farmers under the Credit Activity, and efficiency gains in transportation of agricultural goods and access to inputs under the Feeder Roads Activity, together, are expected to transform subsistence and sub-scale cash farmers into commercially viable operations, to create new, as well as to strengthen existing, suppliers, processors and marketers on sound business bases and to enhance a climate that attracts additional outside investment in the food crop and horticulture sectors in Ghana, thus leading to continued and sustainable growth of Ghana's agricultural sector.

The environmental and social sustainability of the Agriculture Project will be assured through ongoing consultations with the public regarding the manner in which the Agriculture Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Agriculture Project and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Agriculture Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Agriculture Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Agriculture Project in accordance with the provisions of this Compact and any relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project management advisors. MiDA will

ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, any required EIAs, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Agriculture Project and monitored by MiDA as necessary during the implementation of the Agriculture Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Sections 2(b)(ii) and 2(f)(ii) of this Schedule 1 to Annex I.

7. Policy; Legal and Regulatory Reform

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Agriculture Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) Government shall adopt an amendment to cause the National Plant Protection Organization to be in compliance with IPPC standards.

(b) Government shall take effective measures to implement the recommendations for legal and institutional reforms for land administration, land management and land tenure as proposed in a memorandum submitted by the Minister of Lands, Forests and Mines to the Cabinet and approved by the Cabinet on February 9, 2006.

(c) Government shall harmonize the relevant land legislation and regulations with the constitutional mandate related to public taking of land for the public good.

8. Proposals

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Agriculture Project. MiDA will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.

Schedule 2 to Annex I—Transportation Project

This Schedule 2 generally describes and summarizes the key elements of the Transportation Infrastructure Development Project (the “Transportation Project”) that the Parties intend to implement in furtherance of the Transportation Project Objective. Additional details regarding the implementation of the Transportation Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background

Agricultural development is critically dependent on a sound transport network for access to inputs and markets. Ghana’s transport system consists of four modes: Road, aviation, rail and maritime. Its national road network totals about 60,000 km while it has one international airport and four domestic airports. It has approximately 945 km rail network currently serving the southern half of the country, and its maritime infrastructure consists of 350 km of inland water transport over Lake Volta, in addition to the two seaports at Tema and Takoradi.

Road transport is the dominant mode of transport in Ghana, carrying almost 95% of the passenger traffic and 97% of all movable freight in the country. The Government has identified high transport costs as a barrier to achieving sustainable economic growth inhibiting the expansion of agricultural opportunities by restricting access and linkages to major domestic and international agricultural markets.

In order to address the problem of high transport costs, the Government has developed a rolling five-year strategic plan, out of which the first three-year segment was used to prepare the Road Sector Development Program (“RSDP”) for implementation over the period from 2002 through 2007. The objective of the RSDP is to reduce poverty and disparities in incomes, improve the standard of living in both the rural and urban areas, and raise the quality of life by improving access to social services, all through improved road infrastructure. In addition, under the GPRS, the Government is committed to providing a better distribution of the road network and other transportation linkages to reduce disparities between the urban and the rural communities.

MCC Funding will, therefore, be used to undertake improvements to the road network with emphasis on primary and secondary roads, principally in the Intervention Zones, consistent with the

Government’s efforts to remove transport disparities between the rural and urban areas, to reduce vehicle operating and maintenance costs and to improve the competitiveness of agricultural producers using these roads. In addition, MCC Funding will also be used to undertake improvements to inland water transport to enhance the transportation network in the Afram Basin Zone.

2. Summary of Transportation Project and Related Projects Activities

The Transportation Project is designed to reduce the transportation costs affecting agricultural commerce at sub-regional and regional levels in Ghana, in support of the Agriculture Project. MCC Funding will support the following Project Activities:

- *Upgrades to Sections of N1 Highway:* To reduce the bottleneck in accessing the International Airport and the Port of Tema and to support an expansion of Ghana’s export-directed horticulture base beyond current production, by upgrading of 14 km of the National Highway (“N1 Highway”) between Tema and Accra (specifically, the stretch of N1 Highway from Tetteh Quarshie Interchange to Mallam Road Junction, also known as “TQM”) and by constructing two grade separation interchanges at the Dimples-Achimota and Mallam Junctions to improve traffic management at these locations;
- *Improvements of Trunk Roads:* To facilitate the growth of agriculture and access to social services by rehabilitating or constructing up to 230 km of trunk roads in the Afram Basin Zone; and
- *Improvements of Lake Volta Ferry Services:* To facilitate the growth of agriculture in the Afram Basin Zone by improving the ferry services of Volta Lake Transport Company (“VLTC”) that connect Adawso on the southern shore to Ekye Amanfrom on the northern shore.

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Transportation Project. Performance against these benchmarks, as well as the overall impact of the Transportation Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that additional indicators will be identified during implementation of the Transportation Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Transportation Project, as well as the Project Activities

undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Transportation Project are identified in Annex II. Conditions precedent to each Project Activity under the Transportation, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, other Supplemental Agreements or the relevant Implementation Documents.

The following summarizes each Project Activity under the Transportation Project:

(a) Project Activity: Upgrades to Sections of N1 Highway (“N1 Activity”)

The TQM runs in an East-West direction, constitutes a part of the Accra—Tema Motorway and functions as a part of the larger Trans-West Africa Highway. It also supports the urban traffic movement within the Greater Accra Metropolitan Area. The existing TQM, a two lane road, is severely congested during the greater part of the working day, with an estimated traffic flow of between 28,000 and 35,000 vehicles per day.

Since 1996, traffic has been growing around Accra by approximately 7 to 7.5% each year. While overall traffic volumes in Accra continue to increase at a relatively rapid rate, the rate of increase observed on the TQM has been less, reflecting the degree of saturation on the road and travelers’ decisions not to use the route at congested times. Observed “free-flow” travel speeds on improved sections of the N1 Highway reach 50–70 km per hour; however, at narrower sections including the TQM, average speeds can drop to less than 10 km per hour.

As a result of this congestion and the associated high vehicle operating costs, the Government and its development partners have undertaken to improve and widen sections of the N1 Highway, including those that are contiguous to the TQM. Currently, the TQM acts as a bottleneck and negatively impacts the returns to the investment on the contiguous sections. MCC will fund rehabilitation to, and upgrades of, specific sections of the N1 Highway in an effort to improve the efficiency of the greater road network in and around Accra, including access to the key sea and air export facilities.

Specifically, MCC Funding will support the following:

- (i) Improvement and upgrade to the 14 km of N1 Highway between Tetteh Quarshie and Mallam Junctions as a three lane dual carriageway (without service roads) and provision of grade

separation interchanges at the Dimples-Achimota and Mallam Junctions.

(ii) With respect to the improvements and upgrades identified in Section 2(a)(i) of this Schedule 2 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant sections of the N1 Highway), an EIA, an EMP and a RAP;

(2) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(a)(ii)(1) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12);

(3) Utility relocations, as may be necessary; and

(4) Project management, supervision and auditing of such improvements and upgrades.

(iii) Feasibility and design studies (that include an assessment of the economic rates of return), an EIA, an EMP and a RAP, each as may be necessary for service roads and grade separation at an additional six interchanges along the TQM (the construction of which shall not be funded by MCC Funding).

(b) *Project Activity: Improvements of Trunk Roads ("Trunk Roads Activity")*

MCC Funding will support the assessment and subsequent improvements of up to 230 km of trunk roads. Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) Improvements to the following five trunk roads:

(1) Agogo—Dome Road (77 km). Upgrading of 23 km of road between Agogo and Dukusen to bitumen surfacing and rehabilitation or construction of 54 km of road between Dukusen and Dome to gravel surfacing (including rehabilitation or construction of drainage culverts and bridges and contingent upon completion of an environmental audit);

(2) Ejura—Domi Road (22 km). Upgrading from gravel to bitumen surfacing of 22 km of road between Ejura and Domi;

(3) Ekye Amanfrom—Agordeke Road (85 km). Upgrading from gravel to bitumen surfacing of about 46 km, and rehabilitation of 39 km of existing bitumen-surfaced sections, of the road from Ekye Amanfrom and Agordeke;

(4) Nkawkaw-Mpraeso—Kwahu Tafo Road (22 km). Rehabilitation and resurfacing of the bitumen surfaced road from Nkawkaw through Mpraeso to Kwahu Tafo; and

(5) Kwahu Tafo—Adawso (21 km). Completion of paving (into bitumen surfacing) of 21 km of road from Kwahu Tafo to Adawso.

(ii) With respect to the improvements and upgrades identified in Section 2(b)(i) of this Schedule 2 to Annex I, the following activities:

(1) A technical and environmental audit of the Agogo—Dome Road (77 km) to assess the impact of recent rehabilitation activities;

(2) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant trunk roads), an EIA, an EMP and a RAP, each as may be necessary;

(3) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(b)(ii)(2) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12); and

(4) Project management, supervision and auditing of such improvements and upgrades.

(c) *Project Activity: Improvements to Lake Volta Ferry Service ("Ferry Activity")*

To facilitate growth of the agricultural sector of the Afram Basin Zone, MCC Funding will be used to support improvements to ferry services of VLTC, connecting Adawso on the southern shore to Ekye Amanfrom on the northern shore.

Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) Construction of two double-ended vehicle/pedestrian ferries with hydraulic liftable propellers.

(ii) Training of VLTC staff, including management and occupational safety training for workshop foremen from VLTC's staff in Akosombo, VLTC's workshop staff, artisans, and ferry crew.

(iii) Rehabilitation of the Akosombo floating dock to enhance VLTC's construction, repair and maintenance capabilities.

(iv) Civil works at the landing stages at Adawso and Ekye Amanfrom to increase the ferry and vehicle handling capacities at the same landing stages.

(v) Rehabilitation of ferry terminals at Adawso and Ekye Amanfrom, including all-weather protection and adequate sanitation facilities to accommodate additional ferry and passenger traffic.

(vi) Extraction of tree-stumps from the crossing route between Adawso and Ekye Amanfrom to eliminate navigational and safety hazards during low water periods.

(vii) With respect to the improvements and upgrades identified in Sections 2(c)(i)–(vi) of this Schedule 2 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts), an EIA, an EMP and a RAP, each as may be necessary;

(2) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(c)(vii)(1) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12); and

(3) Project management, supervision and auditing of such improvements and upgrades.

3. Beneficiaries

The principal beneficiaries of the Transportation Project are expected to be the users of the improved roads and ferry facilities since it decreases transportation costs to markets and social service delivery points and employees, in addition to the owners of urban and rural businesses that rely on the Ghanaian road network.

More specifically, the N1 Highway upgrades are expected to benefit approximately 150,000 daily users and should support a broader expansion of Ghana's export-directed horticulture beyond its current production base of less than 7,000 hectares. Improvements to the trunk roads are expected to open new economic opportunities for approximately 25,000 agricultural households and users, spurring agricultural production in the Afram Basin Zone, most of whom are considered poor or very poor. These improvements will also facilitate access to social services, including health and education, for these poor households. The benefits from time savings by introducing additional ferries will accrue to all users of the ferry. More fundamentally, improved reliable ferry service in the district of Afram Plains should generate improved access to inputs and markets for farmers and

increased competition among truckers, which should in turn yield increased farmgate prices and reduced operating costs. These benefits are likely to be divided equally between farmer and users, on the one hand, and the vehicle owners, on the other hand, a great majority of whom are poor.

4. Donor Coordination

Donor coordination in the transport sector in Ghana is organized through RSDP, bringing together, among others, the World Bank, the African Development Bank, Department for International Development ("DFID"), EU, Japan International Cooperation Agency and the Arab Bank for Economic Development, for a multi-year integrated funding program of approximately US\$1.2 billion. The collaboration takes place through the annual donor conference and in-country monthly meetings to review the performance of the sector. The road agencies in Ghana have received substantial donor support for construction, maintenance and institutional strengthening.

The Transportation Project coordinates with many ongoing and planned donor activities, and has been structured to ensure complementarity. For instance, none of the selected roads under the Trunk Roads Activity is expected to benefit from other donor-supported interventions. In addition, there has been no material donor support to the VLTC in recent years whereas the Ferry Activity is designed specifically to support this critical transport link to one of the poorest districts in Ghana.

5. U.S. Agency for International Development

USAID currently does not focus specifically on the construction and rehabilitation of the transportation infrastructure in Ghana. However, MiDA will continue to dialogue with USAID to identify potential opportunities for coordination with respect to the Transportation Project.

6. Sustainability

The Ministry of Transportation ("MoT") is the principal institution responsible for the effective and sustainable management of the road network in Ghana. As such, it plays a central role in coordinating and regulating activities of the road agencies (i.e., Department of Feeder Roads ("DFR"), the Department of Urban Roads ("DUR"), the Ghana Highway Authority ("GHA") and the Ghana Road Fund ("GRF")). GHA, DFR and DUR are responsible for the administration, planning, control, development and

maintenance of the trunk road network, feeder roads and urban roads, respectively.

Approximately 45% of the MoT's annual budget is allocated to operation and maintenance of the existing road network. Currently, the maintenance of the roads is generally funded through GRF, which provides a sustainable and reliable source of funds to pay for maintenance of the road network. Its sources of revenue include fuel levies, vehicle registration fees, road use fees, road tolls, bridge tolls, ferry tolls, and international transit fees (for foreign vehicles entering Ghana). The MoT is committed to maintaining this funding. It has also developed a plan to increase the total number of kilometers of maintainable roads by about 3,600 km a year, primarily through spot improvement and rehabilitation of roads previously considered as non-maintainable. GRF monies will be used to maintain the roads constructed or improved under this Transportation Project.

While VLTC is financially self-sustaining based on current toll levels, a lack of suitable equipment to accommodate an increasing number of ferry passengers is a key constraint to consistent, economic service by VLTC. Its severely limited maintenance capacity and, by extension, its operational abilities endanger continuity and dependability of its service. Spare parts for the presently operating ferries are difficult to obtain and the main auxiliary engines of the current ferry are no longer in production. MCC Funding is critical in ensuring efficient and timely services and meeting projected demand. MCC Funding will expand VLTC's service and maintenance capabilities and is expected simultaneously to reduce its recurrent direct costs.

The environmental and social sustainability of the Transportation Project will be assured through ongoing consultations with the public regarding the manner in which the Transportation Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Transportation Project (other than the district affected solely by the N1 Activity) and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Transportation Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Transportation Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will

ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Transportation Project in accordance with the provisions of this Compact and any relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project management advisors. MiDA will ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, any required EIAs, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Transportation Project and monitored by MiDA as necessary during the implementation of the Transportation Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any other Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Sections 2(a)(ii), 2(b)(ii), and 2(c)(vii) of this Schedule 2 to Annex I.

7. Policy; Legal and Regulatory Reform

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Transportation Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) Government shall allocate sufficient funds from GRF or other sources to ensure proper routine and periodic maintenance of the road network through continuing to increase GRF revenues (through fuel levies, tolls, vehicle registration/licensing fees, among others) and to ensure that GRF revenues are used first for maintenance before any allocations are made for other works (such as rehabilitation).

(b) Government shall adhere to agreements reached with donors under the RSDP and the upcoming Transport Sector Development Program.

(c) Government shall develop a maritime framework governing access and operations on Lake Volta with respect to the Ferry Activity.

(d) Government shall develop and approve the emergency response plans of VLTC with respect to the Ferry Activity.

8. Proposals

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Transportation Project. MiDA will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.

Schedule 3 to Annex I—Rural Development Project

This Schedule 3 generally describes and summarizes the key elements of the Rural Services Development Project (the “Rural Development Project”) that the Parties intend to implement in furtherance of the Rural Development Project Objective. Additional details regarding the implementation of the Rural Development Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background

Residents of rural areas of Ghana have spotty and frequently poor access to basic community services such as potable water, community sanitation, schools at all levels and domestic electricity. This has both limited the productivity of these people and made it difficult to attract or retain skilled entrepreneurs or workers in the rural areas. In turn, this has limited Ghana’s ability to realize the full potential of its agricultural resources.

In the past, the Government delivered community services, such as schools and water or sanitation facilities, with primary direction from the central government and little input from the local governments or the beneficiaries. Consequently, decisions on the location and the design of community resources were frequently suboptimal, and the resulting delivery of the related services inefficient. During the past few years, however, the Government committed to a strategy of decentralization to empower local governments and the beneficiaries in the hopes of more efficient delivery of community services.

One of the major obstacles to successful implementation of this strategy is the lack of adequately trained specialists in local governments. For instance, the lack of capacity at the local

level to conduct public procurement results in leakage, misuse, and suboptimal use of public resources. Therefore, the Government and the donors have increasingly provided support to build the institutional capacity of local government units and to support the ability of rural populations to influence more directly the provision of community services that impact them.

In addition, currently in Ghana, there is a shortage of credit, as well as financial services, available in general to a large portion of the rural populations, and in particular to those engaged in agriculture. Much of the financial sector currently focuses on providing capital to people in the urban areas or on shorter-term commercial activity rather than to investments in agricultural production, partly owing to the high risks and transaction costs in making such loans.

Insufficiency of rural services has constrained the growth of the private sector in rural areas. Ghana’s development plans, including the GPRS and other strategies, have been designed to foster private sector led growth and development. However, the success of these programs has been constrained by the lack of services in rural communities. The Rural Development Project is designed to address each of these problems in a coordinated fashion by improving the design and delivery of community services through enhancing the capacity of the local government units, by allowing the beneficiaries to provide meaningful input on the decisions on investment in community infrastructure and by improving the efficiency of the rural financial institutions in order that they may serve the people in agriculture more effectively.

2. Summary of Rural Development Project and Related Projects Activities

The Rural Development Project is designed to support agricultural and agri-business development under the Agriculture Project and to strengthen the rural institutions that provide complementary services. MCC Funding will support the following Project Activities:

- *Strengthening of Public Sector Procurement Capacity:* To support the development of procurement professionals and reinforce the capabilities of the Government to procure goods and services;
- *Support for Community Services:* To complement the Agriculture Project by funding construction and rehabilitation of educational facilities, construction and rehabilitation of water and sanitation facilities and

electrification of the rural areas, and by providing capacity building support to local government institutions; and

- *Strengthening of Rural Financial Services:* To automate and interconnect the 121 rural banks and to provide other improvements in the national payments systems that will draw a large number of people currently not served or underserved into the financial system, and, if there is sufficient funding and appropriate waivers are granted, to interconnect the savings and loans institutions to the national payments system.

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Rural Development Project. Performance against these benchmarks, as well as the overall impact of the Rural Development Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that additional indicators will be identified during implementation of the Rural Development Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Rural Development Project, as well as the Project Activities undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Rural Development Project are identified in Annex II. Conditions precedent to each Project Activity under the Rural Development Project, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, other Supplemental Agreements or the relevant Implementation Documents.

The following summarizes each Project Activity under the Rural Development Project:

- (a) *Project Activity: Strengthening of Public Sector Procurement Capacity (“Procurement Capacity Activity”)*

The Procurement Capacity Activity is designed to strengthen the capacity of the various procurement entities within the Government to procure necessary goods, works and services with greater economy, efficiency and effectiveness. It is also intended to allow such entities to implement fully Ghana’s Public Procurement Act of 2003 (Act 663) by assisting the development of training materials for the staff of such entities, the formation of a career path within the Government, and the placement of trainees in such procurement entities to provide them with practical application.

Specifically, MCC Funding will support the following:

(i) Development of the modules for training and certification that are relevant to the public sector and consistent with Ghana's Public Procurement Act of 2003 (Act 663), including consultation with educational institutions to develop a standard procurement curriculum for use in formal procurement training programs, development of an internationally-accepted educational program in procurement in conjunction with other international procurement bodies such as the Chartered Institute of Purchasing and Supply of the United Kingdom, and introduction of such curriculum to the various institutions that will offer courses in procurement.

(ii) Establishment of procurement as a career in public service with clear lines of promotion and reporting by assisting the Government in attracting a cadre of procurement professionals, in clearly defining the career paths as a procurement professional in the Government (including formulating the requirements for entry and promotion, defining a procurement career path with clear job functions, grades, promotion rules and salary structure) and establishing a well-trained procurement staff whose duties are institutionalized within the Government.

(iii) Provision of procurement-related training to potential procurement professionals by identifying a target group of professionals, students and public or civil service members qualified to enter into a structured procurement training program, establishing agreements, policies, procedures, and protocols with the various public and civil service organizations, educational institutions and private sector businesses to identify and provide short term and interim opportunities for procurement program participants to perform procurement and supply chain activities in both public and private sectors and establishing a procurement internship program that has entry requirements, predetermined procurement training requirements, clear job functions for the program, a stipend structure for internship assignments, and rules for compliance and completion.

(b) Project Activity: Support for Community Services ("Community Services Activity")

The Community Services Activity is designed to complement the Agriculture Project by providing educational, water and sanitation and rural electrification infrastructure in the Intervention Zones and by enhancing the capacity of local

governments to deliver the related services. These interventions are part of a larger effort by the Government to expand the provision of basic community services throughout Ghana, and are specifically expected to enhance the sustainability of the Agriculture Project by providing the necessary infrastructure to improve health of communities, to enhance skill development through access to education, and to facilitate small-scale post-harvest processing of agricultural products. Availability of funding to the districts in the Intervention Zones will be a function of population, relative poverty and actual investment performance under the Agriculture Project. Specific investments will be driven by the demands of local communities, prioritized through a broad-based, inclusive process to enhance community ownership and strengthen sustainability.

Specifically, MCC Funding will support the following:

(i) Capacity building by Rural Infrastructure Coordinating Unit ("RICU") of the Ministry of Local Government, Rural Development and Environment for the local government units in the Intervention Zones to strengthen their ability to deliver community services, to manage assets and to ensure transparency and accountability in their operations.

(ii) Rehabilitation and construction of educational facilities in the form of primary, junior secondary and senior secondary schools, as well as vocational and technical institutions; *provided that* such rehabilitation or construction (1) is consistent with the agreed norms of the Ministry of Education, Science and Sports, Ghana Educational Service, and other parties as may be agreed from time to time between MiDA and MCC, (2) is included in the list of priorities of the relevant district's "District Development Plan," and reflected in the annual district budget and District Assembly Common Fund ("DACF") plans, (3) is in a community that demonstrates commitment to such rehabilitation or construction through contributions of cash or other property (including land and raw material) or labor, (4) is consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) adopted by MiDA with the approval of MCC, (5) meets criteria satisfying cost effectiveness, (6) is within a district in which the Agriculture Project is being implemented and (7) does not create any adverse environmental or social impact under the standards adopted by

MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(iii) Construction of water and sanitation facilities to achieve improved health, to reduce the incidence of illness and loss of productivity due to unsafe drinking water and poor sanitation and hygiene, and to reduce the time required to procure potable water. MCC Funding will be used to fund boreholes (whether mechanized or using hand-pumps), small town pipe systems and community sanitary facilities; *provided that*, such construction (1) is consistent with the agreed norms of the Community Water and Sanitation Authority, as well as of the Ministry of Water Resources, Works and Housing, and other parties as may be agreed from time to time between MiDA and MCC, (2) is included in the list of priorities of the relevant district's "District Development Plan," and reflected in the annual budget and DACF plans, (3) is in a community that demonstrates commitment to such construction through contributions of cash or other property (including land or raw material) or labor, (4) is consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) and cost recovery mechanisms adopted by MiDA with approval of MCC, (5) meets criteria satisfying cost effectiveness, (6) is within a district in which the Agriculture Project is being implemented, (7) includes a hygiene education module and (8) does not create any adverse environmental or social impact under the standards adopted by MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(iv) Expansion of rural electrification to unserved and underserved areas for domestic uses as well as for use in irrigation, agricultural processing and education. MCC Funding will be used to fund both on-grid and off-grid (including photovoltaic, biofuel and micro-hydro) rural electricity investments; *provided that*, such investment (1) is consistent with the policy and strategic plans of the Ministry of Energy, the Electric Corporation of Ghana, the Volta River Authority and other parties as may be agreed from time to time between MiDA and MCC, (2) is in a community that demonstrates commitment to such construction through contributions of cash or other property (including land or raw material) or labor, (3) is

consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) and cost recovery mechanisms adopted by MiDA with approval of MCC, (4) is within a district in which the Agriculture Project is being implemented, (5) meets criteria satisfying cost effectiveness, and (6) does not create any adverse environmental or social impact under the standards adopted by MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(v) With respect to the activities identified in Sections 2(b)(ii), (iii) and (iv) of this Schedule 3 to Annex I, the implementation of the environmental and social mitigation measures including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12).

(c) *Project Activity: Strengthening of Rural Financial Services* ("Financial Services Activity")

The Financial Services Activity is designed to extend the depth and value of financial services provided to rural populations including farmers by reinforcing their integration into the cash economy, as well as widening their access to savings, credit and cash transfer services. It will build on the capabilities of the rural banks that are privately-owned generally by members of the local communities. These projects will connect the rural banks into the national payments systems of Ghana, and will also facilitate internal and international remittance flows. In addition, if there is sufficient MCC Funding, and if Ghana Microfinance Network lacks other financial support to maintain its microfinance institution data collection and performance monitoring activities, MCC may, at its option, provide financial support to Ghana Microfinance Network for such maintenance.

Specifically, MCC Funding will support the following:

(i) Extension and intensification of the program initiated under the World Bank Rural Financial Strengthening Project to automate the accounting systems of substantially all of the 121 rural banks (and their branches) using a common software platform. Priority will be given to automating those rural banks and their branches located in the Intervention Zones.

(ii) Connection of the rural banks and their branches to a wide area network. The rural banks and their branches will be connected through a grid to transform their product offerings and to reduce their operating expenses.

(iii) Support for the software to introduce check truncation, hardware to create a system for the automated clearing of electronic payments and technical assistance to review and propose amendments to the existing legal and regulatory structure for payments under Ghana's national payment system.

(iv) National campaign to educate businesses, banks, and consumers regarding the benefits of the Financial Services Activity to generate demand for use of the electronic payment products. A broad-based urban and rural education campaign will demonstrate the benefits of these new products and of the institutions that offer them.

3. Beneficiaries

The Procurement Capacity Activity will directly benefit Ghana as approximately 11 to 15% of all goods and services produced in Ghana are consumed through public procurements. The Community Services Activity will primarily benefit the same populations as the Agriculture Project, that is, the residents of the districts in the Intervention Zones. Institutional beneficiaries will also include the local government institutions (e.g., the district assemblies and their area councils). Finally, rural inhabitants will benefit from the continuing devolution and decentralization of provision of a full range of community services, thus increasing community empowerment. The beneficiaries of the Financial Services Activity will include the economically active population in rural areas as actual or potential clients of the rural banks, and more broadly, all users of financial services. The outreach of new financial services to rural communities and the poor should create incentives to de-emphasize cash transactions in favor of checks and other payment instruments, and the direct savings from such changeover will include, among others, a reduction in the national currency printing bill, the very substantial costs of secure currency transport, and the material interest expense that the Bank of Ghana incurs in issuing securities to absorb excess liquidity at the end of the cocoa season. The automation of the rural banks will also improve and streamline the supervision of these institutions by the Bank of Ghana, and otherwise improve the breadth and speed of management reporting systems.

4. Donor Coordination; Role of Civil Society

The Procurement Capacity Activity complements the activities of other donors. DFID is actively supporting the Public Procurement Board ("PPB") in Ghana with an interest in developing procurement capacity within existing government bodies. The increased demand for public sector procurement capacity created by the recent enactment of the Public Procurement Act of 2003 (Act 663) allows for multiple donors to be involved without duplication of efforts. In addition, policy and regulatory initiatives funded under this Rural Development Project will be designed to complement and support the efforts of other donors (including the World Bank) that are leading similar initiatives at the regional and district levels.

The Community Services Activity builds on the Community Based Rural Development Program, funded by the World Bank and Agence Française de Développement, strengthening local government service delivery, providing capacity building to local government units and building substantial enhancements to the quality and productivity of rural communities. The Community Services Activity will also be in line with efforts of the Government and other donors to strengthen local government institutions in order to facilitate the delivery of education and water and sanitation infrastructure. The district assemblies and area councils are assuming increasing responsibility for planning, coordinating and executing donor activities in their respective areas.

The efforts to automate the rural banks and to connect them through a wide-area-network under the Financial Services Activity are extensions and intensifications of the efforts of the World Bank, African Development Bank and International Fund for Agricultural Development, first, to create Apex Bank to provide services to the rural banks and, second, to begin the process of automation using a common software.

Finally, the civil society will play a key role in community by overseeing the organization, information dissemination, project implementation, and monitoring and evaluation with respect to the Rural Development Project.

5. U.S. Agency for International Development

USAID has supported a number of programs in the education sector which led to the construction of classrooms, staff houses and latrines, in addition to

a program entitled Strategies for Advancing Girls' Education. USAID has also undertaken projects in community water and sanitation, including provision of hygiene education. The Rural Development Project will continue to advance the objectives of these USAID programs while also greatly expanding on them to complement the Agriculture Project.

6. Sustainability

The Procurement Capacity Activity will create "educational capital," in the form of curricula and diploma programs, which will serve a longer-term goal of capacity building within the Government. The Procurement Capacity Activity is designed to continue as an institutional capacity program after the expiration of the Compact Term, under the direction of the PPB. During the Compact Term, the various ministries of the Government will be required to present sustainable and economically viable plans to maintain and provide continuing education for their respective procurement staff. The Community Services Activity will ensure appropriate measures for adequate cost recovery and continuing operation and maintenance as a condition precedent to approval of investments, providing a basis to ensure sustainability after construction. Rural banks participate voluntarily in the wide area network activity, subject to a commitment to maintain equipment and service from their operating budgets beyond the Compact Term.

The environmental and social sustainability of the Rural Development Project will be assured through ongoing consultations with the public regarding the manner in which the Rural Development Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Rural Development Project and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Rural Development Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Rural Development Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Rural Development Project in accordance with the provisions of this Compact and any

relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project management advisors. MiDA will ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Rural Development Project and monitored by MiDA as necessary during the implementation of the Rural Development Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any other Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Section 2(b)(v) of this Schedule 3 to Annex I.

7. Policy; Legal Reform; and Procedural Changes

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Rural Development Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) The PPB shall develop a funding and sustainability plan for Procurement Capacity Activity (including the amount of such funding) in form and substance satisfactory to MCC.

(b) Service norms defining expected provision of relevant services to rural communities, and standards for appropriate designs, including initial capital cost and estimated continuing operating and maintenance costs, will be agreed among the various Government Affiliates, including the relevant ministries, departments and agencies, and adopted by MiDA, subject to approval of MCC, for all investments to be undertaken under the Community Services Activity.

8. Proposals

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Rural Development Project. MiDA will develop, subject to MCC approval, a process for consideration of all such

proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.

Annex II—Summary of Multi-Year Financial Plan

This Annex II to the Compact (the "Financial Plan Annex") summarizes the Multi-Year Financial Plan for the Program. Each capitalized term in this Financial Plan Annex shall have the same meaning given such term elsewhere in this Compact. Unless otherwise expressly stated, each Section reference herein is to the relevant Section of the main body of the Compact.

1. General

A multi-year financial plan summary ("Multi-Year Financial Plan Summary") is attached hereto as Exhibit A. By such time as specified in the Disbursement Agreement, MiDA 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, an estimated draw-down rate for the first year of the Compact Term based on the achievement of performance milestones, as appropriate, and the satisfaction or waiver of conditions precedent. Each year, at least thirty (30) days prior to the anniversary of the Entry into Force, the Parties shall mutually agree in writing to a Detailed Budget for the upcoming year of the Program, which shall include a more detailed budget for such year, taking into account the status of the Program at such time and making any necessary adjustments to the Multi-Year Financial Plan.

2. Implementation and Oversight

The Multi-Year Financial Plan and each Detailed Budget shall be implemented by MiDA, consistent with the approval and oversight rights of MCC and the Government as provided in this Compact, the Governing Documents and the Disbursement Agreement.

3. Estimated Contributions of the Parties

The Multi-Year Financial Plan Summary identifies the estimated annual contribution of MCC Funding for Program administration, M&E and each Project. The Government's contribution of resources to Program administration, M&E and each Project shall consist of (a) "in-kind" contributions in the form of Government Responsibilities and any other obligations and responsibilities of the Government identified in this

Compact, and (b) such other contributions or amounts as may be identified in relevant Supplemental Agreements between the Parties or as may otherwise be agreed by the Parties; *provided*, in no event shall the Government's contribution of resources be less than the amount, level, type and quality of resources required effectively to carry out the Government Responsibilities or any other responsibilities or obligations of the Government under or in furtherance of this Compact.

4. Modifications

The Parties recognize that the anticipated distribution of MCC Funding among the various activities for Program administration, M&E, the Projects and the Project Activities will likely require adjustment from time to time during the Compact Term. In order to preserve flexibility in the administration of the Program, as

provided in Section 4(a)(iv) of Annex I, the Parties may, upon agreement of the Parties in writing and without amending the Compact, change the designations and allocations of funds among the Projects, the Project Activities, or any activity under Program administration or M&E, or between a Project identified as of the Entry into Force and a new project, without amending this Compact; *provided, however*, that such reallocation (a) is consistent with the Objectives and the Implementation Documents, (b) shall not materially adversely impact the applicable Project, Project Activity (or any component thereof), or any activity under Program administration or M&E as specified in this Annex II, (c) shall not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of this Compact, and (d) shall not cause the Government's obligations or responsibilities or overall contribution of resources to be less than specified in

Section 2.2(a) of this Compact, this Annex II or elsewhere in the Compact.

5. Conditions Precedent; Sequencing

MCC Funding will be disbursed in tranches. The obligation of MCC to approve MCC Disbursements and Material Re-Disbursements for the Program is subject to satisfactory progress in achieving the Objectives and on the fulfillment, deferral or waiver of any conditions precedent specified in the Disbursement Agreement for the relevant activity under the Program. The sequencing of Project Activities or sub-activities and other aspects of how the Parties intend the Program to be implemented will be set forth in the Implementation Documents, including the Work Plan for the Program (and each component thereof), and MCC Disbursements and Re-Disbursements will be made consistent with such sequencing.

EXHIBIT A.—MULTI-YEAR FINANCIAL PLAN SUMMARY

Project	(US \$ '000)					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1. Agriculture Project:						
(a) Commercial Training Activity	9,542	14,081	17,511	15,946	8,935	66,015
(b) Irrigation Activity		942	8,679	11,378	6,609	27,608
(c) Land Activity	2,790	2,698	2,343	1,705	1,152	10,688
(d) Post-Harvest Activity	3,641	6,504	6,747	2,782	702	20,376
(e) Credit Activity	14,300	12,200	13,100	10,300	8,500	58,400
(f) Feeder Roads Activity	2,344	10,644	21,955	22,954		57,897
Sub-Total	32,617	47,069	70,335	65,065	25,898	240,984
2. Transportation Project:						
(a) N1 Activity	13,099	11,200	18,576	28,752	29,669	101,296
(b) Trunk Roads Activity	1,484	6,739	13,900	14,331		36,454
(c) Ferry Activity	263	2,141	2,950			5,354
Sub-Total	14,846	20,080	35,426	43,083	29,669	143,104
3. Rural Development Project:						
(a) Procurement Capacity Activity	447	921	950			2,318
(b) Community Services Activity	7,500	15,000	22,500	30,000		75,000
(c) Financial Services Activity	7,576	5,189	7,078	4,127		23,970
Sub-Total	15,523	21,110	30,528	34,127		101,288
4. Monitoring and Evaluation	3,000	3,000	3,000	3,000	3,000	15,000
Sub-Total	3,000	3,000	3,000	3,000	3,000	15,000
5. Program Administration and Audits:						
(a) Program Administration (MiDA)	4,915	5,188	5,326	5,573	5,852	26,854
(b) Fiscal Agent	300	1,073	1,608	1,678	716	5,375
(c) Procurement Agent	310	1,013	1,519	1,585	677	5,104
(d) Audit	1,500	1,500	1,500	1,500	1,500	7,500
(e) Strategic Environmental Assessments	1,800					1,800
Sub-Total	8,825	8,774	9,953	10,336	8,745	46,633
Total Estimated MCC Contribution	74,811	100,033	149,242	155,611	67,312	547,009

Annex III—Description of the M&E Plan

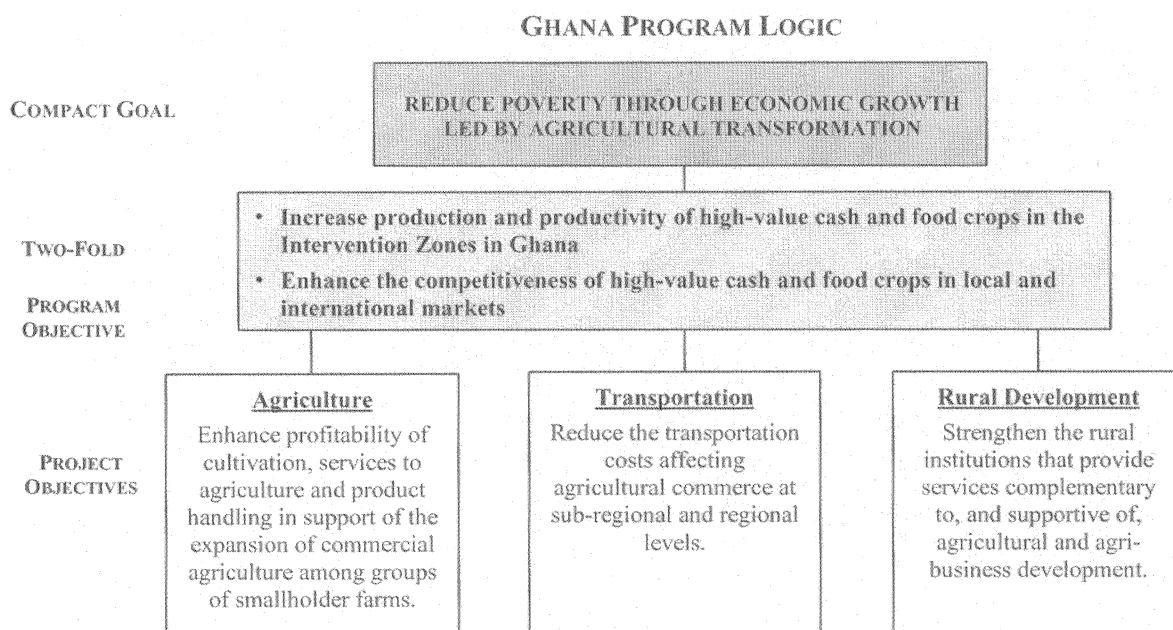
This Annex III to the Compact (the “M&E Annex”) generally describes the components of the Monitoring and Evaluation Plan for the Program, and how the progress toward the Compact Goal will be measured. Each capitalized term in this M&E Annex shall have the same meaning given such term elsewhere in this Compact. This M&E Annex represents the agreement between the Government and MCC on the Compact Goal and the Objectives of

the Program and the timeline for achieving them.

1. Overview

As a condition precedent to certain MCC Disbursements as provided in the Disbursement Agreement, the parties shall formulate an M&E Plan that specifies (a) how the implementation of the Program and progress toward the Compact Goal and Objectives will be monitored (the “Monitoring Component”), (b) a methodology, process and timeline for the evaluation of planned, ongoing, or completed

Projects and Project Activities to determine their impact and likely sustainability (the “Evaluation Component”) and (c) other components of the M&E Plan described below. Information regarding the Program’s performance, including the M&E Plan, and any amendments or modifications thereto, as well as periodically-generated reports, will be made publicly available on the MiDA Web site and elsewhere. The Compact Goal, the Program Objective and the Project Objectives are summarized in the following diagram:

**2. Monitoring Component**

To monitor progress toward the achievement of the Compact Goal and the Objectives, the Monitoring Component of the M&E Plan shall contain the following elements:

(a) *Indicators.* The M&E Plan shall measure the results of the Program using quantitative, objective and reliable data (“Indicators”). Each Indicator will have one or more targets that quantify the result and the expected time by which that result will be achieved (each, a “Target”). The M&E Plan will detail the

process for measuring, and reporting on, the Indicators at several levels. First, the indicators for the Compact Goal (each, a “Compact Goal Indicator”) will measure the results for the overall Program on the intended beneficiaries (collectively, the “Beneficiaries”). Second, the indicators for the Program Objective (each, an “Objective Indicator”) will measure the ultimate result for the Program. Third, intermediate indicators (each, an “Outcome Indicator”) will measure the intermediate results achieved under

each of the Project Activities (each, an “Outcome”) in order to provide early measures of progress towards the accomplishment of the Project Objective. Further, other indicators will be included in the M&E Plan to measure the delivery of goods and services under the Project Activities.

(i) *Compact Goal Indicators.* The M&E Plan shall contain the Compact Goal Indicators and their definitions, as listed in the table below. The corresponding Targets to be achieved are in the following tables:

COMPACT GOAL INDICATORS: DEFINITIONS

[Compact Goal: Reduce poverty through economic growth]

Indicator	Definition
Crop income (Northern Zone) (US\$)	Net income per household from growing yams, sorghum and groundnuts (as proxies of the most likely crops grown). ² Northern Zone is comprised of the following five districts: Savelugu Nanton, Tolon Kumbungu, Tamale, West Mamprusi and Karaga.

COMPACT GOAL INDICATORS: DEFINITIONS—Continued

[Compact Goal: Reduce poverty through economic growth]

Indicator	Definition
Crop income (Afram Basin Zone—East) (US\$)	Net income per household from growing maize, yams and cassava (as proxies of the most likely crops grown). Afram Basin Zone—East is comprised of the following two districts: Fanteakwa and Kwahu South.
Crop income (Afram Basin Zone—West) (US\$)	Net income per household from growing maize, yams and cassava (as proxies of the most likely crops grown). Afram Basin Zone—West is comprised of the following four districts: Ejura Sekyedumasi, Afram Plains, Sekyere East and Sekyere West.
Crop income (Southern Zone) (US\$)	Net income per household from growing pineapples and vegetables (as proxies of the most likely crops grown). Southern Zone is comprised of the following twelve districts: Gomaa, Awutu Efutu Senya, Akuapim South, Manya Krobo, Dangme West, Yilo Krobo, North Dayi, Hohoe, Ketu, Keta, South Tongu and Akatsi.
Aggregate poverty gap of beneficiaries (US\$)	Income value at the poverty line minus average income of beneficiaries, multiplied by the number of beneficiaries, disaggregated by each Intervention Zone. Income value at the poverty line is defined by the Ghana Statistical Service's Ghana Living Standards Survey. The fifth round of this survey was conducted in 2006.

²Data will be reported on actual crops grown in all Intervention Zones. Proxies were used to estimate baseline and target values.

COMPACT GOAL INDICATORS: BASELINES AND TARGETS

[Compact Goal: Reduce poverty through economic growth]

Indicator	Targets/Year					
	Baseline	1	2	3	4	5
Crop income (Northern Zone) (US\$)	³ \$700	.....	.....	.....	.....	⁴ 135% increase over baseline.
Crop income (Afram Basin Zone—East) (US\$)	⁵ 820	.....	.....	.....	.....	⁶ 55% increase over baseline.
Crop income (Afram Basin Zone—West) (US\$)	⁷ 540	.....	.....	.....	.....	⁸ 42% increase over baseline.
Crop income (Southern Zone) (US\$)	⁹ 1,860	.....	.....	.....	.....	¹⁰ 33% increase over baseline.
Aggregate poverty gap of beneficiaries (US\$)	TBD	TBD (during the second quarter of 2007)				

³Baseline assumes that 2 hectares are cultivated.⁴Target assumes that 2.2 hectares are cultivated.⁵Baseline assumes that 1 hectare is cultivated.⁶Target assumes that 1.1 hectares are cultivated.⁷Baseline assumes that 1 hectare is cultivated.⁸Target assumes that 1.1 hectares are cultivated.⁹Baseline assumes that 2 hectares are cultivated.¹⁰Target assumes that farmers transition from maize, yam and cassava production to 2 hectares of pineapple and 1 hectare of vegetable cultivation.

(ii) Objective Indicators and Outcome Indicators. The M&E Plan shall contain the Objective Indicators and Outcome Indicators and their definitions, as listed in the tables below. The corresponding Targets to be achieved are in the tables following the definitions.

OBJECTIVE INDICATORS: DEFINITIONS

Indicator	Definition
Objective: Increase production and productivity of high-value cash and food crops in the Intervention Zones in Ghana.	
Production of staple crops (metric tons)	Metric tons of maize, yams, cassava and groundnuts (as proxies of most likely crops grown) grown and produced by the FBOs participating in the Program.
Production of high-value crops (metric tons)	Metric tons of pineapple (as proxy of most likely crop grown) grown and produced by the FBOs participating in the Program, of which 60% are for export markets and 40% for domestic markets.
Productivity of land (metric tons/hectare): maize	Metric tons/hectare of maize (as proxy of most likely crop grown) grown and produced.
Productivity of land in the Northern Zone (metric tons/hectare): yams.	Metric tons/hectare of yam (as proxy of most likely crop grown) grown and produced.
Productivity of land (metric tons/hectare): export-grade pineapple.	Metric tons/hectare of pineapple (as proxy of most likely crop grown) grown and produced.
Objective: Enhance the competitiveness of high-value cash and food crops in local and international markets.	
Additional Ghanaian agriculture exports (metric tons): pineapple.	Additional metric tons of pineapple (as proxy of most likely crop exported) exported.

OBJECTIVE INDICATORS: DEFINITIONS—Continued

Indicator	Definition
Additional Ghanaian agriculture exports (metric tons): Asian vegetables.	Additional metric tons of Asian vegetables (as proxy of most likely crop exported) exported.
The ratio of (i) price of Ghanaian imported into European markets (Euro/kg) to (ii) price of non-Ghanaian imported into European market (Euro/kg).	Price (including cost of Cargo, Insurance and Freight) of pineapple (as proxy of most likely crop exported), imports into the European markets from Ghana, divided by price (including cost of Cargo, Insurance and Freight) of pineapple imported into the European markets from countries other than Ghana. Import data will be based on information published by Eurostat.

OBJECTIVE INDICATORS: BASELINES AND TARGETS

Indicator	Year					
	Baseline	1	2	3	4	5
Objective: Increase production and productivity of high-value cash and food crops in the Intervention Zones in Ghana.						
Production of staple crops (metric tons).	430,000	.....	.....	1% increase over baseline.	4% increase over baseline.	11% increase over baseline.
Production of high-value crops (metric tons).	225,000	.....	2% increase over baseline.	5% increase over baseline.	16% increase over baseline.	50% increase over baseline.
Productivity of land (metric tons/hectare): maize.	1.9	.....	.....	1% increase over baseline.	4% increase over baseline.	12% increase over baseline.
Productivity of land in the Northern Zone (metric tons/hectare): yams.	7	.....	.....	61% increase over baseline.	65% increase over baseline.	75% increase over baseline.
Productivity of land (metric tons/hectare): export-grade pineapple.	8	.....	.....	1% increase over baseline.	8% increase over baseline.	26% increase over baseline.
Objective: Enhance the competitiveness of high-value cash and food crops in local and international markets.						
Additional Ghanaian agriculture exports (metric tons): pineapple.	0	.....	.....	8,300	14,500	21,700.
Additional Ghanaian agriculture exports (metric tons): Asian vegetables.	0	.....	.....	1,344	2,192	3,178.
The ratio of (i) price of Ghanaian imports into European markets (Euro/kg) to (ii) price of non-Ghanaian imports into European market (Euro/kg).	0.75	.....	.....	0.75	0.78–0.81	0.81–0.88.

OUTCOME INDICATORS: DEFINITIONS

[Agriculture Project]

Indicator	Definition
Number of farmers adopting new technologies and farming methods.	Number of farmers in the FBOs participating in the Program that adopt new technologies methods and farming methods, assuming an 85% adoption rate.
Percentage of post harvest loss at farmgate (metric lost/ metric tons produced).	(i) Metric tons of post harvest lost, divided by (ii) metric tons of total harvest tons produced at the farmgate.
SMEs processing products and/or providing inputs to farmers.	TBD.
Irrigation Activity: Number of hectares irrigated	Number of hectares irrigated as a result of the Program.
Land Activity: Number of days to conduct a land transaction	Number of days to purchase, rent or sell a parcel of land from initiation of negotiation with current landowner to registration in title or deeds registry of the property right acquired.
Number of land disputes in the pilot registration districts.	Number of land disputes encountered during inventory of land rights for the pilot registration districts and on record at the relevant district courts as of Entry into Force, disaggregated by region.
Registration of land rights in the pilot registration districts.	Percentage of targeted parcels registered in the title registry.
Post-Harvest Activity: Volume of products passing through post-harvest treatment (metric tons).	Metric tons of pineapple, among other crops, passing through small-scale storage facilities, packhouse pre-coolers or packhouses.
Credit Activity: Portfolio-at-risk of agricultural loan fund	Share of value of all loans disbursed from the agricultural loan that have one or more fund installments of principal or interest past due over thirty (30) days, disaggregated by short-term and medium-term loans.

OUTCOME INDICATORS: DEFINITIONS—Continued
[Agriculture Project]

Indicator	Definition
Value of loans disbursed to clients from agricultural loan fund (US\$).	Value of loans disbursed from the agricultural loan fund for on-farm and off-farm investment by institutions (including financial institutions, input suppliers, etc.), disaggregated by short-term and medium-term loans.
Number of additional loans	Number of loans disbursed from the agricultural loan fund for on-farm and off-farm investment by institutions (including financial institutions, input suppliers, etc.), disaggregated by short-term and medium-term loans.
Feeder Roads Activity:	
Vehicle operating costs (on roads requiring minor rehabilitation).	Vehicle operating costs including both operation and maintenance costs and travel time, disaggregated by road segment. Minor rehabilitation consists of re-gravelling (i.e., change from poor gravel to improved gravel surface).
Vehicle operating costs (on roads requiring medium rehabilitation).	Vehicle operating costs including both operation and maintenance costs and travel time, disaggregated by road segment. Medium rehabilitation consists of upgrading road surface from average gravel to bitumen surface.
Vehicle operating costs (on roads requiring major rehabilitation).	Vehicle operating costs including both operation and maintenance costs and travel time, disaggregated by road segment. Major rehabilitation consists of upgrading road surface from poor gravel to bitumen surface.

OUTCOME INDICATORS: DEFINITIONS
[Transportation Project]

Indicator	Definition
N-1 Activity:	

OUTCOME INDICATORS: DEFINITIONS
[Transportation Project]

Indicator	Definition
Volume capacity ratio	Number of vehicles on road divided by the number of vehicles at road capacity.
Vehicles per hour at peak hour.	Number of vehicles on road, disaggregated by vehicle type, at peak traffic hour.
Travel time at peak hour	Travel time in minutes to traverse the 14 kilometers of road upgraded at peak traffic hour.
International roughness index.	Road-surface quality measure (meters in height per kilometers distance).
Trunk Roads Activity:	
Annual average daily traffic.	Number of vehicles per day adjusted for time-of-day and seasonal differences for each road, disaggregated by vehicle type. Rate of increase in traffic volume is in addition to the estimated growth rate in traffic of 6%.
International roughness index (of roads requiring minor rehabilitation).	Road-surface quality measure (meters in height per kilometers distance) for each road. Minor rehabilitation consists of re-gravelling (i.e., change from poor gravel to improved gravel surface).
International roughness index (of road requiring major rehabilitation).	Road-surface quality measure (meters in height per kilometers distance) for each road. Major rehabilitation consists of upgrading road surface from poor gravel to bitumen surface.
Ferry Activity:	
Travel time for walk-on passengers and small vehicles.	Average time spent by walk-on passengers and small vehicles to cross Volta River, including time spent waiting to board ferry and to on- and off-load.
Travel time for trucks	Average time spent by trucks to cross Lake Volta, including time spent waiting to board ferry and to on- and off-load.
Annual average daily traffic (vehicle).	Number of vehicles per day, adjusted for time-of-day and seasonal differences, disaggregated by vehicles type.
Annual average daily traffic (passengers).	Number of passengers per day, adjusted for time-of-day and seasonal differences.

OUTCOME INDICATORS: DEFINITIONS
[Rural Development Project]

Indicator	Definition
Procurement Capacity Activity:	
Time per procurement ..	Amount of time to execute contract award from the point of receiving a requirement for processing to contract award, disaggregated by the size of each award as follows: (i) US\$ 2,500 and below, (ii) US\$ 2,501–US\$ 10,000, (iii) US\$ 10,001–US\$ 100,000, (iv) US\$ 100,001–US\$ 500,000 and (v) US\$ 500,001 and above.

OUTCOME INDICATORS: DEFINITIONS—Continued
[Rural Development Project]

Indicator	Definition
Quality of procurement	A randomly-selected sample of procurements will be evaluated each year to assess the outcomes of the procurements as compared to the outcomes of similar procurements in the districts not participating in the Program.
Community Services Activity:	
Local Government Service	
Delivery Sub-Activity:	
Score card of citizen satisfaction with services.	TBD.
Education Facilities Sub-Activity:	
Gross enrollment rates	Number of students enrolled in school divided by the number of individuals of appropriate school age, in the relevant district (or other area).
Gender parity in school enrollment.	Number of females enrolled in school divided by the number of males enrolled in school.
Water and Sanitation Facilities Sub-Activity:	
Distance to collect water	Distance between house and water source in kilometers.
Time to collect water	Time spent collecting water, including travel and waiting time.
Distance to sanitation facility.	Distance between house and sanitation facility in kilometers.
Travel time to sanitation facility.	Time spent traveling to and waiting at sanitation facility.
Incidence of guinea worm, diarrhea or bilharzia.	Number of individuals suffering from illness attributed to guinea worm, diarrhea and bilharzia divided by the number of individuals, in the relevant district (or other area).
Average number of days lost due guinea worm, diarrhea or bilharzia.	Number of days spent accessing treatment and recovering from illness attributed to guinea worm, diarrhea or bilharzia.
Rural Electrification Sub-Activity:	
Percentage of households, schools and agricultural processing plants in target districts with electricity.	Number of houses, schools and agricultural processing plants with electricity connections divided by the total number of households, schools, and agricultural processing plants in the relevant district (or other processing area).
Financial Services Activity:	
Number of inter-bank transactions.	Number of checks received by rural banks plus number of remittances received by rural banks.
Value of deposit accounts in rural banks.	Cedi value of total deposits in rural banks.

OUTCOME INDICATORS: BASELINES AND TARGETS
[Agriculture Project]

Indicator	Targets / year					
	Baseline	1	2	3	4	5
Commercial Training Activity:						
Number of farmers adopting new technologies and farming methods.	0	.....	5,100	12,750	15,300	17,850.
Percentage of post harvest lost at farmgate (metric tons lost/metric tons produced).	20%	.....	10–14%	10–14%	10–14%	10–14%.
SMEs processing products and/or providing inputs to farmers.	TBD			TBD		
Irrigation Activity:						
Number of hectares irrigated	0	0	280	1,100	1,720	1,960.
Land Activity:						
Number of days to conduct a land transaction.	TBD	.....	50% decrease from baseline.	67% decrease from baseline.		
Number of land disputes in the pilot registration districts.	TBD	.....	.....	30% decrease from baseline.	.....	50% decrease from baseline.
Registration of land rights in the pilot registration districts.	TBD	.....	.....	30% increase from baseline.	.....	100% increase from baseline.
Post-Harvest Activity:						

OUTCOME INDICATORS: BASELINES AND TARGETS—Continued
[Agriculture Project]

Indicator	Targets / year					
	Baseline	1	2	3	4	5
Volume of products passing through post-harvest treatment (metric tons).	0	.....	111,820	129,900	143,400..	
Credit Activity:						
Portfolio-at-risk of agricultural loan fund.	0%	.....	20%	20%	20%	20%.
Value of loans disbursed to clients from agricultural loan fund(US\$).	0	.....	4,500	12,000	14,500	17,000.
Number of additional loans	0	.....	5,000	13,000	15,500	18,000.
Feeder Roads Activity:						
Vehicle operating costs (on roads requiring minor rehabilitation).	TBD	.....	.....	20% decrease from baseline.	20% decrease from baseline.	20% decrease from baseline.
Vehicle operating costs (on roads requiring medium rehabilitation).	TBD	.....	.....	30% decrease from baseline.	30% decrease from baseline.	30% decrease from baseline.
Vehicle operating costs (on roads requiring major rehabilitation).	TBD	.....	.....	40% decrease from baseline.	40% decrease from baseline.	40% decrease from baseline.

OUTCOME INDICATORS: BASELINES AND TARGETS
[Transportation Project]

Indicator	Targets / year					
	Baseline	1	2	3	4	5
N-1 Activity:						
Volume capacity ratio	0.85-1 .....	.....	.....	.....	.....	0.26.
Vehicles per hour at peak hour	>2000 .....	.....	.....	.....	.....	3,120.
Travel time at peak hour	60 minutes .....	.....	.....	.....	.....	20 minutes.
International roughness index	TBD .....	.....	.....	.....	.....	2.5.
Trunk Roads Activity:						
Annual average daily traffic	570 .....	.....	.....	.....	35% increase in traffic volume.	35% increase in traffic volume.
International roughness index (of roads requiring minor rehabilitation).	9-12 .....	.....	.....	6.0	6.0	6.0.
International roughness index (of roads requiring major rehabilitation).	9-12 .....	.....	.....	3.5	3.5	3.5.
Ferry Activity:						
Travel time for walk-on passengers and small vehicles.	150 minutes .....	.....	.....	.....	TBD	
Travel time for trucks	370 minutes .....	.....	.....	.....	TBD	
Annual average daily traffic (vehicle)	53 .....	.....	.....	.....	TBD	
Annual average daily traffic (passenger).	541 .....	.....	.....	.....	TBD	

OUTCOME INDICATORS: BASELINES AND TARGETS
[Rural Development Project]

Indicator	Baseline	Targets/years				
		1	2	3	4	5
Procurement Capacity Activity:						
Time per procurement	TBD .....	.....	.....	.....	.....	.....
Quality of procurement	TBD .....	.....	.....	.....	.....	.....
Community Services Activity:						
Local Government Service Delivery Sub-Activity:						
Score card of citizen satisfaction with services	TBD .....	.....	.....	.....	.....	.....
Education Facilities Sub-Activity:						
Gross enrollment rates	TBD .....	.....	.....	.....	.....	.....
Gender parity in school enrollment	TBD .....	.....	.....	.....	.....	.....

OUTCOME INDICATORS: BASELINES AND TARGETS—Continued
[Rural Development Project]

Indicator	Baseline	Targets/years				
		1	2	3	4	5
Water and Sanitation Facilities Sub-Activity:						
Distance to collect water Time to collect water Distance to sanitation facility Travel time to sanitation facility Incidence of guinea worm, diarrhea or bilharzia Average number of days lost due guinea worm, diarrhea or bilharzia	TBD	TBD (during the second quarter of 2007)				
Rural Electrification Sub-Activity:						
Percentage of households, schools and agricultural processing plants in target districts with electricity.	TBD	TBD (during the second quarter of 2007)				
Financial Services Activity:						
Number of inter-bank transactions Value of deposit accounts in rural banks	210,000 1,680 billion Cedis.	TBD (during the second quarter of 2007)				

(iii) The M&E Plan will also include a number of activity-level measures that will track progress toward realizing the direct outputs of the Projects and Project Activities. Examples of the indicators likely to be included in the M&E Plan are:

- (1) Number of farmers receiving commercial training;
- (2) Number of irrigation facilities built; and
- (3) Kilometers of road upgraded.

(b) *Beneficiaries*. The M&E Plan shall describe the Beneficiaries in detail, including the expected number of beneficiaries, their income, gender and other general demographic characteristics.

(c) *Data Collection and Reporting*. The M&E Plan shall establish guidelines for data collection and a reporting framework, including a schedule of Program reporting and responsible parties. In addition, MiDA shall conduct regular assessments of Program performance to measure progress on the Compact Goal and the Objectives, and to alert all Parties to any problems in implementation of the Program. These assessments will report actual results compared to the Targets on the Indicators referenced in the Monitoring Component, explain deviations between these actual results and Targets, and describe any planned actions to address performance problems. MiDA shall promptly deliver any data or reports it receives to MCC along with any other related documents, as specified in the M&E Plan or as may be requested from time to time by MCC, and will make

these assessments available to the public on their Web site.

(d) *Data Quality Reviews*. As determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan shall be reviewed to ensure that data reported are as reliable, timely and valid as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data, across different implementation units and reporting institutions. Such data quality reviews also will serve to identify where consistent levels of quality are not possible, given in-country capacity or other constraints.

3. Evaluation Component

The Program shall be evaluated on the extent to which the Projects contribute to the Compact Goal and Objectives. The Evaluation Component shall contain the methodology for conducting the most rigorous impact evaluations feasible and cost-effective, as well as the process and timeline for analyzing data. The Evaluation Component shall contain two types of reports: a Final Evaluation and Project, Project Activity, or Interim Evaluations.

(a) *Final Evaluation*. MCC will engage an independent evaluator to conduct an evaluation of the Program at the expiration or early termination of the Program ("Final Evaluation"). The evaluation methodology, timeline, data collection, and analysis requirements will be finalized and detailed in the M&E Plan. The Final Evaluation shall, at a minimum, (i) estimate quantitatively

and in a statistically valid way, the causal relationship between the Compact Goal (to the extent possible), the Objectives and Outcomes; (ii) determine if, and analyze the reasons why, the Compact Goal, Objectives and Outcomes were or were not achieved; and (iii) assess the overlapping benefits of the Projects.

(b) *Project, Project Activity or Interim Evaluations*. The Evaluation Component in the M&E Plan will also describe other individual Project, Project Activity, or interim evaluations ("Interim Evaluations"). The evaluation methodology, timeline, data collection, and analysis requirements will be finalized and detailed in the M&E Plan. Determination of the evaluation methodologies will be condition precedent for certain MCC Disbursements as provided in the Disbursement Agreement.

(c) *Ad Hoc Evaluations or Special Studies*. In addition to the evaluations described in the M&E Plan, MCC may require ad hoc evaluations or special studies prior to the expiration of the Compact Term. If MiDA engages an evaluator, the evaluator shall be an externally contracted independent source, subject to the prior written approval of MCC, for terms of reference and final selection, following a tender in accordance with the Procurement Guidelines, and otherwise in accordance with any relevant Implementation Letter or Supplemental Agreement. The cost of an independent evaluation or special study may be paid from MCC Funding. If MiDA requires an ad hoc independent evaluation or

special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Project Activity or to seek funding from other donors, no MCC Funding or MiDA resources may be applied to such evaluation or special study without MCC's prior written approval.

4. Other Components of the M&E Plan

In addition to the Monitoring Component and the Evaluation Component, the M&E Plan shall include the following components for the Program, Projects and Project Activities, including, where appropriate, roles and responsibilities of the relevant parties and Providers:

(a) *Costs.* A detailed annual budget estimate for all components of the M&E Plan.

(b) *Assumptions and Risks.* Any assumptions and risks external to the Program that underlie the accomplishment of the Objectives and

Outcomes; provided such assumptions and risks shall not excuse performance of the Parties, unless otherwise expressly agreed to in writing by the Parties.

5. Implementation of the M&E Plan

(a) *Approval and Implementation.* The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with this M&E Annex, and any other relevant Supplemental Agreement or Implementation Document. A review of the completed portions of the M&E Plan by the Board of MiDA shall be required prior to the expiration of the first year of the Program. Review and approval of the M&E Plan shall be completed by time specified in the Disbursement Agreement.

(b) *MCC Disbursement for a Project Activity.* As a condition to certain MCC Disbursements as provided in the Disbursement Agreement, there shall be satisfactory progress on the M&E Plan

for the relevant Project or Project Activity, and substantial compliance with the M&E Plan, including any reporting requirements. In addition, for certain activities, collection of baseline data will be condition precedent for certain MCC Disbursements as provided in the Disbursement Agreement.

(c) *Modifications.* Notwithstanding anything to the contrary in the Compact, including the requirements of this M&E Annex, the Parties may modify or amend the M&E Plan or any component thereof, including those elements described herein, without amending this Compact; *provided*, any such modification or amendment of the M&E Plan shall be reviewed by the Board of MiDA and approved by MCC in writing, and is otherwise consistent with the requirements of this Compact and its Objectives, and any relevant Supplemental Agreement between the Parties.

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