



18th Meeting of the Board of Directors of TRANSCO CLSG

Final Report

Abidjan, November 22, 2018

I. INTRODUCTION

1. The Regional Electricity Transmission Company, “TRANSCO CLSG” held its seventeenth Board of Directors meeting at TRANSCO CLSG’s Headquarters in Abidjan, on November 22, 2018.
2. All Board Directors attended the meeting
3. The list of participants is attached as Annex A to this report.
4. After verification, it was noted that the required quorum was reached and, therefore, the Board of Directors could validly sit and deliberate.
5. The Chairman of the Board of Directors, Mr. Amidou Traoré, CEO of CI-ENERGIES chaired the meeting.
6. Following the usual welcoming statement of the chairman, the agenda below was unanimously adopted
 - a) Review and adoption of the report of the 17th Board Meeting of TRANSCO CLSG;
 - b) Presentation and adoption of the General Manager interim report for 2018;
 - c) Presentation and adoption of recommendations from the 7th meeting of the Board Audit and Good Governance Committee;
 - d) Presentation and adoption of recommendations from the 9th meeting of the Board Technical Committee;
 - e) Presentation and adoption of recommendations from the 9th meeting of the Board Finance and Administration Committee;
 - f) Signature of Resolutions.

II. OUTCOMES OF THE MEETING

Item A: Review and adoption of the report of the 17th Board meeting of TRANSCO CLSG.

7. After review and amendments, the report of the 17th Board Meeting held on June 25, 2018, was adopted.

Item B: Presentation and adoption of the General Manager’s Interim Report for 2018.

8. The General Manager of TRANSCO CLSG presented his interim report that was followed by a presentation on the progress of the CLSG project. The presentation covers four (04) areas, namely: (i) the scope of the CLSG Project; (ii) progress for the EPC contracts; (iii) implementation challenges and (iv) commissioning projection
9. The Board noted that overall, significant progress was made during the reporting period. The implementation of the project is well advanced with the supply and delivery of materials on site, and construction activities is intensifying in the four countries.

10. Indeed, out of a total of thirteen (13) EPC contracts, eleven (11) contracts were signed and are effective. The remaining two (2) contracts are related to the SCADA in Abidjan and the study for frequency regulation. The contract for the SCADA in Abidjan is expected to be concluded with Alstom by the end of March 2019 and the procurement process for frequency regulation studies will be launched early in 2019.
11. The first tower of the CLSG transmission line was erected in Sierra Leone on September 24, 2018 by Kalpataru, the contractor responsible for the construction of the transmission line section from Bikongor to Yiben. In addition, the JV Elecnor-Eiffage, contractor in charge of the construction of the transmission line section from Yekepa to Buchanan, erected the first tower in Liberia in November 2018. Tower erection is progressing in the two countries.
12. The Board of Directors noted that a financing gap relating to the implementation of the Environmental and Social Management Plan (ESMP) and the Resettlement Action Plan (RAP) was identified in Cote d'Ivoire and Sierra Leone during the year. Also, with the approval of the Board, the Management of TRANSCO is using the available balances for other budget line items to continue with the process of compensation of PAPs, that was launched in Sierra Leone in February 2018.
13. In addition, the RAP compensations were ongoing in all other CLSG countries. Out of the 1303 km, 467 km were turned over to the contractors. For Côte d'Ivoire, the compensation of PAPs was completed for the entire corridor of 117 km and the corridor was turned-over to the contractor Bouygues.
14. For substations, the Board was informed that compensation of PAPs for the location for the Man substation was done, and all the four sites in Liberia were turned-over to the contractor. Three (03) out of five (05) sites have been turned-over in Sierra Leone, while for Guinea, one (1) out of the two (2) sites has been transferred to the contractor.
15. In addition, TRANSCO CLSG Management has signed Memorandums of Understanding with the Environmental Protection Agencies (EPAs) for the implementation of the environmental monitoring programs in each country. All EPAs have already launched environmental monitoring activities and the process is well advanced in each country. Similarly, reforestation programs have been launched since April 2018 and already 86 hectares of land have been replanted in Côte d'Ivoire and Guinea.
16. The Board noted that TRANSCO CLSG Management continues to engage Donors in coordination meetings to discuss technical and other strategic issues related to the project. Video and audio conferences were held during the year, in addition to the recent Donors' meeting held in Conakry from October 15 to 17, 2018.
17. The Board was reminded that, with the support of the governments of Liberia and Sierra Leone, the Management of TRANSCO CLSG was able to get the parties to sign and ratify the Financing Agreements to fill the financing gap. Thus, the Financing Agreements were concluded between the World Bank and the governments of Sierra Leone and Liberia and ratified respectively in July and September 2018. These Agreements became effective in October 2018. The Board was further informed that the additional financing of Euro 18 million from KfW was also signed in November 2018.

18. In addition, the financing gap identified for the capital contribution was also filled by an increase in the share capital. Following the Board approval, the call for additional contributions was sent to the shareholders in October 2018. The Board noted that CI-Energies has paid an amount of 100,000,000 CFA towards its contribution for 2019.
19. The Board also noted that, in view of the progress made so far in the procurement and the implementation of EPC contracts, disbursements of funds to the project increased by 67.5% from US\$100.9 Million at December 31, 2017 to US\$169 Million as at end of September 2018.
20. The Board noted that TRANSCO CLSG management has started the process for the recruitment of the O & M Operator and that the World Bank has expressed interest to finance this activity by using available balances for the existing funds allocated to the CLSG Project. The first-year cost for the O & M Operator is estimated to US\$9 million (nine million US Dollars).
21. The Board was assured that TRANSCO CLSG is institutionally functional, with the required resources, including staff, office facilities and approved institutional documents. Indeed, since the establishment of its headquarters in Abidjan 2014, the institutional setup and functioning arrangements of the company complies with international standards.
22. The Board noted that in terms of administrative management, a web-based document management software has been acquired and deployed across all levels of the company to improve workflow, reduce delays and back up the company's archives (digital records). This has enhanced improved business performance and cost reduction.
23. With regard to the Human Resources Management, seventy-seven (77) consultants have been recruited to date for TRANSCO CLSG. The position of Head of Finance, which was the last key position to be filled during the construction period, was filled in March and the newly recruited staff assumed office in April 2018. The Board was also informed that the current staff strength corresponds to the figure that was envisaged in the Business Plan developed in 2012.
24. The Board noted that as part of the process of monitoring and improving staff performance, a staff evaluation exercise for 2018 is in progress. TRANSCO CLSG management is also developing a capacity building plan for 2019. This plan will present the road map to identify gaps in skills that should be filled as the project moves from the construction phase to the operational phase.
25. The Board also noted that in terms of audit activities, the Internal Auditor and the Environmental Coordinator carried out a joint audit mission on the activities of Tractebel Engineering. The objective was to assess Tractebel's level of compliance with its contractual obligations in terms of mobilizing key experts on the CLSG construction sites, as well as the provision of sites facilities / field offices for TRANSCO CLSG.
26. The Board again noted that the contract with Price Waterhouse Coopers (PwC) Côte d'Ivoire (the external auditor for the period 2015-2017) has expired after the approval and signature of the financial statements for 2017 in June 2018. In line with the donor

guidelines, Management has launched the process for the recruitment of a new external auditor in August 2018 for the audit of the financial statements from 2018 to 2020. The process to recruit the new external auditor will be completed by March 2019 and the Board and Shareholders will approve the appointment of the new external auditor in March 2019.

27. At the end of the presentations, the Board of Directors reiterated the need for TRANSCO CLSG Management to work in close collaboration with the member utilities to implement the recommendations of the Task Force, for the connection of identified national projects to the CLSG network when the construction of the line will be completed. The Board noted that the Task Force was set up to support countries in their efforts to connect national projects to the CLSG line.
28. After congratulating TRANSCO CLSG's Management, the Board of Directors adopted the General Manager's interim activities report for 2018

Point C: Presentation and adoption of the Board Committee reports

a) Audit and Good Governance Committee

29. The Chairman of the Audit and Good Governance Committee, presented the Committee report relating to the adoption of (i) the Internal Audit report for the period from July to October 2018, (ii) the audit plan for 2019 and (iii) the update on the recruitment of the external auditor for the audit of the financial statements from 2018-2020.
30. Regarding the internal audit report for the period from July to October 2018, the Board noted that the Internal Auditor's Report covered the following topics: (i) the Environmental and Social Management Plan (ESMP) and Resettlement Action Plan (RAP) of the CLSG Project; (ii) the mobilization and supervision activities of the Owner's Engineer (TRACTEBEL); (iii) the Information Technology & Information Systems and (iv) the Financial Reporting.
31. From the review of the internal audit report, the Board noted that:
 - TRANSCO CLSG Management has taken significant steps in managing the risks facing the CLSG Project implementation.
 - The IT policy documents are in draft forms and it is recommended to fast track the process for their preparation and approval.
 - The Audit Reports should be provided on time to the Members of the Audit and Good Governance Committee.
 - The Internal Audit report was prepared in accordance with the Standards of the Institute of Internal Auditors (IIA).
32. The Board noted that the Internal Auditor has prepared a risk-based Internal Audit Plan for 2019 with the related budget to implement the audit activities.

33. For the recruitment of the external auditor for 2018, 2019 and 2020, the Board noted that the six (6) pre-qualified firms out of twenty (22) firms that submitted expressions of interest, have been invited to submit technical and financial proposals for this assignment. The Board noted that Management should pay close attention to the tight schedule in the recruitment process of the external auditor to ensure that the audited financial statements will be available by June 30 2019.
34. The Board of Directors, after review, adopted the report of the Audit and Good Governance Committee and related annexes: (i) report of the internal auditor (ii) audit plan for 2019 (iii) update of the recruitment of the external auditor.

b) Technical Committee

35. The chairman of the Technical Committee presented the report of the Committee, which was about the progress of the CLSG Project, the connection of the CLSG line to the national networks as well as the adoption of the Terms of Reference (ToR) for the recruitment of the O&M operator.
36. The Board of Directors noted that the overall progress rate of the Project was 15% against a forecast of 48%. The reasons for this delay are (i) the poor performance of some consultants in charge of the RAP data consolidation; (ii) the duration of approval of the RAP data consolidation and compensation payments reports by the Donors; (iii) the delay of the site turn over to the Contractors by TRANSCO CLSG; (iv) the performance of some contractors and the poor quality of studies submitted by some of them; (v) the duration of approval of the studies by the Owner's Engineer; (vi) delay in equipment manufacturing; and lastly (vii) the heavy rainy season in Liberia and Sierra Leone that may affect civil works..
37. The Board was also informed that in order to address the delays, bi-lateral meetings with each contractor were held from October 29 to November 5, 2018 to discuss the various issues and challenges that caused the delay and also to take corrective actions to keep the commissioning timeline of the project on track. As a result of these discussions, all the EPC contractors provided their commitment to update their project implementation schedules to achieve commissioning from September 2019 to March 2020.
38. The Board of Directors has taken note of the ToRs for the recruitment of the O&M Operator for TRANSCO CLSG's network. In the presentation on the ToR, the focus was made on:
- The status of the progress of the O&M recruitment process;
 - The O&M contract content and description (specification) of expected services;
 - The contract cost structure;
 - The performance requirements;
 - The training and transfer period for the overall operation and maintenance activities to TRANSCO CLSG
 - The maintenance requirements
 - The Quality, Health, safety and Environmental (QHSE) policy;
 - The O&M services cost estimate per year;
 - The time schedule for the recruitment of the O&M Operator.

39. The Board of Directors noted that the mobilization of the O&M operator is planned for August 2019 based on a four (4) year contract. The O&M operating cost is estimated at US\$ 9 million / year.
40. In addition, the recruitment process for the O&M Operator recruitment is based on the World Bank guidelines for the recruitment of consultant firms. The process will be done in two (2) phases: pre-qualification and a call for tenders (bids).
41. The Board of Directors noted that local experts in the four countries should be part of the key O&M staffing requirements to ensure that TRANSCO CLSG would be able to retain these experts after the contract of the O&M Operator expires.
42. With regard to the studies for the connection of the national HV / MV networks to the CLSG line, the Board noted that the Task Force made a presentation to the Technical Committee on the progress of the preparations for the feasibility studies and observed that additional data is required to pursue these studies. Following the meeting held in October 2018, the countries are committed to conduct topographic studies as well as environmental and social impact assessments by the end of December 2018.
43. The Board of Directors encouraged the Task-Force to fast-track the processing of all outstanding requests in close collaboration with the countries in order to finalize the feasibility studies as soon as possible.
44. The Board of Directors, after review, adopted the report of the Technical Committee. The Board approved the ToR for the recruitment of O&M Operator subject to the incorporation of the performance requirement, operation procedures, technology and knowledge (competency) transfer in the final version of the ToR.

c) Finance and Administration Committee

45. The Chairman of the Finance and Administration Committee presented the report of the Committee. The Committee Report covered three main points which are: (i) presentation and discussion of the Interim Financial Management Report for the third quarter ended on September 30, 2018, (ii) presentation and discussion of the Financial Statements for the nine (9) months period ended September 30, 2018 and (iii) the presentation and discussion of the TRANSCO CLSG Annual Budget and Work Program for 2019.
46. With regards to the Interim Financial Management Report for the third quarter ended on September 30, 2018 and the Financial Statements for the nine (9) months period ended September 30, 2018, the Board noted that the total assets increased from US\$94.4 million at December 31, 2017 to US\$149.2 million at September 30, 2018, on account of the increased expenditure on EPC contracts arising from the significant progress achieved in the construction of the transmission line.
47. In addition, the long-term liabilities comprising loans, grants and advances from donors also increased significantly from US\$106.4 million to US\$166.3 million and reflects the increased disbursement by donors to the project.

48. However, there is also an increase in the negative equity that has grown from US\$12.0 million at December 31, 2017 to US\$17.5 million at September 30, 2018 due to the fact that the company is not generating revenues during the construction period.
49. The Board of Directors also noted that the total cash receipt from January to September 2018 is US\$48.7 million, comprising US\$9.8 million from the World Bank, US\$2.8 million from the African Development Bank, US\$36.1 million from the European Investment Bank and US\$0.07 from the IDA Grant to WAPP.
50. The Board of Directors noted that the total expenditure for January to September 2018 amounted to US\$48.6 million, of which US\$42.0 million relates to expenditure for the construction of the transmission line, US\$1.3 million for Owners Engineer Phase II and functioning TRANSCO CLSG. The overall rate of budget execution from January to September 2018 is 62.2%.
51. Following the board approval in June 2018 to increase share capital from US\$4.0 million to US\$8.0 million in order to raise the additional funds of US\$3.8 million required to close the financing gap from 2018 – 2020, the Board noted that the additional funds of US\$4.0 million will be raised through equal contribution by existing shareholders based upon annual budgetary requirements, and that this increase in share capital shall be submitted to the Shareholders for approval.
52. The Board approved Management’s proposal to lessen the financial burden on shareholders by allowing shareholders to contribute the additional funds over the three-year period based upon annual budgetary requirements.
53. Finally, the Board noted that TRANSCO CLSG Budget for 2019 is a total amount of US\$181.643 million, of which, US\$164.4 million is for expenditures related to the construction of the line, US\$6.3 million is for the implementation of the ESMP & RAP that includes compensation of PAPs, US\$4.2 million is for expenditures in respect of the Owner’s Engineer contract and US\$ 6.7 million for the functioning of TRANSCO CLSG.
54. The Board of Directors, after review, adopted the report of TRANSCO CLSG’s Board Finance & Administration Committee, and subsequently approved the Annual Budget of US\$181.643 million for 2019 and the related work programme.

Item E: Review and adoption of the Resolutions.

55. After deliberation on the various topics of the agenda, the Board of Directors adopted the following resolutions attached as Annex B to this report.
 - ⇒ **Resolution TRANSCO CLSG/BOARD/82/RES.22/11/18** adopting the report of the 17th meeting of the Board of Directors of TRANSCO CLSG.
 - ⇒ **Resolution TRANSCO CLSG/BOARD/83/RES. 22/11/18** relating to the approval of the 2019 Work Program and Annual Budget for TRANSCO CLSG.

⇒ **Resolution TRANSCO CLSG/BOARD/84/RES. 22/11/18** relating to the adoption of the reports of the Technical, Finance & Administration, Audit and Good Governance Committees.

⇒ **Resolution TRANSCO CLSG/BOARD/85/RES.22/11/18** approving the Terms of Reference for the recruitment of TRANSCO CLSG Network Operator.

III. ACKNOWLEDGMENT

56. The Board members congratulated the General Manager of TRANSCO CLSG and his team for the perfect organization of the meetings and thanked him for the warm welcome they received.
57. The Chairman of the Board of Directors thanked the participants and encouraged them to maintain and strengthen their efforts aiming to expedite the implementation of the project.
58. The participants of the eighteenth Board of Directors of TRANSCO CLSG expressed their profound gratitude to the people and the Government of Côte d'Ivoire and in particular to His Excellency, Alassane OUATTARA, President of the Republic of the Côte d'Ivoire for the warm welcome and the hospitality they enjoyed during their stay in Abidjan. *g*

Done in Abidjan this day of March 25, 2019

Amidou TRAORE
Chairperson



VOTE OF THANKS

THE EIGHTEENTH MEETING OF THE BOARD OF DIRECTORS OF THE CLSG REGIONAL ELECTRICITY TRANSMISSION COMPANY HELD IN ABIDJAN ON NOVEMBER 22, 2018 EXPRESSES ITS SINCERE GRATITUDE TO HIS EXCELLENCY, ALASSANE OUATTARA, PRESIDENT OF THE REPUBLIC OF COTE D'IVOIRE, TO THE GOVERNMENT AND THE PEOPLE OF CÔTE D'IVOIRE FOR THE WARM HOSPITALITY EACH PARTICIPANT RECEIVED DURING THEIR STAY.

ANNEX A
LIST OF ATTENDANTS

ANNEX B
RESOLUTIONS