

STATEMENT BY THE GENERAL MANAGER
25TH MEETING OF THE TRANSCO CLSG BOARD OF DIRECTORS
ABIDJAN, COTE D'IVOIRE

JULY 14, 2021

I. Introduction

Mr. Chairman and members of the Board of Directors, I would like to welcome you all to the 25th Meeting of the Board that is held virtually due to the Covid-19 pandemic. I would also like to reiterate my gratitude for your strong and unwavering commitment to deliver affordable and reliable electricity to the citizens of our region. Your invaluable contribution to the success of the CLSG Project is a true reflection of determination by the CLSG Governments, national Utilities, the Board, West Africa Power Pool (WAPP) and the CLSG Donors to set up an effective and viable regional electricity market for the present and future generations.

Mr. Chairman and members of the Board of Directors, I am here to report on the progress we have achieved during the year 2021 and to present our plans and key objectives for the rest of the year 2021.

My report includes this statement, a power point presentation on the implementation of the project, and the outcomes of the various Board Committee reports, which will be presented separately by their respective chairs.

2.0 Review of progress achieved.

Mr. Chairman, Members of the Board of Directors, the year 2021 has not been significantly different from 2020, as we are still faced with the challenges associated with Covid-19 pandemic. Despite these setbacks, I am pleased to share good news on the key milestones achieved by the CLSG Project in the year. To date, the overall progress of the CLSG Project is estimated at 93%. The line section from Man to Monrovia has been fully energized and the synchronization with the Mt Coffee Hydro Power Plant (HPP) is ongoing.

The 132 kV connection between the CLSG substation in Monrovia and the Liberia Electricity Company (LEC) Mt Coffee HPP is completed at 100% while additional tests are ongoing on the 66kV Busbar differential protection at the request of LEC.

The line sections from Monrovia to Mano in Liberia, from Mano to Kenema, Bikongor and Bumbuna up to Yiben in Sierra Leone are all completed at 100% and await sequential commissioning from Liberia before they are energized. The line section from Yiben to Kamakwie and Linsan in Guinée is about 74% complete, while the section from Yekepa to Nzerekoreh is about 95% complete.

The substation at Man in Côte d'Ivoire has been completed and energized. The progress of the construction of the substations at Mano in Liberia, Kenema, Bikongor and Bumbuna substations in Sierra Leone are also estimated at a completion rate of 99%, and only minor remaining construction works are pending before energization.

According to our commissioning projections, the entire CLSG network should be energized by December 2021 except for the section from Kamakwie to Linsan that would depend on the completion of the OMVG network.

Mr. Chairman, Members of the Board of Directors, I am also pleased to inform you that CIE, the temporary Operations and Maintenance (O&M) operator has mobilized its team to oversee the commissioning of the facilities from the substation in Man to Monrovia. Given the completion of additional facilities during the period of their assignments, CIE was requested to submit a proposal to extend their scope to Bumbuna and N'Zerekore.

A first attempt to recruit a statutory operator through an international competitive bidding process yielded unfruitful outcomes. We received only one proposal from ERANOVE whose financial proposal far exceeded the budget available for that contract. A relaunch is ongoing with a revised scope of services. In the meantime, we have engaged CIE for an extension of their contract to March 2022 that will cover the entire section of the transmission line from Man to Kamakwie including Nzerekore.

Mr. Chairman, Members of the Board of Directors, in June of 2021, we conducted a site tour in N'Zerekore in Guinée along with the Energy Minister. During the mission, the Energy Minister reminded TRANSCO CLSG about the strategic importance of Nzérékoré in the electrification of the Guinea Forest Region and expressed her serious concerns about the delays in the progress of the construction of the CLSG N'Zerekore substation that is planned to be completed by the end of December 2021 instead of August 2021. In order to achieve the August 2021 target that would meet the expectations of the Energy Minister and

also improve revenues for TRANSCO CLSG, Management intends to implement an emergency temporary solution to supply N'Zérékoré. Details and recommendations on this will be presented by the Chair of the Technical Committee report.

Mr. Chairman and members of the Board of Directors, we have advanced on the commercial front of the project. Negotiations with the parties on the Power Purchase Agreements (PPAs) and Transmission Service Agreement (TSAs) continued in 2021 but progressed was stalled due to disagreements about the energy price between buyers and seller, curtailments of energy, and calculation of liquidated damages. CI-Energies organized a physical meeting between the parties in Abidjan on June 30, 2021 to address the remaining issues. However, progress was again slow, but the parties remain committed to conclude the negotiations and sign the agreements by the end of July 2021.

Preparation of the draft Interconnection Agreement and Defense plan also progressed during the year. Following LEC comments, legal experts have reviewed and redrafted the agreement that has been harmonized with the TSAs. Final versions were shared with the National Utilities and discussed at the Board Technical Committee Meeting on July 5-6, 2021. The final versions are expected to be signed by the end of July 2021.

Mr. Chairman and members of the Board of Directors, as we move closer to begin commercial operations, the tariff methodology and related tariff formular that were approved by the Steering Committee and inserted into the International Project Agreement (IPA) needs to be incorporated into TSAs. Management seeks the approval of the Board to incorporate the Tariff Methodology document into the TSAs, thereby paving the way for the signature of the TSAs.

3.0 Progress on Corporate Governance, Institutional Strengthening and Improving Business Process

Mr. Chairman and members of the Board of Directors the Annual Financial Statements for TRANSCO CLSG and the CLSG Project for the year ended December 31, 2020 have been audited and ready for your approval. The Finance and Administration Committee examined the audited financial statements on July 7 and 8, 2021, while the Audit and Good Governance Committee examined the external auditor's report on July 12, 2021.

Mr. Chairman and members of the Board of Directors, the recruitment of a new external auditor for 2021 to 2023 that was conducted through International Competitive Bid (ICB) with terms of reference approved by the Board in 2015 is almost complete. Based upon the World Bank procurement guidelines and in accordance with Article 19 of the Shareholders Agreement, Management of TRANSCO CLSG recommends that MAZARS Cote d'Ivoire be appointed as the external auditor of TRANSCO CLSG for the next three years 2021, 2022 and 2023 for a total audit fee of **FCFA 68,094,168**.

The recruitment of the Internal Auditor that resigned in September 2020 is also far advanced and the process is expected to be completed by September 2021. The new internal auditor is expected to resume duty in October 2021.

Management has also developed a Corporate Strategy that sets out the plan to transition from the construction to the operation phase. In addition, the Business Plan is being updated. After the PPAs and the TSAs are signed, the Business Plan and Corporate Strategy for TRANSCO CLSG will be finalized to capture commitments in the TSAs before the start of commercial operations. Accordingly, by the end of November 2021, Management will therefore submit for Board consideration and approval the Business Plan and Corporate Strategy for TRANSCO CLSG.

Due the Covid-19 crises at TRANSCO CLSG headquarters in February and March 2021, the recruitment of a consultant to update the statutory documents was also delayed. Management is fast tracking the process to have the consultant hired by the end of July 2021, to ensure that the revised documents are available for the consideration and approval of the Board in November 2021.

4.0 Financial Management

Mr. Chairman and members of the Board of Directors, our financial management system remains strong and fully compliant with statutory requirements, approved financial policies and procedures as well as donor financial management guidelines.

To this end, Management prepared the Interim Financial Report for the first quarter that includes a Statement of Receipts and Payments, a report on the revision of the 2021 budget to account for the expenditures of the owners' engineer; temporary

operator, statutory O&M contract; EPC contractors and functioning of TRANSCO CLSG and emergency works to supply Nzerekore by end of August 2021.

Following the review of the 2021 Annual Budget on account of the above, the expenditure budget has been increased from US\$77.26 million to US\$100.05 million, which has resulted in a projected budget deficit of US\$19.71 million for 2021.

With the prior approval of the Board, Management has pre-financed US\$7.36 million of this deficit to cover (i) the functioning of TRANSCO CLSG from Cost Contingencies, and (ii) the Owner's Engineer contract from available World Bank funds and uncommitted funds for Environment and Social Management Plan (ESMP), Resettlement Action Plan (RAP) and Interest During Construction (IDC). This notwithstanding, Management needs more funds (US\$12.35 million) to cover projected expenditure (covering the functioning of TRANSCO CLSG, the Owner's Engineer contract and the Temporary O&M services contract) for the rest of the year until TRANSCO CLSG begins commercial operations.

Mr. Chairman and members of the Board of Directors, based upon engagements with the CLSG countries, the World Bank has received and is considering requests for additional funds made by Liberia, Sierra Leone and Guinea that will bridge the budget deficit in 2021. However, the World Bank additional financing may not become available before January 2022. Hence, TRANSCO CLSG faces a difficult financial situation which threatens to derail efforts to complete the remaining works, and proceed with energization and commissioning of the Kenema, Bumbuna and Nzerekore substations.

5.0 Future outlook

Mr. Chairman and members of the Board of Directors, looking ahead, the second half of 2021 will focus on the energization of the transmission line up to Bumbuna including Nzerekore, and the start of commercial operations.

As the efforts to deliver electricity to Liberia, Sierra Leone and Guinea in September 2021 gains momentum, there is an urgent need to conclude negotiations for the PPAs and TSAs, and the Common Operating Protocol (formerly referred to as the interconnection agreement by the end of July 2021).

Management is also focused on improving load flows on the CLSG transmission line and is working closely with the key stakeholders in Liberia, Sierra Leone and Guinea to identify big consumers and get them connected to the CLSG network over the next two (2) to three (3) years.

With the support of the Board, Management will also continue to engage the governments of the CLSG countries and donors to mobilize the additional funds required to fill the gap for 2021-2023.

6. Items for approval

Mr. Chairman, and members of the Board, as I close my statement, I invite the Board to consider the following for approval:

- i. Recommendation from the Finance and Administration (FAD) Committee for the Board to approve the audited financial statements for TRANSCO CLSG and the CLSG Project for the year ended December 31, 2020.
- ii. Recommendation from the Audit and Good Governance Committee for the Board to consider the external auditor's report for 2020 for approval by the Shareholders.
- iii. Recommendation from the FAD Committee for the Board to approve the revised budget of US\$100.05 million for 2021 of which, US\$5.80 million is for the functioning of TRANSCO CLSG.
- iv. Recommendation from the Audit and Good Governance Committee to appoint MAZARS Cote d'Ivoire as the external auditor of TRANSCO CLSG for the next three years 2021, 2022 and 2023 for a total audit fee of FCFA 68,094,168.
- v. The Respective reports of the Board Committees' meetings

Acknowledgements

Finally, I would like to extend my profound thanks and appreciation to my invaluable team for their hard work, resilience, commitment, and passion that have made it possible to achieve the key deliverables over the years on the project implementation and institutional functions.

Thank you esteemed Board Members.