



REPUBLIC OF LIBERIA MILLENNIUM CHALLENGE ACCOUNT

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BOARD OF DIRECTORS

Meeting Minutes 009

June 25, 2019

I. CALL TO ORDER

This ninth meeting of the MCA-Liberia Board of Directors, the notice of which was delivered on June 18, 2019, was called to order at 11:08 a.m. on June 25, 2019 at the MCA-Liberia Office in Mamba Point, Monrovia, Liberia by the Chairman of the Board, Hon. Samuel D. Tweah.

The following persons were present:

Board Members

1. Hon. Samuel D. Tweah, Minister of Finance and Development Planning (Chairman)
2. Hon. Mobutu Nyenpan, Minister of Public Works
3. Ms. Stephanie Salamartu Duncan, Secretary General of the Chamber of Commerce (Proxy for the Private Sector Representative)
4. Mr. Sam Russ, Office of the Legal Advisor to the President (Proxy for the LEC Board of Directors Chairman)
5. Mr. Monie R. Captan, MCA-Liberia Chief Executive Officer (Board Secretary)
6. Mrs. Kateri Clement, MCC Resident Country Director (MCC Observer)

Other Attendees

7. Cllr. James A. A. Pierre II, MCA Liberia General Counsel (Asst. Board Secretary)
8. Hon. Nathaniel F. McGill, Minister of State for Presidential Affairs
9. Mr. James J. Reynolds, Assistant Minister, Ministry of Public Works
10. Mr. Alexander Blotey Scere, Deputy Minister for Administration, Ministry of Mines & Energy
11. Ms. Massa Jallabah, Ministry of Justice
12. Cllr. Isabel B. Diggs, MCA Liberia Legal Specialist
13. Mr. Kevin George, Deputy Resident Country Director, Millennium Challenge Corporation

II. ADOPTION OF AGENDA

The Chairman of the Board, Hon. Samuel D. Tweah, instructed the Assistant Board Secretary, Cllr. James A. A. Pierre II, to read the agenda. After the agenda was read, the Board Members present then unanimously approved the agenda.

III. WELCOME STATEMENT – BOARD CHAIRMAN

Following the adoption of the Agenda, the Chairman welcomed everyone and thanked them for attending the first MCA-Liberia Board Meeting of the year. He stated that he is looking forward to the discussions about the National Road Fund and LEC. He added that the Hon. Nathaniel McGill, Minister of State for Presidential Affairs, would be joining the meeting later.

IV. REVIEW AND ADOPTION OF THE MINUTES OF THE DECEMBER 4, 2018 MEETING

The Chairman told the Assistant Board Secretary to provide the Board with a high-level summary of the previously circulated minutes of the December 4, 2018 Board Meeting. After the high level summary was delivered, the Board Members present then unanimously approved the minutes.

V. UPDATE ON MCA-LIBERIA'S ACTIVITIES – MCA-LIBERIA CEO

Mr. Monie R. Captan, the CEO of MCA-Liberia, updated the Board with the current Compact implementation status that highlighted the following:

- a. Financials. The CEO noted that, as of June 15, 2019, 83% of the total Compact funds have been committed and 68% have been disbursed. He remarked that the bulk of the disbursements have been made towards the Mt. Coffee Rehabilitation Project.
- b. Energy Project.
 - i. LEC Training Center Activity. The CEO remarked that due to LEC's current dire financial situation, it brings into question LEC's ability to sustain the proposed construction of a training center for LEC because the cost of maintaining and operating the training center would substantially increase LEC's operating expenditure at a time when the company cannot meet up with its current liabilities. He explained in detail the proposal to focus on a training program for LEC employees instead of the construction of the training center and reallocating the savings to assume a portion of LEC's payment obligations to the operation, maintenance and training (OMT) contractor at the Mt. Coffee Hydro-electrical Power Plant. He stated that the Implementing Entity

Agreement between MCA-Liberia and LEC would need to be amended to allow MCA-Liberia to pay the Mt. Coffee OMT Contractor on behalf of LEC.

- ii. LEC Management Services Contract (MSC). The CEO informed the Board of the achievements and challenges of the MSC. He highlighted the achievements of the MSC as improved network stability and ongoing tandem management training. Challenges faced by the MSC includes high commercial losses due to power theft; low customer connections due to network limitations and lack of connection materials; limited cash flow, partly due to GOL's delay and irregularity in paying its electricity bills; and insufficient generation capacity to meet dry season demands. He explained that MCA-Liberia has provided support to LEC for the purchase of transformers, meters, conductors, spare parts, light poles, specialized vehicles, tools and PPEs. This support is aimed at the MSC achieving its objective of generating revenue to turn LEC around.
- iii. LEC Customer Service Center (CSC) Support: The CEO explained that the process of the rehabilitation of the existing customer service center at LEC is currently ongoing with the design work about 30% completed by the architect. This rehabilitation will include upgrading the physical infrastructure of the existing center, providing furnishing, equipment, IT infrastructure, software applications and customer service modules, training, air conditioning, standby generator and vehicles. While the construction is taking place, the staff will be housed in a temporary facility.
- iv. Liberia Electricity Regulatory Commission (LERC). The CEO stated that the office space for the LERC has been procured and the recruitment of technical and administrative staff is ongoing. The procurement for the office furniture, equipment and vehicles are in progress. He explained that three technical consultants that are financed by the EU have been providing direct technical assistance to the LERC. He added that the nationwide census of the electricity operators should be finalized before the end of August.
- v. Raw Water Pipeline. The CEO reminded the Board that Denys NV, the Belgian company that was awarded the contract to rehabilitate the raw water pipeline between Mt. Coffee Hydro and the White Plains Treatment Center, has submitted its 65% design drawings to the engineer for approval. The final design drawings is due on October 7, 2019 and the construction is on course to commence in November.
- vi. Fisheries Study and Prawn Passage. The CEO explained to the Board that a Fishery Study funded by MCA-Liberia to investigate the effects the newly

renovated dam has on the migratory pattern of the fish in the St. Paul River indicated that the hydro has a negative impact on prawn migration. The study recommended the construction of a prawn passage that would create a channel bypassing the spillway gates of the dam to facilitate prawn migration. He stated that the environmentalists have determined that this prawn passage is important because a major decrease in the prawn population could lead to increased prevalence of schistosomiasis infection in the local populations due to prawns serving as an effective natural solution in the battle against the potentially deadly parasitic disease. The CEO mentioned that the design of the prawn passage is being developed to go to market for procurement of a contractor to carry out the construction works and a supervision engineer. Final designs and estimated costs are due by October 31, 2019.

- c. Roads Project: Prior to the CEO's presentation on the Roads Project, Honorable Nathaniel McGill, the Minister of State for Presidential Affairs, joined the Board meeting. The CEO then commenced his Roads Project update by providing a status of the Roads Project's Matching Road Maintenance Fund Sub-activity. He stated that on April 29, 2019, MCC informed the Government of Liberia that it was aware that US\$8 million of fuel levy had not been transferred to the National Road Fund (NRF) Account as prescribed by the National Road Fund Act. MCC therefore stressed that, as a condition for disbursement of any of the funds that had been allocated under the Compact for road maintenance, the Government should transfer \$8 million to the NRF by May 30, 2019 plus begin to regularly transfer the fuel levies that the Government collects to the NRF.

On June 19, 2019, MCC again wrote to the Government stating that although the Government had transferred to the NRF US\$1.5m of the outstanding US\$8m, and approximately US\$2.2m representing collections for the month of April 2019, the transfers did not meet the requirements of its April 29 letter. Consequently, MCC informed GoL that it was unable to consider disbursements going forward for the Compact's Matching Road Maintenance Fund Sub-Activity

The CEO then turned to the Roads Project's Roads Sector Reform Activity, which he reminded the Board is being implemented by the United States Department of Transportation's VOLPE Center. He revealed that the computers with the HDM-4 licenses had been acquired and the training of the Ministry of Public Works staff on how to use HDM-4 was completed. The HDM-4 software supported the development of the NRF's 5-year road maintenance plan template. The upcoming activities include (i) the completion of the updated 5-Year road maintenance plan (GoL Fiscal Years 2019- 2024); (ii) the procurement of a Road Asset Management System (RAMS); (iii)

RAMS installation and training of MPW staff followed by the implementation of the RAMS; (iv) and formal transfer of the Roads Sector Reform Activities assets to MPW (Data Collection Manuals, HDM-4 Computers/Licenses & RAMS).

Discussions on the Roads Project:

The Board Chairman and Hon. Nathaniel McGill explained to the MCC Resident Country Director, Mrs. Kateri Clement, that the Government had tough decisions to make in light of the current macroeconomic situation faced by the country. They emphasized that those decisions should not be interpreted in a manner that would suggest that the Government is not committed to the Compact's Matching Road Maintenance Fund Sub-Activity. The Board Chairman indicated that the idea of the creation of the NRF came from MCC so it would be a disappointment that MCC is not involved in the implementation of the NRF's maintenance of the roads. The Board Chairman pledged that the fuel levies will now be immediately credited from the Government's consolidated account and deposited into the NRF's account.

In response, Mrs. Clement explained that MCC's upper management made the decision so all she can do is relay the Government's message. However, she did note that in order for MCC to even begin to reconsider, the Government must provide evidence that the funds have indeed been regularly deposited into NRF's account and that the Government is satisfying its other Compact obligations.

The Chairman and Hon. McGill concluded that the Government, represented by the MFDP and MPW, would make a trip to Washington DC to meet with MCC's senior management to make a case for continuation of the funding of the Matching Road Maintenance Fund Sub-Activity.

- d. Key Compact Risks: The CEO proceeded to list the following issues that are currently hampering the chances of achieving the Compact's objectives:
 - i. Continued high power theft rates could undermine Compact objective to achieve affordable electricity tariffs and the transformation of LEC into a commercially viable entity.

Ms. Stephanie Salamartu Duncan, the proxy for the Private Sector Representative, suggested that LEC should publish reports that informs the public about the specific areas in which illegal connections are rampant so the persons who live in those communities can assist LEC in identifying the persons in those areas who are engaged in power theft.

- ii. The Government's payment of the electricity it consumes is one of the conditions for MCC to disburse Compact funds so the continued delayed/non-payment by GoL for LEC services affects MCC's release of Compact funds.
- iii. The above points also impact LEC's revenue generation, which affects LEC's ability to obtain connection materials to maintain the network and add new connections.
- e. Key Current and Upcoming Events: The CEO reminded the Board that the Compact expires on January 20, 2021 and, in accordance with MCC's statute, there is no possibility of an extension. So, MCA-Liberia and MCC have worked together to organize upcoming workshops in an effort to provide MCA-Liberia staff and implementing partners an understanding of the MCC Compact closure process, timelines, key tasks, projects or activities leading to Compact End Date and tasks/activities for sustainability of the Compact projects beyond the Compact. He explained that the Closeout Workshop would be held during the period July 10 – 12, 2019 while the Sustainability Workshops would be held during the period July 15 – 16, 2019.

VI. NEW BUSINESS

- a. MCA-Liberia CEO Contract Extension: The Chairman asked the CEO to kindly excuse the meeting to allow deliberations of this agenda item. The General Counsel presented a summary of the CEO's performance evaluation for the period 2017 and 2018 and explained the evaluation process. He explained that the current contract with the CEO expires on July 5, 2019 and an extension in accordance with the Compact requires Board Approval. Following the presentation by the General Counsel, the Board Members present unanimously approved to extend the CEO's contract through the closure of the Compact.

Following the approval of the contract extension, the CEO rejoined the meeting at which point the Chairman of the Board and Hon. McGill congratulated Mr. Captan on the extension of his contract and thanked him for his commendable service. Hon. McGill then departed the meeting.

- b. Board Approval of the Energy Project Restructuring Budget Reallocation: The General Counsel provided the Board with the legal basis for the budget reallocation and explained that in accordance with the MCA-L's Fiscal Accountability Plan (FAP), any reallocation of funds between the Compact activities listed in the Multi-Year Financial Plan requires Board Approval.

The CEO explained that the reallocation was necessary to, amongst other things, enable MCA-Liberia to assume a portion of LEC's payment responsibilities under its OMT contract with Hydro Operations International. This is critical because LEC has not paid the contractor in 5 months and that prompted the contractor to formally notify LEC that if LEC does not pay its arrears, they will consider the contract to be breached and they will walk away from operating and maintaining Mt. Coffee Hydro. Therefore, if MCA-Liberia were to pay on behalf of LEC, it will help improve LEC's liquidity and protect the sustainability of Compact's investment in the rehabilitation of the hydropower plant. He then presented a summary of the various budget lines from which funding would be reallocated and asked the Board to approve the reallocation. After the CEO's presentation, the Board Members present unanimously approved the Energy Project Restructuring Budget Reallocation.

- c. Board Approval of the Audit Contract Amendments: The General Counsel remarked that the Audit Contract entered into between MCA-L and PriceWaterhouseCooper needed to be amended to incorporate changes to the deliverables schedules at no additional cost to MCA-Liberia. He explained to the Board that the Audit Contract is considered a Material Agreement under the Compact and any amendment to such agreements require Board Approval. Following the General Counsel's presentation, the Board Members present unanimously approved the latest amendment to the Audit Contract.
- d. Board Approval of the Procurement Plan: The General Counsel explained that under MCC's guidelines, MCA-Liberia is required to develop annual procurement plans that are subject to the approval of the Board. He informed the Board that MCA-Liberia's current procurement plan expires in five days on June 30. He announced that the Procurement Plan for July 1, 2019 through June 30, 2020 was submitted to MCC for Technical Review and MCC's feedback has been incorporated. Once the Board provides their approval of the plan, it will be returned to MCC for the final No-Objection. Following the presentation of the Procurement plan, it was unanimously approved by the Board Members Present.

The Board Chairman suggested and it was agreed that future Procurement Plans would be structured so as to show how much of the funding would be spent locally and how much would be spent internationally.

- e. Board Approval of the LEC Implementing Entity Agreement Amendment: The General Counsel explained that under the terms of the Compact, Board approval is required for each MCA-Liberia Implementing Entity Agreement (IEA) and any amendment or modifications thereto. He stated that the LEC IEA needs to be amended to allow MCA-Liberia pay the OMT contractor on behalf of LEC under the reallocated Energy Project budget. The IEA is currently with the MCC for technical review and will be submitted electronically to the Board Members of both MCA-L and LEC once the review is completed and comments from the technical review has been incorporated.

- f. Compact Closure: The General Counsel presented a brief overview of the MCC Compact Closure Guidelines. He explained that a Program Closure Plan (PCP) has to be prepared and submitted to MCC for their review and approval at least 15 months prior to the Compact End Date. The PCP will also have to be approved by the Government, which under the Compact, is represented by the Minister of Finance and Development Planning. He described the PCP as a concise plan describing the closure strategy for each Project and Activity, the winding-up of MCA-Liberia and any plans by the Government to create an entity that succeeds MCA-Liberia. He also provided a snapshot of what is to be included in the PCP.
- g. Compact Closure Workshop: The General Counsel provided general information on the upcoming Compact Closure Workshop scheduled for July 10-12 at the Farmington Hotel in Harbel and the four Sustainability Workshops scheduled for July 15 – 16 at a venue to be determined. He explained that the Sustainability Workshops would cover five thematic areas (Mt. Coffee, LEC, Pipeline/Prawn Passage and LERC). Participants to the various workshops would include MCA-Liberia staff members, Implementing Partners, Donors and other stakeholders. He remarked that invitations would be sent out over the course of the next few days to MCA-Liberia Implementing Partners for a reception at the end of the Closure Workshops.

VII. AOB

None

VIII. ADJOURNMENT

The Board Chairman adjourned the meeting at 1:33 p.m.

Minutes submitted by:


Monie Captan, Secretary

Minutes approved by:


Hon. Samuel D. Tweah, Chairman