

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB7684

Project Name	Western Area Power Generation Project
Region	AFRICA
Sector	Energy and Mining (100%)
Project ID	P153805
Borrower(s)	Government of Sierra Leone
Implementing Agency	CEC Africa SL
Environment Category	A Full Assessment
Date PID Prepared	12 February, 2015
Estimated Date of Appraisal Authorization	30 September, 2015
Estimated Date of Board Approval	30 November, 2015

1. Introduction and Context

Country Context

Sierra Leone has experienced high growth rates but remains fragile. Sierra Leone has made significant economic and social progress since the end of the decade-long civil war.. Despite the steady progress in per capita incomes and improvements in human development over half the population lives below the poverty line and the country still ranks 183 out of 187 countries on the Human Development Index (UNDP, 2014).

Infrastructure is a binding constraint. While capital spending on infrastructure has rehabilitated some of infrastructure destroyed during the war, infrastructure remains a binding constraint to economic diversification and sustained economic growth. Removing barriers for private sector investments and continued infrastructure development will be needed to ensure that the economy can rebound from the impacts of Ebola.

Sector and Institutional Context

Constrained performance of the power sector. Electricity access is among the lowest in Africa with less than 10% of the population with access to the grid. The power sector in Sierra Leone is fragmented and constrained by dilapidated infrastructure and poor operational and financial performance of the sector. With inadequate generation capacity to meet demand and insufficient transmission and distribution capacity electricity supply is unreliable and of poor quality.

The power sector is undergoing a transition. The National Electricity Act (2011) prescribed the unbundling of the vertically integrated utility, the National Power Authority (NPA). The National Electricity Act repealed the National Power Authority Act (1982), and established the Electricity Generation and Transmission Company (EGTC) and the Electricity Distribution and Supply Authority (EDSA).

Inadequate generation system. Total installed generation capacity serving the Western Area (which includes the capital Freetown) is about 75MW, comprising a 50 MW hydroelectric plant and two thermal plants.. Poor maintenance combined with large seasonal variations in hydropower production compromise the ability of the generation infrastructure to permanently supply demand.

Transmission and distribution are bottlenecks for incorporating additional generation capacity. The inadequate generation system combined with poor maintenance of its infrastructure and a depilated transmission and distribution network with very high technical losses and permanent overloads has resulted in poor quality of electricity services and high levels of suppressed demand.

Relationship to CAS

The proposed Project is aligned with the second pillar of promoting inclusive growth in the CAS FY10-FY13, which identifies the need for broadening electricity supply throughout the country and the modified priorities to promote economic diversification and competitiveness. By contributing to reliable electricity supply and private investment, the Project is also aligned with the growth pillar of the World Bank Africa Strategy.

The proposed Project is part of a broader suite of WBG support to the energy sector in Sierra Leone and complements the IDA's existing engagement in the distribution subsector. Two projects, EAP and the Energy Sector Utility Reform Project (ESURP), are currently under implementation.

2. Proposed Development Objective(s)

The project development objective is to increase the power generated by independent power producers and mobilize private capital.

Key Results

Progress toward the PDOs will be assessed through the following indicators:

- Amount of electricity generated by the project (GWh/year);
- Indirect project beneficiaries (number)
- Private sector capital mobilized (amount, US\$)

3. Preliminary Description

The proposed operation consists of an IDA payment guarantee back-stopping payment obligations of the western area power generation project (the Project) to mitigate the risks of the low creditworthiness of EDSA as a sole power off-taker, as well as the risk of non-performance by GoSL of its contractual obligations including its guarantee of EDSA's off-take performance. This guarantee will enable private investment in and facilitate the financing of the project.

The project comprises the development, financing, construction and operation by an independent power producer (IPP) of a green-field thermal plant running on heavy fuel oil (HFO) with 56 MW installed capacity on a build-operate-transfer basis. The IPP, CEC SL, has been established as a special purpose private company by the CEC Africa Investment Ltd (50.1% equity) and TCQ Power Ltd (49.9% equity). The project might be extended at a later stage to reach a total capacity of 128 MW.

The project comprises the following three main components:

- (i) a power station with 7 generating units run by medium speed diesel reciprocating engines using HFO rated at approximately 8 MW nominal output each;
- (ii) transmission interconnection including a 33 kV indoor substation at the project site with 33kV transmission lines connecting the power plant to the Ropoti substation and sequentially to the Blackhall Road and Wellington substations of the existing distribution network; and
- (iii) a fuel supply facility comprising a 1.2 km pipeline from the landing jetty to the project site and fuel storage tanks at the site.

In addition, a water system will be installed for storage and treatment of water to be consumed on site. The project will be situated on Government owned land about 4 km east of the center of Freetown. The site is currently occupied by the Government and commercial premises. A lease agreement for the site is currently being negotiated. Construction of the power plant will be undertaken under a turn-key engineering, procurement, and construction (EPC) contract.

4. Performance Standards that Might Apply

Performance Standards (please explain why)	Yes	No	TBD
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	X		
It is being proposed that the project being categorized as Category A, requiring an ESIA and an ESMP Construction and an ESMP Operation. The client proposes to prepare an Environmental, Social and Health Impact Assessment (ESHIA). The proposed project meets the criteria in OP 4.03 for application of the Performance Standards. The Environmental Protection Agency of Sierra Leone (EPA-SL) requires the preparation of a Scoping Report. The CEC SL has already prepared a Scoping Report while the ESHIA still has to be prepared. The main potential environmental impacts are impacts on air quality and noise, risk of hydrocarbon pollution from the hydrocarbon transport and storage facilities and incineration of hazardous wastes.			
PS 2: Labor and Working Conditions	X		
The labor and working conditions as outlined in PS 2 need to be elaborated in the ESHIA.			
PS 3: Resource Efficiency and Pollution Prevention	X		
Pollution prevention and response to accidents involving pollutant releases will be central concerns in the ESHIA. Spill prevention plans and emergency response plans will be prepared in association with the ESHIA. WBG EHS Guidelines and good international industry practices will serve as references for development of the ESMP.			
PS 4: Community Health, Safety, and Security	X		
Emergency Response Plans will need to be prepared as part of the ESHIA and the potentially affected communities will need to be made aware of them.			
PS 5: Land Acquisition and Involuntary Resettlement	X		
A Resettlement Action Plan (RAP) needs to be prepared and implemented in compliance with PS 5.			
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources		X	
There are no sensitive biodiversity areas located in the project area. PS 6 is not triggered.			
PS 7: Indigenous Peoples		X	
No groups that meet the definition in PS7 have been identified in the project area.			
PS 8: Cultural Heritage		X	
No cultural heritage issues have been identified. A "Chance Find Procedure" needs to be included in all contractor contracts.			
OP 7.50: Projects on International Waterways		X	
OP 7.50 is not triggered since the Project is not located near any International Waterways.			

5. Tentative financing (US\$ millions)

Total Project Cost:	125.1	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Private Sector Sponsors (equity)			37.53
Development Finance Institutions			87.57
International Development Association (IDA)			0.00
Total			125.1

6. Contact point

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