

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.:AC7159

Date ISDS Prepared/Updated: 02/10/2015

## I. BASIC INFORMATION

### A. Basic Project Data

Country: Republic of Sierra Leon	Project ID: P153805
Project Name: Western Area Power Generation Project	
Task Team Leader: Carol Litwin / Tomoko Matsukawa	
Estimated Appraisal Date: September 30, 2015	Estimated Board Date: November 30, 2015
Managing Unit: GEEDR	Lending Instrument: Guarantee
Sector: Energy and mining	
Theme: Thermo Power	
IBRD Amount (US\$m): IDA Amount (US\$m): GEF Amount (US\$m): PCF Amount (US\$m): Other financing amounts by source: IDA Guarantees: Up to US\$ 40 million	
Environmental Category: A	
Simplified Processing	Simple [ ] Repeater [ ]
Is this a transferred project	Yes [ ] No [X]

### B. Project Objectives

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

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

- Amount of electricity generated by the project (GWh/year);
- Indirect project beneficiaries<sup>1</sup> (number)
- Private sector capital mobilized (amount, US\$)

<sup>1</sup> Direct Project Beneficiaries has been substituted with indirect project beneficiaries based on the nature of the proposed operation.

## C. Project 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 paragraph below describes the Project and the proposed IDA guarantee.

**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.

A competitive bidding process for the EPC contract is underway. Shortlisting has been completed and the bidding documents has been issued. Fuel will be procured through international competitive bidding as there is currently only one supplier for HFO in Sierra Leone. The IDA team will review the overall procurement for the project, to ensure that general principles of industry-wide standards of economy, efficiency and transparency for this scale and timing of procurement are followed.

**Project Costs.** The total project financing requirements for the first phase of 56 MW are estimated at US\$125.1 million, of which the construction works are estimated at US\$ 71.2 million including the estimated EPC cost at US\$47.3 million as well as substation investments of US\$10 million. Other financing requirements include working capital requirements, fuel inventory, pre-funded debt service reserve and financing costs.

**Contractual Framework.** The project will sell power to the EDSA, as the exclusive off-taker, under a long-term power purchase agreement (PPA). A preliminary PPA was signed in May 2014 by the project sponsors and the Government for a term of 20 years from the commercial operation date for the first 56 MW phase<sup>2</sup>, whereby the GoSL and the grid operator (EDSA) are jointly liable for off-taker performance. A final PPA will need to be signed by EDSA being the off-taker, whereby the GoSL is envisaged to retain its contractual obligations as a guarantor and concession grantor. The preliminary PPA contains provisions typical for a concession/BOOT agreement and specifies government support provisions which include, among others, the obligation to make a request for an IDA guarantee to backstop on-going PPA payments from the off-taker. The allocation of commercial, technical and political risks between the EDSA/GoSL and the project company under the preliminary PPA is largely consistent with industry standards in a limited recourse project financing in similar countries, whereby project development, financing, construction delays/cost overrun, plant availability, O&M are under the responsibility of the IPP.

**D. Project location and salient physical characteristics relevant to the analysis of environmental and social risks and impacts (if known):**

The project is located 4 km east of the center of Freetown on an existing industrial site. Part of the site is used for small-scale farming. The preparation of a RAP by the National Power Authority (NPA) is ongoing. No residents inhabit the project site. The site is located 500 m south from the Sierra Leone River Estuary, which is a Ramsar site and 200 m west of Wellington Creek. The Thermo Power Plant will be air cooled so that negligible amounts of water will be used and no increase of water temperature in the estuary is expected.

**E. Borrower's Institutional Capacity for Effective SEMS:**

The insitutional capacity of CEC Africa SL with regard to Safety, Health and Environmental (SHE) aspects will be assessed during appraisal. However, the mother company CEC has considerable experience in SHE. The SHE aspects will be implemented by the Owner's Engineer, the EPC Contractor and the plant Operator.

**F. Environmental and Social Safeguards Specialists on the Team:**

Robert Robelus, Consultant - Environmental Specialist (GENDR)  
Demba Balde, Snr. Social Development Specialist (GSURR)

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<sup>2</sup> And 25 years door-to-door for the three phases in total.

## II. PERFORMANCE STANDARDS THAT MIGHT APPLY

Performance Standards <i>(please explain why)</i>	Yes	No	TB D
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>	<b>X</b>		
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 client CEC SL has already prepared a Scoping Report in which IFC's comments have been included. 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.			
<b>PS 2: Labor and Working Conditions</b>	<b>X</b>		
The labor and working conditions as outlined in PS 2 need to be elaborated in the ESHIA.			
<b>PS 3: Resource Efficiency and Pollution Prevention</b>	<b>X</b>		
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.			
<b>PS 4: Community Health, Safety, and Security</b>	<b>X</b>		
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.			
<b>PS 5: Land Acquisition and Involuntary Resettlement</b>	<b>X</b>		
A Resettlement Action Plan (RAP) needs to be prepared and implemented in compliance with PS 5.			
<b>PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>		<b>X</b>	
There are no sensitive biodiversity areas located in the project area. PS 6 is not triggered.			
<b>PS 7: Indigenous Peoples</b>		<b>X</b>	
No groups that meet the definition in PS7 have been identified in the project area.			
<b>PS 8: Cultural Heritage</b>		<b>X</b>	
No cultural heritage issues have been identified. A "Chance Find Procedure" needs to be included in all contractor contracts.			
<b>OP 7.50: Projects on International Waterways</b>		<b>X</b>	
OP 7.50 is not triggered since the Project is not located near any International Waterways.			

### III. SAFEGUARDS PREPARATION PLAN

- A. The disclosure of the ESHIA and RAP are anticipated before July 31, 2015 and the PAD-stage ISDS would be prepared:
- B. For Category C or Category FI projects that do not require an ESRS, the target date for preparing the PAD-stage ISDS: NA
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>3</sup> should be specified in the PAD-stage ISDS: The ESHIA Scoping report is finished, while the RAP for the project site is under preparation. The ESHIA report suitable for disclosure is anticipated before July 31, 2015. The RAP will be finished and disclosed at the same time, if not before.

### IV. APPROVALS

<i>Signed and submitted by:</i>		
<b>Task Team Leader:</b>	<b>Name: Carol Litwin</b>	<b>Date</b>
<i>Approved by:</i>		
<b>Regional Safeguards Coordinator:</b>	<b>Name: Alexandra Bezeredi</b>	<b>Date</b>
<b>Comments:</b>		
<b>Sector Manager:</b>	<b>Name: Meike van Ginneken</b>	<b>Date</b>
<b>Comments:</b>		

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<sup>3</sup> Reminder: The Bank's Access to Information Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.