

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA22846

Project Name	Liberia: LACEEP Additional Financing (P153124)
Parent Project Name	Liberia Accelerated Electricity Expansion Project (LACEEP) (P133445)
Region	AFRICA
Country	Liberia
Sector(s)	Transmission and Distribution of Electricity (80%), General energy sector (20%)
Theme(s)	Managing for development results (30%), Infrastructure services for private sector development (10%), City-wide Infrastructure and Service Delivery (60%)
Lending Instrument	Investment Project Financing
Project ID	P153124
Parent Project ID	P133445
Borrower(s)	Ministry of Mines, Lands, and Energy
Implementing Agency	Liberia Electricity Corporation
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	23-Apr-2015
Date PID Approved/Disclosed	23-Apr-2015
Estimated Date of Appraisal Completion	31-Mar-2015
Estimated Date of Board Approval	28-May-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

The Republic of Liberia experienced 14 years of civil war, which destroyed its human capital, institutions and infrastructure including energy sector. In 2006, President Ellen Johnson Sirleaf took office, facing challenges to restore the country from the armed conflict. Although the progress has been substantial (broad price stability, and accomplished structural reforms to reinforce public financial management, reestablishment of electricity to key areas of Monrovia), much remains to be done. Notwithstanding, the economic growth has been robust in recent years, due to favorable exports prices for rubber, palm oil and increase export of iron ore. Prior to the onset of the Ebola crisis, it was expected that the economy would remain on a solid upward trend, with a real GDP growth estimated at 8.7 percent in 2013 and a projected average growth rate of 6% over the next three years. However this initially projected 6 percent growth in 2014 could actually fall to 2.5

percent due to the effects of the Ebola epidemic.

The Ebola crisis affecting the country since March 2014 has caused substantial losses of lives, dampened economic activity, and exacerbated social and political tensions in Liberia. With the situation still evolving on the ground, it is not yet possible to fully assess the impact of the crisis. In all cases, increasing the levels of access to electricity services in Liberia remains a major priority because it is essential for the economic transformation of the country and for the improvement in the living standards of the population.

Sectoral and institutional Context

The years of civil strife have left electricity infrastructure in tatters. The Government has succeeded in the rehabilitation of services in key areas of Monrovia, but the lack of energy remains a key obstacle for poverty reduction, economic growth, and business development.

Funding for the rehabilitation and extension of the distribution network and for new connections has been made available through financing from IDA, GPOBA, the Government of Norway, the EU and USAID. IDA support has been provided through the US\$32 million Liberia Electricity System Enhancement Project (LESEP, including additional financing) as well as an US\$10 million Global Program for Output Based Aid (GPOBA) grant for subsidized connections. More recently, the Government has allocated substantial resources for energy generation, transmission and distribution in its National Budget.

The Government's objectives in the sector have shifted from managing a crisis to developing the sector in a sustainable manner by expanding and improving electricity services. Building on the National Energy Policy (NEP) and the initial results achieved in rebuilding the electricity systems destroyed by the war, the Government of Liberia (GoL) has an ambitious strategy to reach electricity coverage of 70 percent of the population in Monrovia, and 35 percent nationwide by 2030.

This will require investments along the value chain – in generation, transmission, and distribution – as well as strengthening institutions. To ensure that all the projects developed in the sector will be consistent with the Government's sector expansion strategy, the Ministry of Lands, Mines and Energy (MLME) has prepared a Least Cost Power Development Plan (LCPDP) that provides a road map for the expansion of the sector over the next 18 years.

The Government aims to expand energy access, to increase the quality and reliability of electricity services, and to reduce the price of electricity (52c/kWh). It focuses both on increasing coverage for poor customers in urban and rural areas, as well as on expanding the customer base to include commercial and industrial companies. Larger customers are critical financial enablers of the sustainable expansion of electricity services to other segments of the population, but their willingness to shift from self-generation to connecting to the grid will depend on provision of a good quality service at a lower tariff than the cost of self-supply.

The Liberia Electricity Corporation, the national public utility has significantly speeded up the rehabilitation and expansion of the distribution system. The customer base increased from 2,174 customers in July 2010 to 29,900 customers as of December 2014. Peak demand (maximum demand during any given day) has also increased from 4 MW in 2010 to 11 MW in 2014. Peak demand has grown less than proportional to the increase of the number of customers.

Achieving this ambitious target will depend on: (i) the technical and managerial capacity of LEC; (ii) the institutional capacity of the Government of accompanying this process by transferring the resources allocated and coordinating with the donors; and (iii) the amount of financing that the Government and the donors will make available.

Looking forward, the Government aims to reduce the cost of electricity production through changing the energy mix, including increasing hydropower generation and a progressive shift from diesel towards heavy fuel oil (HFO) in thermal plants. The GoL is preparing the rehabilitation of the Mt. Coffee hydropower plant with support from Norway, EIB and KfW, which is expected to be commissioned by end of 2015. Once rehabilitated, the plant will have an installed capacity of 80 MW. During the dry season Mt. Coffee will produce around 12 MW firm supply and about 20 MW average supply. The seasonality of the Mt. Coffee hydropower plant will require alternative generation capacity during the dry season to ensure reliability of supply. LEC with the support of the World Bank is already advancing with the construction of a 10 MW HFO-fired power plant, along with a 10 MW HFO power plant financed by JICA and a third 10 MW HFO power plant financed by the GoL. In addition, the IDA-financed WAPP-CSLG project will interconnect Liberia to the neighboring countries and will enable Liberia to import lower cost energy from the neighboring countries. The Ebola crisis has resulted in uncertainty about the actual schedule for these new sources to come on board, but this should be addressed in the coming months once new work schedule is agreed with the contractors after their return to the country. The new mix of energy primary resources will imply a drastic reduction in generation costs, which would lead to more affordable electricity tariffs.

With a larger and more cost efficient electricity supply soon to be in place, the major bottlenecks to an efficient and sustainable development of a national electric system remain: (i) the lack of infrastructure to transport and distribute electricity; and (ii) an electricity utility in a precarious financial and technical situation, with an area of service limited to Monrovia.

Relationship to CAS

The project is fully aligned with the World Bank Strategy to support Liberia as described in the 2009 Country Assistance Strategy (CAS), which already highlighted the need for rehabilitation of infrastructure to jump-start economic growth, and more recently in the Country Partnership Strategy (CPS) with Liberia for FY 13-17. The CPS places a strong priority on expanding electricity services and makes it more affordable to businesses and households to release a key bottleneck to economic growth, job creation and poverty reduction. The CPS's emphasis on energy issues reflects the priorities of the GoL for the economic development in Liberia to achieve economic transformation, one of the key pillars that underlies the GoL's Agenda for Transformation (the second Poverty Reduction Strategy). This Agenda is based on five pillars, and under Pillar 2 focused on Economic Transformation, the GoL's Agenda includes, as a top priority, the expansion of electricity services and the reduction of the electricity's cost for an essential condition to achieve and sustain this economic transformation.

The project is also fully aligned with the GoL's objectives in the electricity sector and focuses on providing support to the implementation of the first phase of GoL's access agenda, to be developed from 2013 to 2016. The project contributes to the GoL's strategy of accelerated service expansion to increase electricity service and provide reliable power to at least 70 percent of residents in Monrovia by 2030.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The project development objectives are to increase access to electricity and strengthen institutional capacity in the electricity sector.

III. Project Description

Component Name

Component 1: Extension of electricity transmission and distribution systems and connection of new users in Greater Monrovia and in the Monrovia-Bomi Corridor.

Comments (optional)

Component Name

Component 3: Support for the strengthening of LEC's commercial

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	60.00	Total Bank Financing:	60.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			60.00
Total			60.00

V. Implementation

MLME and LEC continue to be the two implementation agencies in charge of implementing the project and the AF. MLME is the agency in charge of the coordination of the overall project and will remain responsible for the activities that benefit MLME under components 2 and 3. LEC will remain responsible for the implementation of component 1 and the activities that benefit LEC under components 1 and 3.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	

Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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