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Report No: RES19163

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

THE ACCELERATED ELECTRICITY EXPANSION PROJECT

IDA CREDIT 5252-LR

APPROVED ON MAY 30, 2013

TO THE

REPUBLIC OF LIBERIA

May 19, 2015

Energy and Extractives Global Practice
Africa Region

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**DATA SHEET**

**Liberia**

*Liberia Accelerated Electricity Expansion Project (LACEEP) (P133445)*

**AFRICA**

*Energy & Extractives*

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### Basic Information

<table>
<thead>
<tr>
<th>Project ID:</th>
<th>P133445</th>
<th>Lending Instrument:</th>
<th>Investment Project Financing</th>
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<tbody>
<tr>
<td>Regional Vice President:</td>
<td>Makhtar Diop</td>
<td>Original EA Category:</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>Country Director:</td>
<td>Yusupha B. Crookes</td>
<td>Current EA Category:</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>Senior Global Practice Director:</td>
<td>Anita Marangoly George</td>
<td>Original Approval Date:</td>
<td>30-May-2013</td>
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<tr>
<td>Practice Manager/Manager:</td>
<td>Meike van Ginneken</td>
<td>Current Closing Date:</td>
<td>30-Jun-2018</td>
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<tr>
<td>Team Leader(s):</td>
<td>Clemencia Torres De Mastle</td>
<td></td>
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| Borrower:               | Republic of Liberia |                   |                             |
| Responsible Agency:     | Ministry of Lands, Mines and Energy, Liberia Electricity Corporation |       |                             |

### Restructuring Type

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<th>Short Form</th>
<th>Decision Authority:</th>
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### Financing (as of 19-Feb-2015)

#### Key Dates

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<th>Ln/Cr/TF</th>
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<th>Approval Date</th>
<th>Signing Date</th>
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#### Disbursements (in Millions)

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<td>Effective</td>
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### Policy Waivers

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A. Summary of Proposed Changes

It is proposed to delete from the Liberia Accelerated Electricity Expansion Project (LACEEP) Financing Agreement the disbursement condition related to the Liberia Electricity Corporation (LEC) Management Contract with Manitoba Hydro International (MHI), as well as all references to the Amended LEC Management Contract, as they are no longer applicable.

The disbursement condition reads: "Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Category (1), unless and until the Amended LEC Management Contract, in form and substance satisfactory to the Association, has been entered into between the Recipient (through MLME), LEC and MHI and the Association has received a legal opinion from counsel acceptable to the Association, in form and substance satisfactory to the Association, that the Amended LEC Management Contract has been duly authorized or ratified by the Recipient, LEC and MHI, and is legally binding upon the Recipient, LEC and MHI in accordance with its terms." (Schedule IV, Section IV, Part B, Paragraph 1 of the LACEEP Financing Agreement dated July 3, 2013.)

B. Project Status

LACEEP's project development objective (PDO) is to increase access to electricity and strengthen institutional capacity in the electricity sector. The project was approved on May 30, 2013. The project consists of three components: (1) Extension of Electricity Transmission and Distribution Systems; (2) Construction of heavy fuel oil (HFO) Facilities for Off-loading, Transport, and Storage and Support for Optimization of HFO Procurement; and (3) Support for the Expansion of Supply Options and for the Strengthening of the Sector's Institutional Capacity. The Financing Agreement for the project was signed on July 3, 2013 and became effective on November 25, 2013.

Progress towards achievement of the PDO and implementation progress are currently rated moderately satisfactory. Although the impact of the Ebola crisis slowed progress on the ground, the Ministry of Lands, Mines and Energy (MLME) and LEC have continued to advance procurement of goods, works, and consultancies for their respective project components. MLME has hired a recruiting agency and the procurement process to select a professional management team for LEC has started. All bid evaluations for the infrastructure components have now been concluded. Works are likely to start by the end of 2015, and disbursement are expected to pick up in 2016. The Environmental and Social Impact Assessment for the extension of the network and the construction of the HFO transport and storage facilities is being finalized. A draft of the Resettlement Action Plan for the Monrovia-Kakata corridor has been prepared and consultations with all stakeholders have taken place.

The project has no overdue audit reports.

C. Proposed Changes

It is proposed to delete the disbursement condition stated in Section IV, B.1 of Schedule 2 of the Financing Agreement for Cr.5252-LR. The Government has requested the deletion of this disbursement condition, which requires an amendment to the management contract for LEC between MLME, LEC, and MHI to expand the service area of the contract to include the area along the Monrovia-Kakata corridor.
The GoL has adopted a three-point action plan for LEC management after the financing for the current management contract with MHI comes to an end. In this plan, the new professional management team will have the obligation to ensure that LEC provides efficient services nationwide to all users connected to the national grid. Therefore the disbursement condition stated in the LACEEP Financing Agreement no longer applies since the Government, through the action plan, has addressed the issue of ensuring efficient services to the new users who will be electrified along the Monrovia-Kakata corridor.

Specifically, the action plan has three parts: (i) it will institute an effective transitional management arrangement at LEC; (ii) it will hand over management of LEC to a new, permanent management arrangement; and (iii) it will explore options for how to consolidate and optimize the new management arrangement at LEC through the involvement of private participation in the provision of electricity services. The Government has already started to implement this plan by launching the recruitment of the professional management team with the support of a recruiting agency financed under the LACEEP. The team will bring together expertise on utility management, financial and administrative management, commercial management, planning and engineering, and utility operations. They will constitute the permanent professional management team of LEC and will be responsible, individually and collectively, to run the day-to-day management of LEC. It is expected that these experts would be on board by late 2015.

The Bank and the other donors have expressed support for this approach and the Government’s action plan, and have also stressed the importance of sound governance as an essential element of the strategy for the longer term sustainability of LEC. Notably, to ensure proper accountability, the new management team would need autonomy to effectively manage LEC, including independence from the Board, which should revert to its statutory oversight role. In addition to recruiting a new management team, the GoL is also acquiring and deploying modern management tools, and training local staff in the use of these tools with the support of the donors (notably Norway and the World Bank).

In the meantime, the Government has appointed a transitional management team that will work together with MHI to ensure a smooth handover of responsibilities. The transitional management team will be composed of a Chief Executive Officer (CEO), deputy CEO, and a Chief Financial Officer. This transition will require the GoL to carry out a transparent and organized transfer to ensure full accountability of the outgoing management contractor and the incoming transitional management team. MHI would continue to provide advisory services in selected key areas to be defined in the renegotiation of their contract.

For the reasons outlined above, the disbursement condition related to the LEC Management Contract included in the LACEEP Financing Agreement (Schedule IV, Section IV, Part B, Paragraph 1) dated July 3, 2013 is no longer relevant and thus it is proposed to delete it. In addition, it is proposed to delete all references in the legal agreement to the Amended LEC Management Contract, including the additional event of suspension related to this Amended LEC Management Contract, as they are also no longer relevant.