



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
THE BI-JIJI AND MULEMBWE HYDROPOWER PROJECT
APPROVED ON APRIL 22, 2014
TO
THE REPUBLIC OF BURUNDI

Energy and Extractives Global Practice

Eastern and Southern Africa Region

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ABBREVIATIONS AND ACRONYMS

EDD	End of Disbursement Date
ESMP	Environmental and Social Management Plan
EUTF	European Union Trust Fund
GA	Grant Agreement
GRM	Grievance Redress Mechanism
GoB	Government of Burundi
PDO	Project Development Objective
PIP	Performance Improvement Plan
PIU	Project Implementation Unit
RAP	Resettlement Action Plan
REGIDESO	Régie de Production et de Distribution d'Eau et d'Electricité
TF	Trust Fund



BASIC DATA

Product Information

Project ID P133610	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 22-Apr-2014	Current Closing Date 31-Dec-2023

Organizations

Borrower Republic of Burundi	Responsible Agency
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Project Development Objective (PDO)

Original PDO

The Project Development Objective is to increase the supply of clean and low cost hydropower electricity to Burundi's national grid.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-H9350	22-Apr-2014	18-Jul-2014	12-Jan-2015	31-Dec-2023	100.00	50.89	35.72
TF-A4223	15-Sep-2017	19-Dec-2017	09-Dec-2019	30-Sep-2022	28.27	11.88	17.59

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. The financing for the Burundi - Jiji and Mulembwe Hydropower Project (P133610) in the form of a grant from the International Development Association (IDA) in the amount of SDR 64.7 million was approved by the World Bank Board on April 22, 2014 and became effective on January 12, 2015. The project is co-financed by IDA, European Investment Bank (EIB), European Union (EU), African Development Bank (AfDB), and the Government of Burundi (GoB) with a total funding of US\$270.4 million equivalent.
2. The project development objective (PDO) is to increase the supply of clean and low-cost hydropower electricity to Burundi's national grid. Closing date for IDA financing is December 31, 2023. The project is implemented by a Project Implementation Unit (PIU) within the national electricity and water utility company, REGIDESO.
3. The project is structured around the three following components:

Component A - Hydropower Facilities and Electricity Services which has the six following sub-components:

- a. **Sub-component A1 - Jiji hydropower scheme.** Design, supply and installation of a hydropower scheme with 31.5 MW capacity and select associated infrastructure.
- b. **Sub-component A2 - Mulembwe hydropower scheme.** Design, supply and installation of a hydropower facility with 16.5 megawatts capacity and select associated infrastructure.
- c. **Sub-component A3 – Substations.** Construction of four new substations and extension of three existing substations.
- d. **Sub-component A4 – Transmission Lines.** Construction of 110kV transmission lines of a total length of about 107.2 kilometers that will connect the two new substations located at Jiji and Mulembwe power plant sites, through the Horezo and Kabezi substations, to the RN1 substation that supplies the national grid at Bujumbura.
- e. **Sub-component A5 - Electricity Supply to Communities.** Construction of 30 kV distribution lines of approximately 18 kilometers and low voltage lines of approximately 19 kilometers.
- f. **Sub-component A6 - Social and Environmental Impacts Mitigation.** Implementation of the ESMPs and RAPs.

Component B - Technical Assistance and Project Management enables REGIDESO to manage and supervise the development of hydropower and transmission facilities under Component A, through technical assistance (Owner's Engineer, panel for dam safety, etc.) and support to the PIU.

Component C - Power Sector Reform and Institutional Development supports the implementation of the Performance Improvement Plan (PIP) which includes among others the implementation of a Management Information System and Geographic Information System (MIS/GIS) and a Revenue Protection Program (RPP), as well as the restructuring of the national water and electrical utility, REGIDESO, to improve its operational and financial performance.

4. The EU financing is administered by the World Bank, through a Trust Fund, under the Administration Agreement dated December 17, 2015 (AA TF072498). A related agreement for Grant TF0A4223 was signed between the Republic of Burundi and the World Bank in the amount of EUR 28,239,000 on December 19, 2017 and its original closing date is July 30, 2022.



5. The Recipient Executed Grant TF0A4223 partially finances Component A and Component C of the project. More specifically, it partially finances the following activities:
 - (a) Construction of: (i) a 110 kV substation at Jiji Power Plant site; (ii) a 110 kV at the Mulembwe Power Plant site; (iii) a 110/30 kV substation at Horezo within the administrative locality of Muheka and (iv) a 110/30/10 kV substation in the urban center of Kabezi.
 - (b) Extension of an existing: (i) 110/30/10 kV RN1 substation in commune of Gihosha; (ii) 30/10 kV Bujumbura Sud substation in the urban commune of Kanyosha at Bujumbura Sud in the urban commune of Kanyosha and (iii) 30/10 kV substation at Itaba in the commune of Bururi.
 - (c) Construction of (i) a 110 kV transmission lines of approximately 107.2 km to connect Jiji & Mulembwe substations to Horezo substation, and Horezo substation to the RN1 substation through the Kabezi substation; and (ii) a 30 kV distribution lines of approximately 25.4 km to connect Horezo substation to Itaba substation, and Kabezi substation to Bujumbura Sud substation.
 - (d) Implementation of the Performance Improvement Plan (PIP).
6. It is worth mentioning that the tender documentation and basic design were adapted to incorporate redundancy and upgrade the network of the Project at 220kV, with 220 kV substations and transmission lines in order to improve the overall capacity of transfer and energy exchange between Burundi and the neighboring countries, Rwanda, DRC and Tanzania. However, due to budget constraints, an optimized scope was finally adopted for HOREZO, KABEZI and RN1 substations, with limited redundancy. These modifications introduced some delays in these activities.
7. Moreover, the award of the contract for the construction of the substations was substantially delayed because the preferred bidder requested a price increase, which was contrary to the provisions of the bidding documents, and ultimately refused to sign the contract. Given the fact that all the other proposals had expired, REGIDESO had to relaunch the bidding process with a revised bidding document optimizing the scope of the works to meet the budget constraints. Similarly, the contract award process for the transmission lines was delayed due to a complaint by one of the bidders, which was found unsubstantiated by the Bank and resolved in line with the related procedures by the REGIDESO.
8. As a result of the two above-mentioned aspects (technical modifications and lengthy procurement process) and others beyond GoB's control (including impact of COVID-19), none of these activities, financed by the Grant TF0A4223, can be completed before the current closing date (September 30, 2022). According to latest exchange with the PIU and the request received for extension, REGIDESO targets to have these activities finalized within December 31, 2023 which is the existing closing date of the project as a whole.
9. The implementation of the rest of the project has progressed well over the last 3 years with further improvement in the last six months, as illustrated by (i) tangible progress on the ground in the implementation of the civil works for power stations, and (ii) progress in the implementation of the contracts for the construction of substations and transmission lines, which resulted in an upgrade of the Implementation Progress (IP) rating to Moderately Satisfactory in the last Implementation Status & Results Report (ISR) dated March 19, 2022. As of September 15, 2022, the overall disbursement rate of all the available financing for the project stands at 55.3 percent, while the disbursement rate of the IDA and Grant TF0A4223 stand at 47% (it should be noted however that more than 90 percent of IDA and Grant TF0A4223 financing have been committed).
10. The detailed description of the progress of the various activities of the project are provided below:
 - (a) For the construction of the Jiji and Mulembwe hydropower facilities (financed by IDA), the contract was signed on October 17, 2018, with CMC-ORASCOM, for an implementation period of 35 months for Jiji and 42 months



for Mulembwe. The contractor has since made steady progress, including the implementation of the tunnels and galleries (completed at 30%), diversion for Jiji scheme and Factory Acceptance Tests (FAT) for major hydromechanical equipment (completed at 50%). The manufacturing of the penstocks is underway while the electro-mechanical equipment is in the process of being shipped. At the end of August 2022, the overall physical rate of progress is estimated at 49 percent for these facilities, despite the COVID 19 pandemic and ongoing shortages of fuel and cement in the country which are negatively affecting the project. Even though the project has suffered significant delays, CMC-ORASCOM is committed to completing the construction of these two plants by the actual project closing date of December 31, 2023.

- (b) For the construction and extension of the substations (partly funded by the Grant TF0A4223), a contract was signed on December 6, 2021, with VTTE-SDEL ELEXA for an implementation period of 18 months. The contract became effective on January 24, 2022 and is being implemented without major issues so far. Indeed, the mobilization of resources has taken place, detailed design is being carried out as well as FAT of major equipment.
 - (c) For the construction of the transmission lines (entirely funded by the Grant TF0A4223), a contract was signed on September 17, 2021, with KEC International Limited for an implementation period of 18 months. The contract became effective on January 24, 2022 and is being implemented without major issues so far. Geotechnical studies have been completed and testing of various equipment is underway. KEC has already submitted several engineering documents and detailed design for approval to REGIDESO.
11. With regards to the power sector reforms, while the implementation of the Performance Improvement Plan (PIP) has experienced significant delays due to the limited capacity and responsiveness of the key counterparts, and the impacts of the COVID-19 pandemic, some progress has been achieved lately in the implementation of the Management Information System and Geographic Information System (MIS/GIS), and Revenue Protection Program (RPP) contracts. Indeed, for the MIS/GIS, all the hardware equipment has been delivered and installed. The deployment of the software / key modules is still ongoing. On the other hand, for the RPP, 600 meters were delivered and installed.
12. The project is in compliance with all legal covenants. There are no outstanding or unqualified audit reports, or Interim Financial Reports. Safeguards performance is rated Moderately Satisfactory. Procurement and financial management are also rated Moderately Satisfactory.
13. The present paper seeks to extend the original closing date of the Grant TF0A4223 by 17 months, from July 30, 2022, to December 31, 2023, in line with the current project closing date.

B. RATIONALE FOR RESTRUCTURING

14. Due to the factors mentioned hereabove, the commissioning of the facilities being financed by the Grant TF0A4223 (transmission lines + substations) is unlikely to occur within the current closing date of the Grant (September 30, 2022), the proposed restructuring is required to align the timeline of completion of the activities supported by the Grant with the timeline of completion of the other activities supported by the project (December 31, 2023). To ensure a proper commissioning of the entire project, the facilities being financed by the Grant TF0A4223 (transmission lines + substations) need also to be commissioned along with the hydropower facilities, being financed by the other sources of financing.
15. The GoB has requested the extension of the Grant TF0A4223 closing date to December 31, 2023, which will align it with the current closing date of the IDA financing. Without the proposed extension, the PDO cannot be achieved,



while the GoB has reaffirmed the feasibility of and its commitment for the materialization of the PDO, while the project remains a priority for the country.

- 16. After RVP’s clearance (attached), the EU has approved the extension of End of Disbursement (EDD) at Trustee Level (TF072498) for an additional 16 months from February 9, 2023, to June 30, 2024, to allow additional time to complete implementation and disbursement of ongoing project activities as per hereby proposed timeline for the RETF.
- 17. The PIU has agreed to reinforce the mobilization of resources from the Owner Engineer (OE – AECOM) to ensure timely implementation of these activities through the: (i) mobilization of a resident project manager; (ii) reinforcement of the OE’s team to ensure an efficient contract management of the main hydropower facilities construction contract; and (iii) dedicated supervision of the transmission lines and substations contracts (while previously shared with the main hydropower facilities construction contract).
- 18. The project is also aligned with Burundi’s poverty reduction strategy (PRSP II). In addition to supporting Pillar II of PRSP II “Transforming Burundi’s economy to generate sustainable, job creating growth”, it supports Pillar 1 of “Strengthening the rule of law, consolidating good governance...” by reinforcing the management and commercial function of REGIDESO. It will also contribute to Pillar III of PRSP II “Improving access and quality in basic social services...” by improving power supply to schools, training centers and health facilities.
- 19. The requirements of the World Bank Investment Project Financing Policy and Directive regarding extension of closing date are met, specifically: (i) PDO continues to be achievable; (ii) the World Bank and the GoB agree on actions to complete the project (see table below) and performance of implementing agency remains Moderately Satisfactory; (iii) the project is not subject to suspension of disbursements; and (iv) there are no outstanding audit reports or audit reports which are not satisfactory to the World Bank.
- 20. To ensure the timely completion of the project if the extension of closing date is granted, the World Bank and the GoB have agreed on the following actions.

Table 1. Action plan

No.	Action	Responsible Entity	Deadline
1.	Systematically share the results of the Factory Acceptance Tests (FAT) for major equipment with the panel of experts prior to shipment so that they can give a second opinion on the process	Owner’s Engineer (OE) & REGIDESO	Continuous
2.	Reinforce the mobilization and proactivity of the OE and his technical follow-up of the project (design, construction, and implementation of the RAP/ESMP) for the 3 main contracts.	OE & REGIDESO	Continuous
3.	Ensure rigorous technical and economic verification of the modifications submitted by the Contractor to control the risk of cost overruns (cost/benefit estimation).	OE	Continuous
4.	Undertake a mid-term review of the project to among others conduct an in-depth evaluation of: (i) the results achieved and the physical and financial progress of the project; (ii) the relevance and feasibility of the project's development objective in light of the sector context and government priorities; (iii) the appropriateness of the design of the project activities in light of the objectives (iv) the adequacy of the implementation plan and management aspects of the project; (v) the commitment of the various project stakeholders; (vi) the adequacy	World Bank	September 19 to 30, 2022 – mission confirmed



No.	Action	Responsible Entity	Deadline
	of fiduciary and safeguard aspects; and (vii) the major risks to the project that could impact its implementation.		
5.	Support and monitor the reform of REGIDESO at the highest level by setting up an Inter-ministerial Steering Committee	GoB	October 2022
6.	Adopt an appropriate institutional framework for a better operational performance of REGIDESO with the adoption of legislative and regulatory acts defining the new institutional form to be given to REGIDESO; the restructuring of the company; and the establishment of a performance contract with the State.	GoB	October 2022
7.	Create better conditions for an improvement in the financial situation of REGIDESO with the settlement of the debts of public sector clients and the generalization of prepayment meters for public sector consumption.	GoB	Continuous

II. DESCRIPTION OF PROPOSED CHANGES

21. The proposed change under this restructuring is extension of the closing date.

22. **Extension of the closing date.** Closing date of Grant TF-A4223 is extended until December 31, 2023.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓



EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H9350	Effective	31-Dec-2019	31-Dec-2023		
TF-A4223	Effective	31-Jul-2022	30-Sep-2022	31-Dec-2023	30-Apr-2024



The World Bank

BI-Jiji and Mulembwe Hydropower (P133610)
