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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 29-May-2018 | Report No: 126796

BASIC INFORMATION

A. Basic Project Data OPS TABLE

Country Cote d'Ivoire	Project ID P164145	Parent Project ID (if any)	Project Name P164145 - Cote d'Ivoire: CI-ENERGIES Guarantee
Region AFRICA	Estimated Appraisal Date N/A	Estimated Board Date June 29, 2018	Practice Area (Lead) GEE07
Financing Instrument Investment Project Financing	Borrower(s) CI-ENERGIES	Implementing Agency CI-ENERGIES	

Proposed Development Objective(s)

The proposed development objective is to refinance the short-term liabilities of CI-ENERGIES to improve its financial performance and its ability to attract investments to support the shift towards cleaner energy.

Financing (in EUR Million)

Financing Source	Amount
International Development Association (IDA) covered commercial financing	240.00
Uncovered commercial financing	160.00
Total Project Cost	**400.00**

Environmental Assessment Category C	Concept Review Decision Track II-The review did authorize the preparation to continue

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)
No

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Following the resolution of the political crisis in 2011, Côte d'Ivoire has experienced strong economic growth, driven by robust domestic demand and a surge in both private and public investment.** During the first semester of 2017, the strong economic performance has continued with a GDP growth estimated at 7.8 percent in 2017, despite the sharp decline in cocoa prices and the uncertainty created by volatile security conditions. While growth was driven largely by domestic consumption and investments, strong industrial growth as well as the rebound of agricultural sector have also contributed. Growth prospects remain strong, with a projected growth rate of 7.4 percent in 2018 (with a real GDP per capita growth at 4.7 percent) and above 7 percent in the medium term. Such growth renders the expansion of the Ivoirian economy among the strongest of the Sub-Saharan African region, for which the average forecasted regional growth rate is only 2.4 percent for 2018. Inflation is expected to remain below the 3 percent regional target. Continued improvements in the investment climate, structural reforms in the banking and energy sectors as well as the Government's commitment to pursue the regional integration's agenda will be key to sustain economic performance.

2. **In addition to establishing an appropriate macroeconomic framework and following prudent fiscal policy, the Government of Côte d'Ivoire (GoCDI) has dedicated significant resources in recent years to improve security and social cohesion.** The GoCDI has also adopted structural reforms to set the stage for resilient and private sector-led growth. Some of the main reforms are aimed at improving the business climate, ensuring financial stability and greater inclusion, and improving public governance and financial management.

3. **Public and private investments are needed to maintain rapid and sustainable economic growth and reduce poverty as described in the National Development Plan (NDP) for the period 2016-2020.** The 2016-2020 NDP has ambitious targets both in term of public and private investments. NDP envisages large investments in physical and human capital, which will require estimated investments of FCAF 29,300 billion (about 125 percent of GDP) over the next four years. The sources of financing are expected to be both the Government (37.6 percent) and the private sector (62.4 percent). Ongoing and additional structural reforms as well as through the initiative G20 Compact with Africa are key to boost private investment and consumption and contribute to faster economic growth.

4. **In this context, the Government continues to promote private sector investment by adopting structural reforms to set the stage for resilient and private sector-led growth.** The Government has implemented reforms aimed at improving the business climate, ensuring financial stability and greater inclusion, and improving public governance and financial management.

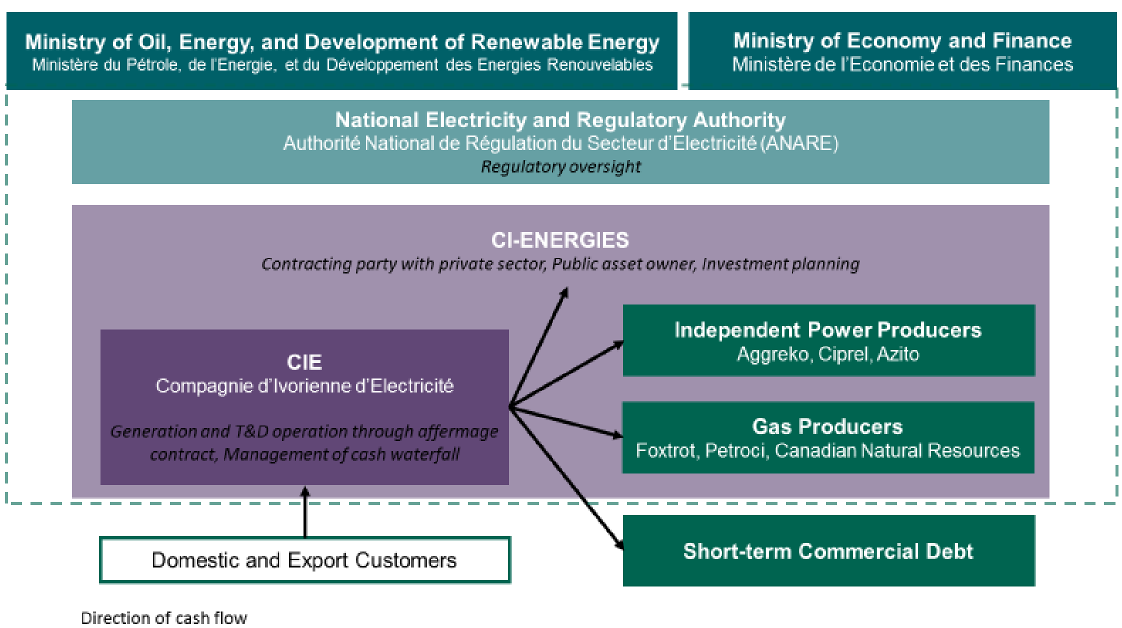
5. **The GoCDI sets the goal in its "Vision 2040" to become an industry-driven economy, united in its cultural diversity and democracy and open to the rest of world**. The country has prepared as its medium-term objective in the National Development Plan 2016-2020 to become an emerging economy based on industrial development by 2020. The National Development Plan is built on five strategic axes: (i) strengthening the quality of institutions and good governance; (ii) acceleration of human capital

development and social well-being; (iii) acceleration of structural transformation of the economy by industrialization; (iv) development of harmonious infrastructure over the national territory in an environmental friendly manner; and (v) strengthening of regional integration and international cooperation. Clearly, the energy sector plays a vital role in addressing these issues.

Sectoral and Institutional Context

6. **The key electricity sector institutions and operators in Côte d'Ivoire include both public and private sector players.** The key institutions are shown in Figure 1. The Société des Energies de Côte d'Ivoire (CI-ENERGIES) is a state-owned asset holding company responsible for managing public assets in the electricity sector as well as planning and contracting investments. The Compagnie Ivoirienne d'Electricité (CIE) is a private company that operates and maintains, on behalf of CI-ENERGIES, a vertically integrated business combining the national transmission and distribution networks and hydro generation plants under a 15-year renewable "affermage" (concession, without investment obligations) contract. CIE's affermage contract is set to expire in 2020, and the Government has begun an analysis of post-2020 options to improve the performance of the sector. IPPs such as CIPREL, Azito, and Aggreko dominate thermal power generation and rely on indigenous natural gas production from private producers, such as Foxtrot or CNR. The Autorité Nationale de Regulation du Secteur d'Electricité (ANARE) is the regulatory agency which has purely advisory functions. The Ministry of Oil, Energy, and Development of Renewable Energy sets policy and plays an overarching surveillance role of the sector. CI-ENERGIES is the contracting party with the gas suppliers and independent power producers.

Figure 1: Institutional Structure



7. **Côte d'Ivoire's existing electrical system is the third largest in West Africa, and is positioned to be one of the main hubs of electricity trading within the West African Power Pool (WAPP).** Côte d'Ivoire has installed generation capacity of 2,199 megawatts (MW). Three IPPs provide gas-fired generation capacity

which account for 60 percent of Côte d'Ivoire's power capacity and 80 percent of generation. The remaining 40 percent of capacity is hydropower. In 2017, domestic electricity sales totaled 6,600 gigawatt hours (GWh). In 2017, Cote d'Ivoire also supplied 1,190 GWh to Énergie du Mali (EDM), Volta River Authority (VRA) in Ghana, Communauté Electrique du Bénin (CEB) for Benin-Togo, the Société Nationale d'électricité (SONABEL) in Burkina Faso, and the Liberia Electricity Corporation (LEC). Côte d'Ivoire is one of the major regional electricity exporter within the WAPP at present.

8. **Though electricity services showed resilience throughout the crisis, the performance and development of the sector were compromised, and the impact of the crisis is still unfolding**. Very little investment took place and maintenance of the electricity network was neglected during the period of political crisis and war in the North and West of the country from 2002 to 2010. However, the *Compagnie Ivoirienne d'Electricité* (CIE), the electricity service operator, continued to supply power throughout the country. The private generation companies Azito and CIPREL also withstood the crisis and continued to supply power effectively, despite a buildup of payment arrears. These arrears were the result of insufficient revenues for the national utility to pay these independent power producers (IPPs), and of insufficient resources for GoCDI to support the sector during the crisis period. Many of the challenges currently facing the sector are due to the lack of investment and minimal maintenance of networks during the long political crisis. Interestingly, the private sector presence in the energy supply chain, from gas production through power production to network management and power distribution, may have served as a bulwark against greater decline during the crisis years, as payment discipline through the supply chain was observed to a large extent.

9. **The GoCDI has taken key actions to tackle the key structural Ivorian electricity sector challenges, which are (i) financial sustainability of the sector; (ii) lag in transmission and distribution network investments; and (iii) low level of household access to electricity.** Improvements in the efficiency of electricity production, reduction of power losses, and a shift towards cost reflective tariffs provide the basis for the long term financial sustainability of the sector. However, improving payment discipline on electricity bills of public clients remains a key challenge for the sector. Fuel cost per kWh produced is dropping as inefficient turbines (Vridi, Aggreko) are being replaced by combined cycles (Azito 4 and Ciprel 5[1]) and more hydro production such as Soubré recently commissioned. By 2020, an average electricity tariff of 74 FCFA/kWh (11.3 EURct/kWh or 12.9 USDct/kWh) is expected to be enough to cover operating expenses and capacity charges of IPPs; it is also projected to be sufficient to cover asset renewals and the expansion of the grid, amounting to 1.6 trillion FCFA (EUR 2.44 bn or USD 2.78 bn) for the period 2016-2020. The transmission and distribution networks are old and overloaded and there has been little funding for rehabilitation and reinforcement over the past decade. Transmission and distribution losses are estimated at 22 percent. The country has already mobilized US$1.5 billion funding for a major upgrade of the medium and high voltage network (estimated at US$3.4 billion over the next decade), including US$ 325 million from IDA-SUFfacility. At about 29 percent, the electricity access rate is relatively low compared to the country's per capita income. The National Program for Rural Electrification (PRONER) and the "Electricity for All" (E4All) Program, launched in 2014, aim to

[1] Private investors in those IPP projects clearly indicated that clearing the sectors arrears were preconditions to moving those IPP investments forward.

significantly increase the access rate of the country. PRONER aims to electrify all localities with over 500 inhabitants in the coming years and E4All has a target of 200,000 new grid connections per year, both rural and urban. A component of the recently-approved IDA 'Electricity Transmission and Access Project' supports the GoCDI electrification program.

10. **The sector's current liquidity challenges undermine the sector's credibility to deliver its medium and long term promises and could undermine the progress made in attracting private funding.** The financial sustainability of the electricity sector is impacted by a short-term debt problem, including a significant stock of arrears. If not addressed these short-term liabilities could undermine some of the foundations of sector financial robustness of the past two decades which have been key to private participants, such as the sector cash waterfall and the financial and management benefits of the *affermage*. Currently a series of IPPs are under consideration and preparation by private investors, as well as expansion projects for two existing IPPs. Gas developers are also considering expansions to their gas production which would greatly solidify the supply in the medium term.

11. **The rapid buildup in short term debt is due to multiple factors, including: (i) currency depreciation against the USD resulting in higher gas costs in local currency, (ii) reduced revenues caused by the rollback in retail electricity tariffs of 2016, and (iii) increased payment arrears by the public sector and neighboring countries.** Revenue collection from private customers fell sharply in the second half of 2016, in the wake of the tariff rollback, although recent efforts from sector entities is bringing back collection to historical levels (90+ %). The Bank is assessing the options to securitize payments on energy exports within the West Africa Power Pool, with an initial focus on arrears owed to Cote d'Ivoire.

12. **The sector has little prospect of reducing its debt significantly without external support.** Refinancing of the short-term debt on longer terms is essential to make the debt more sustainable and restore confidence in the sector, which in turn will allow maintaining the inflow of private investments that are at the heart of sector structural improvements. Commercial lenders would be interested in such an operation if backstopped by a World Bank Guarantee to extend maturities.

Relationship to CPF

13. The proposed project is aligned with the most recent Country Partnership Framework (CPF, 2016-2019) objective of strengthening economic infrastructure to accelerate private-sector led economic growth. It would help strengthen CI-ENERGIES's financial situation and enable to develop its long-term investment plan, which in its turn will help currently under-served regions of the country attain acceptable levels of basic services, which depend upon a supply of electricity.

14. The proposed project is also aligned to the World Bank's Energy Strategy, which is designed to help client countries secure affordable, reliable, and sustainable energy supply needed to meet the World Bank Group's twin goals of poverty reduction and shared prosperity.

C. Proposed Development Objective(s)

15. The proposed development objective is to refinance the short-term liabilities of CI-ENERGIES to improve the electricity sectors' financial performance and its ability to attract investments to support the shift towards cleaner energy.

Key Results

PDO Indicator:

i. Private capital mobilized in EUR and/or FCFA.
ii. Debt Service Coverage Ratio (DSCR)
iii. Category B Costs Coverage Ratio
iv. EBITDA
v. Capital indirectly leveraged, including from cleaner energy sources

D. Concept Description

Project Components

16. The Project will provide a EUR 240 million equivalent IDA Guarantee to enhance CI-ENERGIES's credit quality and enable the Company to raise up to EUR 400 million (part of which is potentially to be raised in equivalent amounts in EUR and/or CFA) of new commercial debt with lower interest rates and longer tenors than the currently short term and expensive financing available to it. This new debt will be used to restructure/replace a substantial portion of the sector's existing short term commercial debt accumulated at the level of CIE, the private operator. The result of this operation would be an expected reduction of the sector's financing costs annually and an improvement of the availability of liquidity in the cash waterfall to pay IPPs and gas suppliers. The operation is a first introduction of CI-ENERGIES to local and international banking markets and will facilitate CI-ENERGIES' access to commercial long-term financial sources in view of its long-term infrastructure investment plan.

17. Achieving the objective is dependent on sustained financial discipline on the part of the Company and is highly intertwined with ongoing parallel sector efforts via the Electricity Transmission and Access Project and the DPO currently under preparation. These WB interventions combined with investments considered by IFC in IPPs and the IMF program give the WBG the right tools to move this agenda forward.

E. Implementation

Institutional and Implementation Arrangements

18. CI-ENERGIES Finance Department will be responsible for the overall implementation, coordination, and monitoring of the project. The Finance Department is managed by the Finance & ICT Director supported by three managers, Finance Manager, Corporate Finance Manager and ICT Manager, each one of them with their subsequent reports.

F. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

19. This guarantee was assessed as being associated with low risk as no civil works or activities that might impact negatively environment or communities will be undertaken on the ground. As a guarantee, the project does not have a physical location.

G. Environmental and Social Safeguards Specialists on the Team

Abdoulaye Gadiere (GEN07), Abdoul Wahabi Seini (GSU01)

PERFORMANCE STANDARDS THAT MIGHT APPLY

Performance Standards	Applied? (Yes/No/TBD)	Explanation (Optional)
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	Yes	This performance standard is triggered because it is mandatory to assess the CI-ENERGIES' Environmental and Social Management System(ESMS).
PS 2: Labor and Working Conditions	Yes	This Performance Standard is triggered because the labor and working conditions standard is also applied to the Borrower's own staff
PS 3: Resource Efficiency and Pollution Prevention	No	The PS is not triggered under the proposed guarantee as no civil works or activity are planned that might induce pollution cases
PS 4: Community Health, Safety, and Security	No	The PS is not triggered under the proposed guarantee as no civil works or activity are planned that they could present risks for health, safety and security
PS 5: Land Acquisition and Involuntary Resettlement	No	The PS is not triggered under the proposed guarantee as no civil works or activity are planned that might require land acquisition or involuntary resettlement
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	No	The PS is not triggered under the proposed guarantee as no civil works or activity are planned that might impact biodiversity or living natural resources
PS 7: Indigenous Peoples	No	There are no indigenous people in the project area as defined by the PS
PS 8: Cultural Heritage	No	The PS is not triggered under the proposed guarantee as no civil works are planned that would induce excavations with probability to undercover physical cultural resources

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Not applicable

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Not applicable

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Not applicable

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

In Cote d'Ivoire, the Ministry of Sanitation, Environment, and Sustainable Development (MINSEDD) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. It has different departments among which the National Agency of Environment (ANDE, Agence Nationale de l'Environnement) in charge of safeguards compliance of all projects in the country. The unit is well staffed but its capacities are considered as moderate. It also faces a lack of vehicles for field visits, and funding shortage to oversee the implementation of the Environmental and Social Management Plans (ESMP).

With regard to the PIU, CI-ENERGIES is well familiar with World bank's safeguards policies for having the opportunity of implementing two world bank funded projects. However, this is not the case regarding Performance standards that are new and on which no training was undertaken yet. Despite this situation, there are no fears as this operation is a guarantee and no safeguards works is expected. However, CI-ENERGIES has an Environmental and Sustainable Development Department with two environmental specialists and a Social development specialist. The environmental and social safeguards specialists will be trained on the new environmental and social framework (Performance standards) so that they can be ready to handle any safeguard aspects in full compliance with performance standards.
The Assessment and Management of Environmental and Social Risks and Impacts will enable the Bank to assess whether instruments will need to be prepared during the implementation of the Project.
The proposed project is a guarantee that is not expected to have any environmental or social impact. However, the PS1 is triggered because it is mandatory to assess the CI-ENERGIES' Environmental and Social Management System(ESMS). This guarantee operation will enable the refinancing of existing debt that has already been used in the power sector. Therefore, no direct physical investment will be realized on the ground which are associated with any potential environmental adverse impacts. As per safeguards policies applicable to guarantee operations, an Environmental and Social Management System (ESMS) assessment of CI-ENERGIES was realized and that assessment concluded that CI-ENERGIES has an acceptable ESMS. The company has an Occupational-Health and Safety (OHS/) policy. In addition to that, it is also certified Quality-Safety and Environment (ISO 9001 (2008), OHSAS 18001 (2007) and ISO 14001 (2004).). On each site operated by CI-ENERGIE/CIE, there is an Internal Operation Plans (IOPs) and staff are regularly trained for more effective and efficient interventions when needed. Regular drills and exercises are organized and the ESMS is audited annually.

In addition to the PS1, the PS2 related to Labor and Working conditions is also triggered as CI-ENERGIES has to apply that PS on its own staff. The assessment has shown that staff work 40 hours/week, have annual and sick holidays, maternity and paternity leave, and insurance for themselves and their relatives. Staff of CI-ENERGIES have access to clean toilets in and offices are equipped with safe drinking water supply and health centers. Buildings are equipped with fire extinguishers and staff are regularly trained for their proper use. The working environment allows any employee to bring to the management attention any concern related to working conditions and/or bad behavior of a colleague. CI-ENERGIES has a work environment policy that guides staff behavior. Each staff has a contract stating the conditions of his/her employment, including benefits and training. No minors are employed by CI-ENERGIES.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Not applicable

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

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Implementing Agencies

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APPROVAL

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