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IMPLEMENTATION COMPLETION REPORT
(IDA-30690)

ON A

CREDIT

IN THE AMOUNT OF US\$100 MILLION EQUIVALENT

TO THE

SENEGAL

FOR AN

ENERGY SECTOR ADJUSTMENT OPERATION

06/30/2003

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CURRENCY EQUIVALENTS

(Exchange Rate Effective)

Currency Unit = CFAF

CFAF 100 = US\$

US\$ 1.00 = CFAF

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ASER	Agence Sénégalaise d'Electrification Rurale (<i>Senegal Rural Electrification Agency</i>)
bbl	Barrel
BOO	Build, Own and Operate
CAS	Country Assistance Strategy
CPRSE	Cellule de Préparation et de Suivi des Réformes du Secteur de l'Energie (<i>Project Implementation Unit</i>)
CRSE	Comité de Régulation du Secteur de l'Energie (<i>Energy Regulatory Agency</i>)
EdF	Electricité de France (<i>French Power Utility</i>)
ESAC	Energy Sector Adjustment Credit
GOS	Government of Senegal
IMF	International Monetary Fund
IPP	Independent Power Producer
LPG	Liquified Petroleum Gas
MOP	Memorandum of the President
MW	MegaWatt
OED	Operation Evaluation Department
OMVS	Organisation pour la Mise en Valeur du Fleuve Sénégal
PCD	Project Concept Document
PETROSEN	Société Nationale des Pétroles (<i>Senegal Petroleum Company</i>)
PPF	Policy Framework Paper
PPF	Project Preparation Facility
SAR	Société Africaine de Raffinage (<i>African Refining Company</i>)
SENELEC	Société Sénégalaise d'Electricité (<i>Senegal Power Utility</i>)
QAG	Quality Assurance Group

Vice President:	Callisto E. Madavo
Country Manager/Director:	John McIntire
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SENEGAL
ENERGY SECTOR ADJUSTMENT OPERATION

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<i>Project ID:</i> P051357	<i>Project Name:</i> SN ENERGY SEC. ADJ.
<i>Team Leader:</i> Said R. Mikhail	<i>TL Unit:</i> AFTEG
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> June 30, 2003

1. Project Data

Name: SN ENERGY SEC. ADJ. *L/C/TF Number:* IDA-30690
Country/Department: SENEGAL *Region:* Africa Regional Office
Sector/subsector: Power (22%); Oil & gas (22%); Forestry (21%); General energy sector (21%); Central government administration (14%)
Theme: Other financial and private sector development (P); Debt management and fiscal sustainability (S); Macroeconomic management (S); Other rural development (S); Regulation and competition policy (S)

KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 05/19/1997	<i>Effective:</i> 12/10/1998	
<i>Appraisal:</i> 10/23/1997	<i>MTR:</i> 11/01/2002	
<i>Approval:</i> 05/19/1998	<i>Closing:</i> 12/31/1999	01/31/2002

Borrower/Implementing Agency: Gov. of Senegal/Ministry of Energy; Gov. of Senegal/Mines and Industry
Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	Callisto Madavo	Jean-Louis Sarbib
<i>Country Director:</i>	John McIntire	Mahmood Ayub
<i>Sector Manager:</i>	Ananda Covindassamy	Mark Tomlinson
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: U

Sustainability: UN

Institutional Development Impact: M

Bank Performance: S

Borrower Performance: U

	<i>QAG (if available)</i>	<i>ICR</i>
<i>Quality at Entry:</i> S		S
<i>Project at Risk at Any Time:</i> No		

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

3.1.1. The objective of the Energy Sector Adjustment Credit (the Project) was to support a comprehensive program of reforms in the energy sector, submitted by the Government of Senegal (Government) to the Bank on January 1997 through a Letter of Sectoral Development Policy (Policy Letter). The Government's Energy Sector Reform Program (the Program) was coherent with, and part of, a medium term macroeconomic reform agenda, which was outlined in the 1996-1999 Policy Framework Paper as submitted to the Board in the CAS dated January 1998. The overall objectives of the Program were to rationalize the procurement, production, distribution and consumption of energy in Senegal.

3.1.2. The Government reform strategy aims at improving the efficiency and competition of the energy sector, strengthening private sector participation and increasing the access of the population to energy while protecting the environment.

3.1.3. The MOP for the Project emphasized the following points: (i) Senegal needed to solve energy sector issues to achieve the country's structural adjustment program and its stabilization objectives, (ii) because of its pervasive effects on all sectors of the economy, energy needed to be supplied at the lowest prices to reduce distortions and maximize efficiency in domestic production, and (iii) the energy sector was in a position to attract private investment and to mobilize significant external resources.

3.1.4. The main issues that the Project expected to address were summarized in the MOP as follow:

Household Energy Sector. The supply of wood fuels to the urban and peri-urban areas is based on geographically concentrated and non-sustainable forest resource management practices – mostly clear cutting. Given the relatively low efficiency of wood-to-charcoal conversion (18%), over the years, the operation of the charcoal industry has resulted in gradual loss of forest cover (approx. 30,000 ha/year) and degradation of the rural environment.

The Petroleum Sector. Upstream. The country's petroleum potential is unknown. Future exploration will depend on increased efforts on the part of the Government (through PETROSEN, the National Petroleum Company) to attract oil companies. A revision of the petroleum code is needed to make it more modern and competitive. Petroleum exploration is an expensive and risky undertaking and should be left to the private oil companies, thus the statutes of PETROSEN need to be revised to limit its activities to promotion only.

Downstream. Prices of petroleum products in Senegal are 2.5 to 3 times their economic cost. This is due to taxes in the sector related to the Government's dependence on the sector for fiscal revenues. The local refinery, SAR, a heavily subsidized private company and the sole producer of petroleum products in the country, receives a subsidy of US\$2.30/barrel to guarantee a 12 percent return to its private owners. These subsidies allow the company to be inefficient in procurement, storage, transportation and distribution of fuel derivatives, for example: (i) the available storage capacity exceeds the actual and foreseeable volume required entailing excessive costs, (ii) with

regard to petroleum product transportation, there are some 10 legally protected cartel companies, (iii) with regard to distribution there are too many petrol stations, keeping the average sales volume too low and increasing the costs of distribution, (iv) Liquid Petroleum Gas (LPG) for households is heavily subsidized to reduce consumption of fuel wood; the cost of this subsidy to the State has increased rapidly as consumption of LPG has more than quadrupled in less than 10 years, and, (v) gasoline and diesel fuel for the fishing industry, as well as diesel and fuel oil for power generation are also subsidized.

Electric Power Sector. The major issue in the power sector is the low level of coverage. Access to electricity supply is largely confined to Dakar and four other cities. Village electrification is limited, and the vast majority of the population living in rural areas has no access to electricity. A second issue relates to inefficient management and operations and the deteriorating financial performance of SENELEC, the national power utility. These inefficiencies contributed to the overall deterioration in the country's economic performance. Legislation grants to SENELEC the monopoly to provide electricity services as all generation, transmission and distribution facilities are owned by the State. The legal and regulatory framework for the power sector needs revamping to be able to attract private investors.

3.1.5. Specific actions of the Program that were supported by the Project encompassed the Household, the Petroleum and the Power Sectors and can be summarized as follow: (i) the transfer of responsibility from the Government to the rural communities of the sustainable management and exploitation of the natural forest resources, (ii) the liberalization of the procurement, import, transport and distribution of petroleum products; (iii) the abolition of the monopoly and special convention enjoyed by the local refinery; (iv) the modification of petroleum product prices and taxes to promote competition and remove the existing subsidies, (v) the enhancement of legislation to encourage oil exploration and exploitation by the private sector, (vi) the modification of the electricity sector's regulatory framework to encourage private sector investment in the production and distribution of electricity; and (vii) the privatization of SENELEC.

3.1.6. The overall objectives of the Program were ambitious but appropriate; however, the specific objectives were only articulated in the Letter of Development Policy and were a little vague. The Bank had provided financial support to the energy sector in Senegal -- through the Energy I Project (Cr. 3069)-- which did not improve the institutional situation of the sector or in the managerial, operational and financial situation of SENELEC. Bank reviews of the options to improve the energy sector situation concluded that substantial reform, including privatization, were needed to improve sector efficiency. The Government liberalization strategy, which was the basis for the processing of the ESAC, was correctly formulated and timely, as it took advantage of a window of opportunity within the national political environment .

3.2 Revised Objective:

3.2.1. The original objectives of the Credit were not revised. However, the Bank approved a restructuring of the Credit in February 2001. The purpose of the restructuring was to divide the second tranche, which was to be disbursed upon compliance with conditions related to power sector reform and privatization. The restructuring split the second tranche of SDR 55.5 million into two, creating a second tranche of SDR 22.0 million, which focused on all conditions except the privatization of SENELEC, and a third tranche of SDR 33.5 million, which focused on the

condition linked to privatization. This restructuring aimed at allowing the Government additional time to complete actions related to the re-privatization of SENELEC, following the failure of the first privatization in September 2000

3.3 Original Components:

3.3.3. Reform in the petroleum sector aimed at the full liberalization of crude oil procurement, refining and commercialization, including creating incentives for competition and a sound regulatory system. The following conditions were linked to these objectives: (i) adoption of a new Petroleum Code that encouraged private exploration, while limiting intervention of the state's PETROSEN in this activity, (ii) liberalization of the procurement, importation, transportation, storage and distribution of petroleum products by abolishing existing monopolies and encouraging competition, (iii) abolishing the US\$2.30/bbl refining fee paid by consumers and passed to the refinery, SAR, and replacing it with a temporary and declining surtax on imported refined petroleum products, (iv) establishing a differential import duty on refined products (except for kerosene and LPG, which are considered social products).

Electricity Sector

3.3.4. Reforms in the electricity sector aimed at introducing private sector participation in investments and operations of the power sector, encouraging efficiency and ensuring adequate supply. Specific objectives of this component were: (i) incorporating SENELEC by law and transferring all state-owned generation, transmission and distribution assets to the incorporated SENELEC, (ii) enacting a new electricity law and the corresponding application decrees, (iii) establishing an independent regulatory agency for the power sector, and (iv) privatizing SENELEC. The electricity law was to achieve the following: (i) clearly separate the policy, planning, regulatory and managerial responsibilities between sector authorities, (ii) establish clear regulations and principles for the operation of the independent regulatory agency, (iii) introduce an evolving model towards progressive unbundling of the sector activities (generation, transmission and distribution), (iv) introduce competition in generation, (v) open access to the transmission grid, and (vi) establish a rural electrification agency (ASER) and its technical and financial organization. Privatization of SENELEC was to be done under the following conditions: (i) a Strategic Partner, selected through an international bidding process, would purchase at least 33% of shares of the corporation and would assume full managerial and operational responsibilities of the company, (ii) the State would not retain more than 41% of the shares of SENELEC and would divest the remaining portion of the shares (not taken by the Strategic Partner) by selling them to the general public and to SENELEC workers.

Credit Disbursement

3.3.5. The Credit amount was SDR 74 million, originally set in two tranches. SDR 18.5 million were disbursed upon effectiveness (December 1998). The Project was designed with substantial upfront conditionality, and thus upon Board presentation the Government had complied with much of the credit conditionality. In accordance with terms of the Credit Agreement, the second tranche of SDR 55.5 million was to be released upon compliance with the following conditions: (i) the country's macroeconomic framework was consistent with the energy reform process, and (ii) progress achieved in the execution of the energy reform program was satisfactory. On the latter, specific actions to be complied with for second tranche release related to the petroleum and

to the electricity sectors and were the following: (i) the Government had taken all necessary steps within its control to bring at least 59% of SENELEC's total share capital to the point of sale to a Strategic Partner, other entities in the private sector and SENELEC's personnel; (ii) the Government had established an autonomous regulatory authority for the power sector, (iii) the Government had implemented all agreed upon instruments to determine the prices of petroleum products, and (iv) the Government had reduced and eventually eliminated subsidies on LPG and fuels for power generation. No specific actions were designed to monitor further compliance with conditions related to the household energy sector.

3.4 Revised Components:

3.4.1. Project components were not revised during implementation.

3.5 Quality at Entry:

3.5.1. The design of the Project was based on a comprehensive evaluation of the sector issues by the Bank as summarized in the PCD and the MOP, and by the Government as it was reflected in the Government Policy Letter. The Project design drew lessons from the evaluation of the Energy I, Project (1987-1992) that mostly supported expansion of SENELEC generation, transmission and distribution facilities, and provided technical assistance to SENELEC for institutional betterment. A completion report prepared by OED on the Energy I Project concluded that overall compliance with the objectives of the project was unsatisfactory, sustainability unlikely and institutional development modest. On the basis of these results, the Bank slowed down preparation of an Energy II project, the design of which had followed the lines of the Energy I Project, and reconsidered its strategy towards the energy sector in Senegal. The new Bank strategy focused on substantial sector reform to which the Government was amenable. The 1995 PFP included the main reform principles reflected later on the Policy Letter, particularly: (i) liberalization of petroleum products import, refining and commercialization, (ii) privatization of SENELEC and preparation of a power sector legal framework, and (iii) transfer to local communities of the handling of forest products.

3.5.2. The Project content was discussed at length with the Government and internally in the Bank during Project preparation. Within Senegal, the views of the Ministry of Energy and Mines dissented to some extent with those of the Ministry of Finance, in particular with regard to the privatization of SENELEC. Two major issues were at stake: (i) the **sector structure** to be defined in the electricity law, and (ii) the **shareholding participation of the Strategic Partner**.

3.5.3. With regard to the **sector structure**, the Ministry of Energy and Mines felt that, prior to privatization, the structure of the power sector should be unbundled to introduce competition in the sector and to profit from the country's geographical situation, from the realization of an international hydropower project (Manantali) and from the growth prospects of the sector. However, unbundling the sector prior to privatization would have taken considerable time. The Ministry of Finance thought that the privatization of SENELEC should be realized on urgent basis within a window of opportunity determined by the then prevailing political environment, and that Senegal could not afford the additional time required to unbundle the sector. As a compromise, the Bank and the Government agreed that the electricity law would be based on an evolving sector structure that would permit privatizing SENELEC initially as a monolithic company followed by mandatory and progressive unbundling of its activities.

3.5.4. With regard to the **shareholding participation of the Strategic Partner**, the Ministry of Energy and Mines did not agree with the Bank recommendation to privatize upfront at least 51% of SENELEC's shares as it was concerned with the possible reaction from SENELEC unions (particularly SUDELEC) to the idea of privatizing the sector. SENELEC workers had shown considerable negotiating power with the Government in the past, and were rumored to have engaged in the sabotage of installations when conflicts arose. The Ministry of Energy and Mines favored a solution that would disguise to some extent the privatization by setting an open-ended capital participation for the Strategic Partner. Under this solution, which later became the Government proposal for privatizing SENELEC, the bidders interested in becoming SENELEC's Strategic Partner would select the percentage of SENELEC shares they would like to purchase, with a minimum of 33%. The Government committed itself to hand over to the Strategic Partner all operational responsibilities and to proceed to a progressive divestiture of SENELEC's assets by selling additional amounts of the company shares to SENELEC workers and to the general public so as to retain for the State no more than 41% of the shares. Although the Bank considered this approach sub-optimal, it was accepted, and later proved to be one of the main reasons for the failure of SENELEC's privatization.

Quality at Entry Rating

3.5.5. Despite the above shortcomings, quality at entry is rated as satisfactory. The Government focus on the energy sector reform recognized the large influence that the sector had in the adjustment process and the content of the Project was a pivotal element of the Government macroeconomic reform agenda. The Project objectives were fully consistent with the Government strategy for rationalizing the functioning of the energy sector and with the Bank country assistance strategy. The IMF also supported Senegal's adjustment efforts through a three-year Enhanced Structural Adjustment Facility.

3.5.6. A QAG Panel assessed quality at entry as satisfactory (February, 1999). The policy content of the Project was praised as balanced, realistic and well designed. However, the Panel queried the uneven pace of proposed reforms among the sectors, indicating that reforms related to the Electricity Sector appeared slower than the corresponding to the Petroleum Sector. The Panel indicated that a faster pace of reform could have been introduced within the power sector. The Panel also stressed the need to maintain a close supervision and to ensure full compliance of conditionality for releasing of the second tranche (the Credit included originally two tranches, these were increased to three as a result of the Credit restructuring).

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

4.1.1. The outcome of the Project was uneven amongst the three sectors, and it is rated as marginally unsatisfactory. The achievement of objectives was also marginally unsatisfactory because, even though the initial reforms were comprehensive and well designed, the Government did not take all subsequent actions that would have permitted it to consolidate the reforms, while the Bank was unable to provide further financial and technical support to the sector at times when reforms were losing implementation momentum. Ultimately, the reform objectives in the petroleum sector were largely obtained, while those in the household energy sector were marginally achieved, but may not be sustainable, and those in the power sector were largely not achieved.

4.1.2. A particular issue that weakens the Project rating –and still remains unsolved-- is the privatization of SENELEC. After a successful selection of a Strategic Partner, the Government failed to keep SENELEC in private hands, mainly because the privatization scheme was flawed in two aspects: (i) even though the Strategic Partner was responsible for management and operations of SENELEC, the State continued to be the major shareholder, and (ii) the 50/50 composition of the Consortium gave way to internal confusion and conflicts. Despite the Government commitment to continue its efforts to place SENELEC's administration under private hands this has not been achieved. First, the Government reacted too hastily in revoking the concession agreement contracted with a Strategic Partner. Second, the Government was unable to complete a second privatization attempt (November 2001) mostly due to the current uncertain business environment for private power investors in developing countries.

4.2 Outputs by components:

4.2.1. Given that this is an adjustment operation, outputs are assessed on the basis of compliance with Credit conditionality, which reflect the expected outcome of the implementation of the Program. The Project was designed with substantial up-front conditionality, and release of the first tranche was based on actual implementation of many of the reform elements. Consequently the Credit Agreement had no conditions for first tranche release {typically it does not}. Conditions for second tranche release are spelled out in Section 2.02 and Schedule 2 of the Credit Agreement, as follow: Section 2.02(i) the Bank should be satisfied with the progress achieved by the Borrower in the carrying out of the Project, Section 2.02(d)(ii) the macroeconomic framework of the Borrower shall be consistent with the objectives of the Project, Schedule 2(a), the Borrower; (i) has taken all necessary steps within its control to bring at least 59% of SENELEC's total shares to the point of sale to: (a) a Strategic Partner, (b) other entities in the private sector, and (c) SENELEC's personnel, (ii) has established an autonomous regulatory authority for the power sector, and (iii) has complied with prices and regulatory measures aimed at rationalizing petroleum products prices.

4.2 Outputs by components:

4.2.2. Substantial compliance with the objectives on the Project was achieved prior to Board approval. In Senegal, an Inter-Ministerial Steering Committee on Energy Sector Reform with representatives from all ministerial departments concerned was responsible for coordinating and guiding the implementation of reforms. Preparation of the legal and regulatory framework and the privatization of SENELEC were entrusted to a Project Implementation Unit (CPRSE) managed by three specialists (an economist, an engineer and a lawyer) under the responsibility of the Ministry of Energy and Mines. Progress in the implementation of the Project, by the time of Board presentation, can be summarized as follow:

- **Macroeconomic Policies and Performance and Energy Sector Policy.** The Bank assessed that the Bank/IMF supported Government 1997 PFP was substantially on track and constituted sound basis for approval of the Credit.
- **Household Energy Sector.** In accordance with principles spelled out in the Policy Letter, the Government enacted a new Forestry Code and the corresponding application decrees that

decentralized use of wood fuel resources by transferring management responsibilities of wood fuel and charcoal to rural communities. This also involved (i) the implementation of sustainable community forest management systems over an area of 300,000 ha within a period of six years, from which wood fuels would be rationally produced, (ii) protection of national parks, (iii) liberalization of charcoal prices, (iv) elimination of subsidies on LPG, (v) promotion of kerosene usage in rural areas, and (vi) promotion of improved stoves.

- **Petroleum Sector.** Petroleum Sector reforms were far reaching. They were implemented through the enactment of various legal instruments that fundamentally and gradually liberalized the sector and refocused the role of PETROSEN. The legislation provided for: (i) abolishing existing monopolies for importation, transport, refining and commercialization of crude oil and petroleum products; (ii) ensuring third party access to transport and storage of petroleum products; (iii) adopting rules of competition and encouraging private sector participation, (iv) eliminating the US\$ 2.30/bbl surcharge over petroleum products held by the national refinery (SAR), and (v) establishing a temporary and declining import surtax on refined products. PETROSEN's statutes were modified to limit its activities to the promotion of Senegalese hydrocarbon potential, leaving exploration and exploitation to the private sector. The Government also created the Hydrocarbons Commission, a high level institution that provides policy guidance to the government, and it established a hydrocarbon products regulator responsible for setting prices and quality standards for petroleum products. The new price structure for petroleum products adopted by the Government reflects economic costs calculated on the basis of international crude price levels.

- **Electricity Sector.** By Credit effectiveness (December 1998), the Government had complied thoroughly with the power sector reform program as stated in the Policy Letter. A new Electricity Law was approved that provided for the establishment of a new sector structure and appropriate regulations. SENELEC had been converted into a corporation and ownership of all generation, transmission and distribution assets operated by SENELEC had been transferred to the corporation. SENELEC's first privatization was done in a fast and efficient manner. The bidding process was launched in October 1998. The selling of shares to, and the effective take over of operational responsibilities by, the Strategic Partner took place in March 1999. Finally, a new institution in charge of peri-urban and rural electrification, ASER had been created.

Power Sector Reform Features

4.2.3. The new legal framework opened up generation to the private sector by granting private investors access to licenses and concessions and by making it mandatory for SENELEC to procure all new generation under the BOO (build, operate and own) formula. It changed the traditional concept that power sector facilities (generation plant and power supply network) belong to the State and transfer ownership of such facilities to the service provider (concessionaire). Unbundling of the sector was to be implemented in the long term, and the three different activities (generation, transmission and distribution) would be separated. For places where electricity service already exists, when current distribution licenses expire, distribution concessions were to be granted under a call for tenders from Private Operators, local collectives and cooperatives. The same procedure is to be followed for places now lacking electricity. Price

regulation is based on a price cap. Price cap formulae were based on the current operational costs of the system at the beginning of the price fixing period. Efficiency gains in the network can be retained by SENELEC --and later by other concessionaires-- within price fixing periods, and are to be shared with consumers at the end of the rate fixing period. Sector regulations are to be enforced by a regulatory agency (CRSE), created by the Electricity Law with the following core functions: (a) protecting the interests of consumers and producers, (b) granting (and revoking where applicable) various types of operating permits (independent production, concessions); (c) interpreting and applying the tariff setting principles; and (d) defining operating standards and rules for the electricity sector. This agency is also responsible for monitoring and approving competitive bidding processes undertaken by SENELEC to obtain additional capacity for electricity production.

Privatization of SENELEC

4.2.4. The privatization of SENELEC, initially as a private monopoly, took place under a call for tenders with an initial transfer of at least 33% of the shares to a Strategic Partner (private investor and operator). Additional shares were to be sold to the Senegalese private sector and to SENELEC's employees, so that the State would own 41 % or less of the shares of the company. A shareholders agreement between the Strategic Partner and the State, contained clauses that would ensure that the responsibility for the company's management and operation would rest fully with the Operator. SENELEC's management responsibilities and commitments in terms of expanding electrification were set forth in a concession agreement.

4.2.5. The privatization of SENELEC was completed within reasonable time. Congress approved the Electricity Law and application decrees on April 1998. The Government, with support from a restructuring and privatization adviser defined the sector structure, and the main features of the regulatory process, and drafted legal documents (electricity law and application decrees) in the period June-October 1998. The Government, with support from an investment bank, defined the privatization strategy. The tender documents (selection procedures, information memorandum, legal agreements, including the concession contract and the organization of the data room) were prepared by the CPRSE with support from a technical adviser. The privatization process itself, which included the pre-qualification of bidders was completed with support from the investment bank in the period November 1998-February 1999. Four candidates were qualified of which only two, the consortium formed by Hydro-Quebec (HQ), Canada, and Elyo, France (the Consortium) and Electricité de France (EdF) presented financial proposals. The Consortium presented the higher per-share price: 27.83 Euro per share for 2,142,000 shares equivalent to 34% of the total shares (6,300,000). In accordance with the bid documents award was done on the basis of the highest per-share price offered. This may have been an error in the design of the formula for evaluating offers, as the second bidder, EdF, had offered to purchase a higher proportion of shares (49%) at a slightly lower price (26.98 Euro per share) and thus would have paid a higher total price. Operational responsibilities of SENELEC were transferred to the Operator on March 1999.

SENELEC Privatization Failure

4.2.6. In accordance with the Credit Agreement, disbursement of the second tranche of the Credit was contingent upon overall compliance with the objectives identified in paragraph 4.2.1, which were linked to progress in carrying out the reform program. Initially, though SENENLEC

had been privatized, the tranche was not released because other conditions linked to the liberalization of petroleum product prices had not been met. By the time these were met, SENELEC's privatization had been revoked.

4.2.7. Within the first privatization agreement, the legal framework was oriented towards progressive introduction of competition in generation. In principle, the new concessionaire would call for bids for new generation, since when privatization was realized there were shortages of generation capacity and SENELEC's generation plants were working with low efficiency and high production costs. However, SENELEC's infrastructure and other facilities for installing generation were highly valuable, particularly at the sites of Cap des Biches and Bel Air. Since it would also have been cost-effective to allow SENELEC to rehabilitate existing capacity, the enacted legislation permitted --but did not mandate-- that SENELEC could rehabilitate its generators. It was assumed that SENELEC would have strong financial incentives to do so, and thus the concession contract indicated that SENELEC would be allowed to rehabilitate existing generation plant within certain time limits and subject to approval by the CRSE. However, SENELEC --under the Strategic Partner management-- did not rehabilitate the existing installations within the given timeframe. This was the major reason given by the Government for the cancellation of its contract with the Consortium.

4.2.8. In accordance with contractual arrangements, if SENELEC had wanted to rehabilitate existing facilities, it should have presented to the Regulator, CRSE, a plan within the eight first months of the contract, with such plan to be realized within a period of 30 months. This obligation was clearly stated in the Shareholders Agreement. However, eighteen months after the Strategic Partner had taken over SENELEC's operations, the company had not produced a rehabilitation plan. Nor had SENELEC made the necessary arrangements to bid for additional capacity on a BOO basis as provided by the law. Moreover, demand had increased substantially which, when added to the poor reliability of the existing generation equipment, resulted in capacity shortages and brown outs. It should also be noted that, in the meantime, there had been a change of government in Senegal when the opposition candidate, Abdoulaye Wade, won the presidential elections. Public outcry due to poor service and continuous energy shortages, black outs and brown outs increased. In September 2000, the Government decided to end the concession and, without prior discussion with the Consortium or the Bank, cancelled the concession. However, by December 2000, a "friendly" mutually agreed termination agreement was signed between the Government and the Strategic Partner, the details of which were never discussed with or communicated to the Bank. However, upon the contract termination, the Government declared its intentions to adhere to the privatization of SENELEC.

4.2.9. As mentioned above, the main reason that the Government gave for the cancellation of the concession contract was the poor service provided by SENELEC. However, it is likely that the Government's decision was also related to the following developments:

- The Consortium tried to acquire additional shares at a lower price. Upon assumption of SENELEC's operations, the Consortium re-evaluated the company assets and decided that the actual value of SENELEC's shares were about one third of what they had paid (Euro 27.83 per share). The Consortium then proposed to the Government to increase SENELEC's capital by subscribing an amount of FCFA 30 billion, but at their estimated per-share price. This purchase would have represented a value close to the total price paid by the Consortium

for 34% of the shares and would have permitted the Consortium to become the majority shareholder. The Government considered this an outrageous proposal and rejected it. The capital increase was realized but on the basis of the shareholding participation of the two partners: the Consortium subscribed 10 billion FCFA and the Government subscribed 20 billion FCFA. This capital increase came too late (early 2000) and was not sufficient to finance the rehabilitation work needed for generation.

- The Consortium wanted to increase tariffs outside the agreed framework. Based on the need to improve SENELEC's finances, and hit by steep increases in fuel costs (crude prices increased by about 50% from 1999-2000) and the elimination of subsidies on fuels for power generation, SENELEC submitted a 15% tariff adjustment request to CRSE in February 2000. On the basis that the Concession Agreement did not provide for such adjustments --as tariffs were based on price-cap regulations which set a period where prices were fixed -- the CRSE rejected the tariff increase request. Also, the price-cap formula would also have penalized SENELEC for any blackouts or brownouts, which caused additional financial strain on the company. The price-cap would have adjusted eventually to higher fuel costs, but there was a delay built in to encourage the company to be efficient and not pass all cost changes on to consumers.
- The Consortium was inefficient. Substantial disagreements within the Consortium were reported by different analysts during the short-lived concession contract, due to the 50/50 arrangement on which the Consortium was based. As there was no clear majority company responsible for the Consortium performance, each company tried to place its staff in key positions, and decisions were difficult to take as the opinions of the managers reflected the interests of each of the parent companies represented in the Consortium and not necessarily that of SENELEC.
- The Government expectations regarding financing of investments went beyond the Strategic Partner's legal obligations. Because of the joint ownership (34% for the Strategic Partner and 66% for the Government), there was considerable confusion about shared responsibilities for new or additional investments. Given that the Consortium was minority shareholder, legally it did not have sole responsibility for investments. In these circumstances any penalties possibly imposed by the CRSE on SENELEC for lack of compliance with the concession contract would have in fact corresponded to penalties imposed on the State itself. Partially as a result, eighteen months after the contract effectiveness, SENELEC had not proposed the generation rehabilitation plan. SENELEC did propose to add 30MW capacity in the June 2000 business plan, but this would not have resolved capacity issues at that point and was considered by the Government to be too little and too late.

It is clear however that the decision to cancel the privatization was taken hastily, as it was made only three months after SENELEC presented its 2000-2004 Business Plan. In the Plan there is no evidence that the concession was in danger or that Government had made any ultimatum to the Consortium regarding the need to improve supply.

Accomplishments by Second Tranche Release

4.2.10. In February 2001, the Bank proceeded to a restructuring of the Credit, modifying the conditionality and splitting the SDR 55.5 million second tranche into a revised SDR 22 million second tranche and a SDR 33.5 million third tranche. Restructuring was approved by the Board under non-objection basis upon recommendations of a Memorandum of the President dated February 11, 2001. This memorandum stated that, though the Government had complied with most of Credit conditions, it needed additional time to complete conditions related to the privatization of SENELEC. The restructuring entailed revising the Credit Agreement including extension of the closing date to January 31, 2002, and delaying compliance with Credit conditions related to SENELEC privatization. As a condition for third tranche release the Borrower has to have taken all necessary steps within its control to bring at least 59% of SENELEC's total share capital to the point of sale to: (i) a Strategic Partner (b) other entities in the private sector and (c) SENELEC's personnel. Conditions related to satisfactory progress by the Borrower in the carrying out of the Project, and those related to the macroeconomic framework were sustained.

Second Privatization Attempt

4.2.11. After the failure of SENELEC's privatization, the Government had committed itself to continue its efforts to transfer ownership of at least 51% of SENELEC assets to a Strategic Partner. To this end, on July 2001, the Government launched a new tender process under revised principles (some changes to the tender documents took place in the period July-October 2001). A major change in approach which the Government made for this second attempt was to revert to the traditional concept of the concession, previously in effect in Senegal, for which all generation, transmission and distribution facilities existing in Senegal were owned by the State. As discussed above, in the initial agreements between the Bank and the Government, this traditional approach had been changed by the new Electricity Law (Law 98-29) which stated that the concessionaires would actually own power facilities. For the second privatization attempt, the Government decided to revert to the old definition of the concession, and thus the July 2001 bidding documents state that all power facilities shall belong to the State. Law 2002-01 legalized this situation afterwards. The new request for proposals also stipulated that: (i) SENELEC would be privatized as a vertically integrated monopoly and would maintain this structure for a period between seven and ten years, (ii) SENELEC would keep its role of single buyer but would develop on its own responsibility all necessary capacity to supply demand, (iii) SENELEC should inherit power purchase agreement with IPPs (GTI, 50 MW and ONE 60MW), as well as the obligations from the OMVS (Manantali) contract, (iv) the candidates must adhere to specific development and monetarily quantified investment plans.

4.2.12. With regard to the process itself, the Government decided to change the bidding procedures so as to introduce an evaluation based 60 percent on the technical proposal and 40 percent on the financial proposal. The factors considered for the technical proposal were: qualifications of the candidate, business plan, investment plan, staffing policies, tariff policies, and financial management. The principal criteria for judging the financial offers was the price offered for 51% of SENELEC shares. In November 2001 the Government received two technical and financial bids, one presented by Vivendi Environment in consortium with ONE (Morocco) and the other presented by AES Frontier Ltd. Vivendi/ONE had offered a very favorable offer (equivalent to an injection of a total of FCFA 80 billion) and was declared the winning bidder on

November 20, 2001. Negotiations on a possible contract with Vivendi/ONE extended from November 2001 until February 2002 when the Government suspended talks and started negotiations with AES. Negotiations with AES languished due to that company's financial situation. In July 2002, the Government announced its intention to declare unsuccessful the second privatization effort and to establish an ad-hoc task force to reconsider the process. The Government continues to emphasize its commitment of the Policy Letter regarding its intentions to engage as soon as possible a private partner for the management and operations of SENELEC. However, all parties now recognize that the immediate privatization of SENELEC is unlikely without an accompanying investment plan financed largely with concessional funds.

Accomplishments by Third Tranche Release

4.2.13. On December 2001, after the Government had declared Vivendi the winner of the bidding process, the Bank declared full compliance with Credit conditions and proceeded to disburse the third tranche. The corresponding memorandum of the President informing the Board of the compliance with Credit conditions stated that: "(i) satisfactory progress has been achieved by the Borrower in the carrying out of the Project, (ii) the macroeconomic framework is consistent with the objectives of the Project, (iii) the Borrower has taken all necessary steps to bring at least 59% of SENELEC's share capital to the point of sale to (a) a Strategic Partner, (b) other entities in the private sector, and (c) SENELEC personnel." Prior to the disbursement of the third tranche, the Bank's team expressed concern that there was no guarantee that negotiations with Vivendi/ONE or AES would conclude in a signed contract. In addition, the shares held for the public and SENELEC's workers had not actually been sold but rather placed in escrow for future sale or distribution. Given the very shallow capital markets in Senegal, the execution of this part of the privatization might also have proven problematic. However, legally, the Government was right to claim that all conditions had been met. The design of the credit was flawed because even though it seemed likely that the primary objective might not be met, the conditionality left the Bank no choice but to disburse the SDR33.5 million in the third tranche. The conditions related to the tranche release required that the Government take "all necessary steps within its control to bring at least 59% of SENELEC's total share capital to the point of sale". This condition was legally met because to "bring to the point of sale" was defined as negotiating with a successful bidder, but the objective of privatizing SENELEC was not met because these negotiations failed.

Accomplishments by Credit Closing

4.2.14. The Project was closed on January 2002. Overall, the Project only achieved some of its development objectives, and accomplishments were uneven across sectors. The Project achieved most of its objectives in the Petroleum Products Sector component. Achievement of objectives for the Household Energy component was adequate but needs much consolidation (An ongoing Sustainable Participatory Rural Energy operation is helping in this area) The power sector reform program showed the least success since much of the legal and institutional progress that had been achieved by Board approval suffered a reversal, and the privatization of SENELEC was not achieved. Accomplishments by closing date by sector are summarized below.

4.2.15. **Household Energy Sector.** On the institutional side the enactment of the new Forestry Code and the corresponding application decrees are major achievements that guarantee decentralized use of resources by effective transfer of management responsibilities of forest

resources (wood fuel and charcoal) to the rural communities. Actual implementation of the Code, however, is hindered by institutional and financial shortcomings. Use of wood fuel continues to decrease modestly thanks to the Government policies for incremental use of butane, kerosene and improved wood stoves. Even though information about the progress achieved in implementing the Project is scarce, it appears that actual implementation of sustainable community forest management systems and measures to decrease wood consumption to save forests still suffers of some problems that the Government is struggling to resolve. IDA support under the Sustainable Participatory Rural Energy operation is helping to resolve the following problems are:

- **Lack of reliable data.** Data is scarce and differs between sources (Energy Directorate, the Ministry of Energy and Mines and Water and Forest Directorate). The amounts of available energy resources are not well quantified which make it difficult for Government to plan activities.
- **Institutional framework.** The overall responsibility for wood management is not clear and there is a proliferation of institutions with conflicting interests. The problem of intermediaries that results in increased fuel prices is still present. Though the Forestry Code covers issues related to wood exploitation, the transport, distribution and commercialization issues have not been resolved.
- **Lack of financial resources.** Full implementation of the Forestry Code and fuel substitution policies has had inadequate financial support.

4.2.16. **Petroleum Sector.** The Petroleum Sector is the sector that best achieved the Project objectives. The gradual liberalization of the sector has been mostly achieved.

- **Oil exploration and exploitation.** The Petroleum Code provides attractive incentives for exploration and PETROSEN concentrates in the preparation of basic data on the resources and has actively promoted exploration. PETROSEN signed speculative survey contracts during the execution period of the Project, as well as risk exploration and participation contracts, and has requested Bank support for an exploration project (Study of Paleozoic Basin).
- **Petroleum products.** The legal and regulatory framework designed for the Program has been implemented, leading to the following changes: (i) monopolies for importation, transport, refining and commercialization of crude oil and petroleum products have been abolished; (ii) third party access to transport and storage of petroleum products is granted; (ii) the new price policy for petroleum products is in effect which calls for prices to reflect international crude oil prices and commercialization margins, both based on cap prices; (iii) subsidies for LPG and for fuels for power generation have been abolished; and, (iv) the US\$2.30/bbl surcharge over petroleum products held by the SAR has also been eliminated.

4.2.17. **Electricity Sector.** The institutional situation has not improved since Credit effectiveness. Though the Electricity Law continues in effect and the sector regulatory agency (CRSE) is established and functioning, both the legal framework and the regulatory agency have little real effect, as SENELEC is a State-owned and State-managed enterprise. Instead of having a privatized SENELEC that would have liberated the State from operational and financial burden, the Government is now again running the power show. The Bank has little information regarding the conditions under which the Government repossessed SENELEC, while the electricity coverage has only increased with the development of Manantali's capacity, and quality of service continues to be less than expected at effectiveness. Additionally in January 2002, the Government passed through Congress a Law (Law 2002-01), which declares all power utility assets as public domain. These modifications to the legal framework were done without consultation with the Bank. The only positive development is that generation capacity had increased through an IPP and the advent of power from Manantali Dam. The power generated by Manantali stopped most blackouts in the latter part of 2002 and is projected to permit a record consumption of electricity in Senegal in 2003.

4.3 Net Present Value/Economic rate of return:

N/A

4.4 Financial rate of return:

N/A

4.5 Institutional development impact:

4.5.1. The institutional development impact is uneven between sectors and is rated modest overall. The best results correspond to the petroleum sector with substantial improvement resulting from the execution of the Project. The institutional impact in the household sector is moderate as many issues remain that hinder major improvement of the sector. In the electricity sector, the impact might have been substantial with regard to the establishment of a stable legal and regulatory environment. However, though the CRSE is in place, its role is unclear, as SENELEC is again under the Government responsibility. Part of the new legal framework was reversed by a subsequent electricity law which transferred power assets back to the State. In addition, the institutional impact was negative with respect to the actual privatization of SENELEC, which remains a contingent liability for the Government. Moreover, because of the power industry's difficulties and because the Government has now failed twice to privatize SENELEC, its eventual privatization seems a more difficult prospect today than it did before the project. On a positive note, the establishment of ASER appears a good measure that needs further support.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

5.1.1. Several factors hindered more positive Project results. The main factor outside the control of the Government was the failure of the second privatization of SENELEC. Given the relatively high price paid the Strategic Partner for 34% of SENELEC shares in the first privatization, and the fact that there was a second interested party (EdF) which in fact offered to purchase a higher proportion of SENELEC shares (49%), the Government expected that the second privatization attempt would be as successful as the first operation. And in fact, the

proposal by Vivendi/ONE initially appeared very favorable. Unfortunately, when negotiations with Vivendi/ONE started, the Government found out that Vivendi/ONE wanted to modify both the total amount and the structure of its financial offer. In the end, the interest of both Vivendi/ONE and AES in SENELEC waned because the international business environment for private power sector operations was deteriorating seriously due to global factors.

5.2 Factors generally subject to government control:

5.2.1. The Government made certain decisions that significantly hindered the success of the Project. With regard to the privatization features, against strong recommendation of the Bank, the Government did not proceed to full majority privatization of SENELEC. The scheme proposed by the Government for which bidders could select what proportion of shares they would purchase, was flawed. As shown in its business plan of June 2000, the Consortium, as owner of only 34% of the shares did not feel compelled to invest in the rehabilitation of the power plant which was required to improve supply and save in generation costs. Instead of looking to possible medium and long term savings that could be derived from rehabilitating base-load plants in Cap des Biches and Bel Air, they proposed a minimum investment plan that included a modest 30 MW increase in generation while waiting for the Manantali interconnection.

5.2.2. Another decision the Government made that weakened the sustainability of SENELEC's concession agreement was the acceptance during bid negotiations of the 50/50 arrangement proposed by the Consortium. The Government accepted this despite having clearly stipulated in the bidding documents that if a Consortium were to bid to become the Strategic Partner, there must be a clear understanding of who would be ultimately responsible for managing the company.

5.2.3. Finally, there is no evidence that the Government made its best effort to sustain the first privatization of SENELEC and improve the performance of the Consortium. The reasons the Government ended the contract with the Strategic Partner may be related to the change in Government, the tendency of a new governments to criticize decisions made by the previous government, and the political pressure created by continuing poor service and energy shortages. In any event, the Government did not consult the Bank previously to making the decision to end the concession agreement and it did not inform the Bank on the outcome of the negotiated settlement.

5.2.4. With regard to the second privatization, the Government also made decisions which may have weakened chances for success. In particular, the Government wanted the privatization to advance as quickly as possible in order to gain back the purchase price which they had repaid to the Consortium. As a result, the Government declined the Bank's advice to once again recruit an investment bank to accompany them through the privatization process. This may have been particularly important because SENELEC's marketability was already slightly tarnished by the failure of the first privatization. In addition, the Government decided to restructure the industry so that all assets were once again owned by the state and only leased to the concessionaire. Finally, the Government insisted on concessioning SENELEC's assets for a high initial fee, which created financial difficulties for the putative concessionaires. That is, if the would-be concessionaires were to pay a substantial initial fee they could only do so at a higher tariff,

something the Government did not want to accept. This deal structure was done against the Bank's explicit advice and is probably the most important factor in the failure of the second privatization.

5.3 Factors generally subject to implementing agency control:

N/A

5.4 Costs and financing:

N/A

6. Sustainability

6.1 Rationale for sustainability rating:

6.1.1. Overall sustainability is rated unlikely because only the reforms in the petroleum sector seem very likely to hold. In this sector, the legal and regulatory framework is working well, and the policy reforms made with regard to the structure of the sector and the pricing in the sector seem likely to remain in place. Sustainability of reforms in the Household Energy Sector could also be possible, provided the Government continues its efforts to consolidate reforms included in the Forestry Code and receives adequate support from donors. However, given the slow pace of implementation of the Forestry Code, the continuing existence of middlemen in the marketing of fuel wood and the delays in additional donor support, the sustainability of reforms in this sector can not be guaranteed. In the power sector, the reforms have largely proven unsustainable. The failure of SENELEC's privatization may have been due in part to global financial factors outside the control of the Government and the Bank, but this major institutional reform was achieved at one point during the project's early implementation and proved unsustainable. Similarly, the structure of the sector, which transferred all assets to the incorporated SENELEC, has already been reversed by a revised law. The legal and regulatory reforms in the sector may be sustainable, but they are put in question by the fact that SENELEC remains in the public sector and the regulator's role is unclear, partly because of weak capacity in the regulatory agency.

6.2 Transition arrangement to regular operations:

N/A

7. Bank and Borrower Performance

Bank

7.1 Lending:

7.1.1. Bank performance at the design phase was satisfactory. The Bank correctly assessed the policy content that the Project should entail. Failure to improve SENELEC's operational performance within the Energy I project indicated the need to press for fundamental reforms in the sector. Preparation of the Project was carefully done and the Project team included adequate expertise for all matters deal within the Project. The Bank provided adequate support to the Government in the preparation of terms of reference for, and the selection of, consultants. Consultants performed well, with the exception of the financial adviser, who was criticized by the Government as losing interest in completing the privatization (sale of additional shares to private investors in the region and to SENELEC's workers) as soon as they had gotten the success fee

(see Borrower's Report, section 3.4). The Bank followed closely the preparation of the legal and regulatory framework and provided valuable advice to the CPRSE on this subject. 7.1.2. There were some weaknesses in the project design, however. Performance indicators for the monitoring of the Project, as indicated in the MOP, were too many and too difficult to monitor.

7.1.3. Bank performance during lending was also affected by management's acceptance of a change in the privatization scheme which proved to be a flaw. The Bank correctly originally pressed the Government for a more radical sale of shares; this is for a minimum of 51% of SENELEC's capital. However, under Government pressure, the Bank accepted the Government's scheme to open up the bidding options to a variable proportion of SENELEC shares, which resulted in a rather low participation (34%) of the shares for the Strategic Partner. This lower participation resulted in the low interest by the Strategic Partner to further invest in the system.

7.2 Supervision:

7.2.1. Bank performance during supervision was marginally satisfactory. Supervision missions sometimes did not include enough expertise, reaching the point of one-man missions. The recommendations presented by the quality at entry QAG Panel regarding the need to pay special attention to the Project during supervision were not duly followed. Consequently supervision efforts concentrated on the most pressing issues, mostly related to the SENELEC privatization..

7.2.2. Bank supervision performance was efficient in that restructuring of second tranche into two tranches in responding to client needs. However, because sustainability of the reform was an important outcome, the new second tranche conditions might have considered how well actions related to first tranche had been further implemented, in particular:

Household Energy Sector: (i) degree of compliance with the implementation of the Forestry Code and the corresponding application decrees, (ii) assessment of the effective transfer of management responsibilities of forest resources to rural communities, (iii) implementation of sustainable community forest management systems, (iv) liberalization of charcoal prices, and (v) elimination of subsidies on LPG.

Petroleum Sector: (i) evaluating the degree of compliance of the new role of PETROSEN, (ii) degree of opening of the market for importation, transport, refining and commercialization of crude oil and petroleum products and actual possibilities of third party access to transport and storage of petroleum products

7.2.3. Reporting during supervision was less than satisfactory. Follow up of the Project was concentrated mostly on the most pressing issues. Supervision reports for missions on 2000 concentrated mostly on the possible compliance with tranche release conditions but report little on the progress achieved in the Household Energy Components, the introduction of competition in the Petroleum Sector or on the activities of ASER. There was little follow up of performance indicators, though this may have been because these indicators were poorly chosen in the first place.

7.3 Overall Bank performance:

7.3.1. The Bank overall performance was marginally satisfactory. Though the Project was well considered and comprehensive, and though the Bank team was responsive in restructuring the operation after the first privatization of SENELEC, supervision by the Bank could have been better.

Borrower

7.4 Preparation:

7.4.1. The Borrower performance during preparation was satisfactory. The constitution of a special unit (CPRSE) for the preparation of the Project that counted with specialists in the main fields of the reform (engineer, lawyer and economist), the employment of well qualified consultants and the access to financial support (PPF Q006-SE, PPF Q286-SE and Japanese Trust Fund 27016, for a total amount of US\$ 3.3 million equivalent) were fundamental factors for the success in project preparation..

7.5 Government implementation performance:

7.5.1. The overall performance of the Government during the Project was marginally unsatisfactory . The introduction of substantial reforms in the overall energy sector is an undeniable achievement that will improve the sector's business environment permanently. Implementation of the Household Energy and the Petroleum Products reforms were appropriately done, though follow up in the household energy sector has been weak. With regard to the Power Sector, however, though the Government declared its commitment to reform, some actions did not conform to these principles, in particular: (i) the Government insistence to a shareholding scheme that clearly diffused the responsibility to invest and created implementation problems, and (ii) a rather hasty decision to terminate the contract with the Strategic Partner. Despite these shortcomings the Government does remain committed to place SENELEC under private administration though the current international business environment may be not favorable for finding a new Strategic Partner. The second privatization attempt may also have been prepared with too much haste, however, given the deteriorating business environment for power developers around the world, negotiations the Government with Vivendi/ONE and or AES on the basis of the bidding process that started in July 2001 had little chance of success.

7.5.2. The Bank/Government partnership during implementation was not fully satisfactory. While the Bank was providing financial support to the State, there was little regard for the partnership within the Government at the time of making important decisions regarding the power sector. The Government dismissed its Strategic Partner without resorting to corrective and/or conciliatory measures and without consultation with the Bank. The rules of the game were drastically changed for the second privatization attempt, also without consultation with the Bank on some matters, and without taking the Bank's advice when it was sought.

7.6 Implementing Agency:

See 7.4.

7.7 Overall Borrower performance:

See 7.5.

8. Lessons Learned

- The failure to maintain the first privatization of SENELEC yielded a number of technical lessons on privatization:

1. The Bank should not have accepted the privatization scheme proposed by the Government for less than a majority of shares. The idea that a subsequent percentage of shares could be sold to the general public or to SENELEC workers presupposed deeper capital markets than exist in Senegal. Moreover, by confusing the issue of who was the majority shareholder, this scheme weakened the Government's claim that its Strategic Partner was responsible for the necessary investments in power generation and, hence, contributed to the demise of the privatization;

2. When there is an obligation to invest by a strategic partner, the terms should be very clearly stated and defined in the concession contract.

3. Since the Bank did accept a scheme in which bidders could choose the number of shares they would purchase, the criteria for evaluating proposals should have considered both the price per share and the number of shares to be purchased.

4. The composition of joint ventures should be based on a clear majority holding by the operator as the 50/50 scheme accepted here caused confusion on ultimate management responsibility and led to inefficient management decisions.

5. When there is a change of government soon before or after a privatization, Bank staff and management should plan to make an extra effort to ensure political ownership of the privatization. The recent OED review of the Electric Power Sector highlights that reforms cannot succeed without Government ownership, commitment and leadership. The Government's ownership for the first privatization clearly faltered after the transition to the new administration.

- The failure to privatize SENELEC the second time may have been the result of the business environment in the energy industry. Although Bank staff advised the Government to take a more cautious approach to ensure success, the bidding process did result in two solid offers. These offers only dissipated as the effects of global factors were felt throughout the industry. In going forward, the lesson learned is that given the difficult environment in the energy sector in recent years, it is even more important that the Bank consider investing in parallel or in advance of privatizations in the sector in order to attract investors in Africa.

- The Bank should acknowledge the risks associated with disbursing adjustment money based on bringing a public enterprise "to the point of sale". In this case, the clause left the Bank in a position of having to disburse despite serious concerns about achieving project objectives. Ultimately, project objectives in the electricity sector were not achieved, the Government was left with SENELEC as a contingent liability, and many structural issues in the sector (capacity and quality in particular) remain.

- In adjustment credits for which the first tranche is released on the basis of prior actions, conditionality in later tranches might want to encourage continued implementation of the upfront actions. In this case, such follow up might have encouraged a more rapid implementation of the new forestry code, in particular.

- Projects should be prepared with fewer indicators and more monitorable indicators than was the case here. Management should also ensure that indicators are being monitored regularly during supervision and revised if they prove difficult to monitor. This lesson is supported by the findings of the recent OED review of the Electric Power Sector.
- The Bank should over compensate for its tendency to put more effort into project preparation than supervision by ensuring that staff have the resources and, particularly, the incentives to adequately supervise projects.

9. Partner Comments

(a) Borrower/implementing agency:

The GOS delivered a Project Completion Report in French that is hereby presented slightly edited:

**projet CREDIT D'AJUSTEMENT DU SECTEUR DE L'ENERGIE
RAPPORT D'ACHÈVEMENT:**

1. RESULTATS ET IMPACTS DU PROJET

1.1 Sous-secteur de l'ÉLECTRICITÉ

1.1.1 Nouveau cadre législatif et réglementaire

Le cadre législatif du secteur de l'électricité

La loi d'orientation n°98-29 du 14 avril 1998 a défini un nouveau cadre législatif pour le secteur électrique au Sénégal et a conduit à une restructuration complète du secteur, visant à instaurer des conditions de compétitivité avec notamment l'octroi de toute nouvelle capacité de production à des producteurs indépendants, le principe de l'accès des tiers au réseau de transport (qui reste un monopole de la SENELEC) et l'introduction de la concurrence dans la distribution.

Le modèle structurel retenu par le cadre législatif est le Modèle de l'Acheteur Unique pour une période de dix (10) ans. La SENELEC est dénommé Acheteur Unique. La SENELEC devra introduire une séparation comptable entre ses activités principales (production, transmission et distribution) dans un délai de 3 ans à compter de la date de signature de son contrat de concession.

Aux termes de la loi 98-29 du 14 avril 1998, les lignes électriques qui étaient classées jusque-là dans le domaine public artificiel de l'Etat, sont devenues propriété de SENELEC..

Le cadre institutionnel du secteur a également été rénové avec la création d'une Commission de Régulation du Secteur de l'Électricité et d'une Agence d'Électrification Rurale et le rôle des acteurs ont été redéfini :

- État: l'État définit les objectifs en matière de politique sectorielle. Dans ce cadre, le Ministre chargé de l'Énergie :

- établit un plan national d'électrification ;
- définit les zones de concession rurales susceptibles d'être octroyées par appel d'offres ;
- définit les préférences nationales en matière de ressources énergétiques pour la production de l'énergie électrique ; et
- accorde les licences et les concessions, sur recommandation de la Commission de Régulation.
- La Commission de Régulation : La Commission est une autorité indépendante, chargée de la régulation des activités de production, transport, distribution et vente d'électricité. La Commission de Régulation du Secteur Électrique a été mise en place en décembre 1999 avec la nomination du Président ainsi que des deux autres membres. Dans certaines de ses attributions que lui confère la Loi, la CRSE agit en tant que conseiller du Ministre en charge de l'électricité. Par exemple, elle instruit les demandes de licence et de concession et elle est chargée de rédiger les licences et contrat de concession octroyée par le Ministre. La CRSE apporte toute modification d'ordre général aux licences, aux concessions ou à leur cahier des charges.
- L'Agence Sénégalaise d'Électrification Rurale (ASER) : L'ASER est spécialement dédiée à l'électrification rurale et a pour mission principale de soutenir la mise en œuvre de programmes de développement de l'électrification rurale hors du périmètre de SENELEC, en accordant l'assistance technique et l'assistance financière requises aux entreprises et aux particuliers intervenant en zone rurale. L'A.S.E.R. développe les programmes d'électrification rurale arrêtés sur la base d'un plan défini par le Ministère chargé de l'Énergie.

1.2.2. Première opération de privatisation de la SENELEC

Géographie du capital

La géographie du capital de la SENELEC n'a pas été fixée avant le lancement de l'opération de privatisation. Cependant, le pourcentage d'actions réservées au secteur privé est encadré par la loi.

En effet, la loi autorisant l'ouverture du capital de la SENELEC au secteur privé (loi n° 98-06 du 28 janvier 1998) qui a été promulguée en janvier 1999, prévoit que l'État va transférer la majorité du capital de la SENELEC à un Partenaire Stratégique, au secteur privé sénégalais et aux employés de la SENELEC. La loi n° 98-06 indique aussi que le Partenaire Stratégique souscrira au moins 33 1/3 % du capital et aura la responsabilité d'opérateur.

Processus de privatisation

Le processus du choix du Partenaire Stratégique a démarré par une présélection, suite à un appel d'offres international, de candidats répondant à des critères très sévères relatifs à leurs capacités technique et financière.

Le choix final entre les candidats pré-qualifiés a été uniquement basé sur un critère financier (le prix de l'action) à la place d'un critère mixte pondérant une offre technique et une offre financière.

En définitive, le Consortium HQI – Elyo, avec un prix de l'action égal à 27,83 Euros, contre celui

de 26,89 Euros proposé par EDF-International, a été retenu comme Partenaire Stratégique de SENELEC.

Le Partenaire Stratégique est entré en fonction le 31 mars 1999.

1.1.3. Mise en place des organes

1.1.3.1. Commission de Régulation du Secteur de l'Electricité (CRSE)

En application des dispositions de l'article 5 de la loi n° 98-29 relative à sa composition, le Président ainsi que les deux autres membres ont été nommés par décret n° 99-1189 du 14 décembre 1999.

La CRSE a mis au point les outils de travail nécessaires à la bonne exécution de ses missions (un projet de règlement intérieur, un contrat type de concession et de licence, une licence type de production d'électricité, un recueil des procédures de régulation portant différents règlements d'application)

1.1.3.2. Agence Sénégalaise d'Electrification Rurale

Le décret 99-1254 du 30 décembre 1999, modifié et complété par le décret 2000-1002, fixe les règles d'organisation et de fonctionnement de l'Agence Sénégalaise d'Electrification Rurale (ASER).

Le personnel de l'ASER, nécessaire au démarrage de ses activités, est actuellement en place.

1.2 Sous-secteur des produits pétroliers

1.2.1..Secteur amont

Plusieurs mesures ont été prises au niveau du secteur amont :

Concernant les statuts de la Société des Pétroles du Sénégal (PETROSEN), ils ont été révisés en juin 1997, pour un recentrage de ses missions dans la promotion du bassin sédimentaire.

Pour ce qui est du cadre légal, un Code pétrolier (loi n° 98-05 du 08 janvier 1998) a été adopté. Il contient des innovations que l'on peut qualifier d'essentielles notamment une durée de validité des concessions de 25 ans, qui peut être prorogée d'une période de 10 ans, renouvelable ; des dispositions sur la protection de l'environnement qui sont améliorées selon les tendances de la pratique internationale ; la suppression du bonus versée à la signature d'une convention ou d'un contrat de service ; un taux de redevance assise sur les productions de pétrole brut ou de gaz désormais entre un minimum de 2% et un maximum de 10% contre 12,5% dans l'ancien code ; le renforcement des avantages fiscaux et douaniers du Code de 1986 qui prévoit que les titulaires de conventions ou de contrats de service ainsi que les entreprises qui leur sont associées dans le cadre des protocoles ou accords sont exonérés pendant les phases de recherche et de

développement de tous impôts et taxes.

Dans ce cadre un contrat pour l'élaboration des documents annexes du nouveau code pétrolier avait été signé avec BEICIP et financé sur les ressources du PPF.

1.2.2. Secteur aval

1.2.2.1. Nouveau Cadre institutionnel

Depuis avril 1998, par un nouveau cadre législatif et réglementaire du sous-secteur des hydrocarbures raffinés a été mis en place, qui vise l'amélioration de l'approvisionnement du pays, en termes de coûts et de qualité. En effet, la loi 98-31 du 14 avril 1998 introduit d'importantes modifications dans les conditions d'exercice des activités d'importation, de raffinage, de stockage, de transport et de distribution des hydrocarbures.

1.2.2.2. Nouvelles dispositions fiscales

Le cadre juridique a été complété par une législation spécifique banalisant la protection de l'activité de raffinage (loi n°98-36 du 17 avril 1998 fixant les tarifs de douane) et par l'avenant n° 6 du 18 juin 1999 conclu avec la Société Africaine de Raffinage portant abolition de la Convention d'Établissement signée en 1962.

1.2.2.3. Nouveau système de prix

L'application du décret n° 342 du 24 avril 1998 fixant les modalités de détermination des prix des hydrocarbures raffinés, depuis le 9 mai 1998, a conduit à des évolutions (baisse et hausse) qui résultent de facteurs exogènes (fiscalité, cours mondiaux des produits pétroliers et cours du Dollar Etats Unis).

Il est à noter que la surtaxe sur les produits pétroliers a été supprimée avec l'entrée en vigueur du Tarif Extérieur Commun (TEC) au sein de l'UEMOA en janvier 2000.

Par ailleurs:

- Pour le gaz butane, la levée progressive de la subvention a été respectée jusqu'à fin 2001. En 2002 la subvention résiduelle de 20% a été maintenue pour les emballages de 6 et 2.7 kg
- Concernant les combustibles destinés à la production d'électricité (SENELEC), il n'y a plus de subvention dans la structure des prix depuis le 21 juillet 2001.

1.2.2.4. Mise en place du Comité National des Hydrocarbures (CNH)

Les différents représentants des départements ministériels concernés ont été désignés et le Secrétaire Permanent, nommé de même que la quasi totalité du personnel. Le Directeur de l'Énergie assure la présidence du CNH.

1.2.2.5. Mesures et réformes complémentaires

A la suite des concertations organisées en janvier 2000 avec la Banque Mondiale et relatives à l'examen des conditions de décaissement de la deuxième tranche du Crédit d'Ajustement du Secteur de l'Energie, la Banque Mondiale et le Gouvernement du Sénégal avaient convenu pour parachever le volet ajustement du secteur de l'énergie, que les mesures complémentaires ci-après soient prises :

- Le relèvement de la qualité des produits consommés au Sénégal;
- La modification du système de prix des produits pétroliers;
- la protection de la SAR;
- le développement d'un stockage indépendant;
- l'identification et la réservation par le Gouvernement de terrains pour l'édification de stations de carburant par de nouveaux distributeurs.

1.3. Sous-secteur des combustibles domestiques

La loi n° 98-03 du 08 janvier 1998 portant Code forestier révisé ainsi que ses décrets d'application ont été pris.

Ce nouveau Code forestier prend en compte la politique de régionalisation et offre des garanties pour le transfert et la gestion rationnelle des ressources forestières par les collectivités locales riveraines. En particulier, il confirme que les gestionnaires des ressources forestières seront bénéficiaires des revenus des ventes de bois et que l'exploitation se fera dorénavant selon la possibilité des forêts et portera sur des volumes de bois sur pied.

2. DIFFICULTES ET INSUFFISANCES DU PROJET

2.1. Sous-secteur de l'électricité

La réforme telle qu'initiée est globalement jugée bonne. Cependant, des insuffisances ont été notées dans son application. Notamment une large concertation aurait permis la prise en compte des préoccupations de l'ensemble des partenaires du sous-secteur : C'est notamment le cas de l'implication insuffisante des partenaires sociaux de l'entreprise par la signature d'un protocole avec un seul des trois syndicats existant dans l'entreprise

- a. Pour la Direction de l'Energie, il convient de définir sa nouvelle mission étant donné que certaines de ses anciennes attributions sont dévolues aux nouveaux organes issus de la réforme.
- b. Pour assurer le fonctionnement autonome de l'ASER, il est peut-être nécessaire d'étudier l'instauration d'une taxe de soutien à l'électrification rurale et la rétrocession de la taxe pour la télévision prélevée sur le combustible acheté par la SENELEC.
- c. En terme de stratégie de développement du monde rural, il serait également recommandé l'intégration de l'électrification rurale dans le cadre global de l'aménagement du territoire. Il s'agira notamment de développer des pôles d'électrification en rapport avec les pôles de développement économique (coïncidence géographique).
- d. Les objectifs visés en matière d'investissement, concernant en particulier le segment de la

production n'ont pas été atteints.

Au contraire, la situation de dégradation du parc de production s'est aggravée, ce qui a entraîné un niveau de délestage encore plus important au détriment des ménages et de l'économie nationale.

On peut notamment citer les principales raisons suivantes expliquant entre autre autres l'insuccès:

- L'absence d'un programme d'investissement contractuel dûment défini dans le Cahier des Charges ;
- La géographie du capital qui n'octroyait que 34% du capital au Partenaire Stratégique alors que celui-ci devait avoir la pleine responsabilité de la gestion et la garantie du financement des investissements ;
- La mise en place tardive de la CRSE.

Dans ce contexte, le Gouvernement du Sénégal et le Consortium Hydro-Québec International / Elyo ont pris la décision, le 21 septembre 2000, d'une rupture à l'amiable de leur partenariat, mais le gouvernement du Sénégal a réaffirmé son engagement à privatiser SENELEC.

La reprise du processus de privatisation de la SENELEC s'est inscrite dans le cadre des grandes options décrites dans la loi d'orientation de l'électricité.

Sur ces bases, l'État du Sénégal a introduit certaines modification dans la géographie du capital et au niveau de la loi

a) Nouvelle géographie du capital

Dans le but de clarifier les rôles et les responsabilités des différents acteurs, le Gouvernement a décidé de céder 51% des actions de SENELEC au Partenaire Stratégique, 49% restant à l'Etat.

La prise de participation du Partenaire Stratégique de 51% du capital social de la SENELEC comprend, d'une part, une augmentation de capital égale à 30% du montant total à payer par le Partenaire Stratégique et d'autre part, une cession d'actions d'un montant égal à 70% de ce montant.

Le Partenaire Stratégique s'engage à réaliser un programme bien défini d'investissement et de renouvellement sur cinq ans dont l'objectif est de minimiser le plus rapidement possible les coûts de production tout en rationalisant le parc pour répondre à la demande future.

En réservant la majorité des actions au Partenaire Stratégique, l'Etat recherche un investisseur qui s'engage pleinement à réaliser les actions d'investissement requises pour le développement du secteur électrique et à mobiliser, à cet effet, les financements nécessaires. Dans ces conditions, il appartiendra au Partenaire Stratégique de proposer le programme d'investissement le plus approprié qui devra, en tout état de cause, satisfaire les minima fixés en production, transport et distribution sur les cinq premières années de la Concession.

b) Régime de propriété des Installations

Le Gouvernement a décidé que désormais les lignes électriques ainsi que les centrales de

production seront la propriété de l'État. L'État les met à la disposition du concessionnaire SENELEC et les reprendra à la fin de la concession si le contrat n'est pas renouvelé.

Ainsi aux termes de la loi 2002-01 du 10 janvier 2002 abrogeant et remplaçant l'article 19, alinéa 4 et 5, et le Chapitre IV de la loi 98-29, les lignes électriques qui avaient été extirpées du domaine public artificiel de l'État y ont été réintégrées.

c) Développement de la production

Il est retenu, à la différence, de la loi 98-29, que SENELEC peut désormais développer de nouvelles centrales électriques en concurrence avec des producteurs indépendants.

Ainsi aux termes de cette loi 2002-01 du 10 janvier 2002, SENELEC garde sa qualité d'acheteur unique mais sera responsable du développement de la production d'énergie électrique en recourant à des installations nouvelles qui lui sont propres ou par recours à la production indépendante.

Sélection du Partenaire Stratégique

La seconde privatisation de la SENELEC a été lancée le 10 juillet 2001 avec la publication d'un Appel d'Offres International.

L'ouverture des plis a eu lieu, en présence des Candidats ou leur représentant.

Evaluation des Offres Techniques

Les offres techniques ont été évaluées le même jour par les membres de la CSSDE nommés par arrêté n° 008921 du MEF en date du 09 novembre 2001. selon le système de notation suivant :

Qualification du Candidat	10 points
Stratégie et politique de développement des activités	15 points
Programme d'investissement prévisionnel	25 points
Politique de gestion des ressources humaines	15 points
Politique Tarifaire	20 points
Projections financières et financement	15 points
Total	100

Les soumissionnaires dont l'offre technique aura obtenue plus de soixante dix (70) points sont qualifiés pour l'ouverture des offres financières.

Offre financière

Les enveloppes contenant les offres financières de tous les Candidats dont les offres techniques auront préalablement été acceptées ont été ouvertes à huis clos.

Il a été procédé à la comparaison des offres financières entre elles. Le Candidat ayant fait la meilleure offre financière sera noté sur 100 points. La meilleure offre financière sera celle qui proposera le prix le plus élevé pour l'acquisition de 51 % du capital social de la SENELEC.

La note des autres candidats a été calculée au prorata de la note de la meilleure offre financière.

Les offres ont été classées par ordre décroissant de la note globale pondérée obtenue selon la formule suivante :

$$\text{Note globale} = 60\% \text{ Offre Technique} + 40\% \text{ Offre Financière}$$

Le classement suivant a été retenu :

1er : le Consortium Vivendi Environnement /ONE;

2ème : AES Frontier International.

Les négociations avec le Groupement Vivendi Environnement/ONE ont, par la suite, été suspendues le 22 février 2002 à la suite de longues et difficiles négociations. Le Gouvernement du Sénégal a estimé que la proposition de paiement de ce Groupement ainsi que les modalités de paiement de l'offre financière ne sont pas conformes au dossier d'appel d'offres.

Des négociations avec le classé second du processus d'appel d'offres (AES Frontier International) ont par la suite été amorcées.

2.2. Sous-secteur des produits pétroliers

Plusieurs difficultés ont été notées au niveau de ce sous-secteur en particulier celles relatives à l'ajustement automatique des prix et au financement du secteur amont. Des contraintes ont été notées dans la mise en œuvre du processus d'ajustement automatique des hausses observées sur le cours international du pétrole. Concernant PETROSEN, le problème majeur auquel il est confronté est celui du financement de ses activités.

2.3 Sous-secteur des combustibles domestiques

Aujourd'hui, la position de l'État du Sénégal a évolué sur la question des combustibles domestiques avec les réformes sur la libéralisation du sous-secteur des hydrocarbures intervenues en avril 1998 et qui ont instauré une suppression progressive de la subvention sur le gaz butane.

Il y'a actuellement plusieurs questions d'importance capitale sur lesquelles des débats doivent être

ouverts, des esquisses de solutions données et des recommandations formulées pour aider à la prise de décisions aux fins d'assurer un approvisionnement durable des populations en combustibles domestiques.

Au préalable, des solutions doivent être trouvées aux principaux problèmes que sont: la fiabilité des données, la planification, l'environnement, la mobilisation des ressources financières etc.

2.4. Sous-secteur de la maîtrise de l'énergie

Le Gouvernement du Sénégal a rappelé les impératifs de conservation de l'énergie dans la Lettre de Politique de Développement du Secteur de l'Energie (LPDE) adressée aux partenaires économiques du Sénégal, et inscrit l'étude de l'opportunité de la mise en place d'une Agence de Maîtrise d'Energie parmi les actions prioritaires devant figurer au programme d'ajustement du secteur.

La question de la maîtrise de l'Energie malgré sa dimension à la fois micro-économique (amélioration de la compétitivité des entreprises) et macro-économique (réduction de la facture pétrolière de l'Etat) soulève encore un certain nombre de problèmes (institutionnels et financiers) qui méritent une réflexion approfondie.

3. EVALUATION DU PROJET

3.1 LA BANQUE MONDIALE

Cette Institution a fait preuve de diligence dans le cadre du projet.

Sur le plan financier, elle a mis à la disposition de l'Agence d'exécution un montant de **3.384.000 \$USD** répartis ainsi qu'il suit;

- PPF Q 006-SE : 2 000 000 \$USD
- PPF Q 286-SE : 750 000 \$USD
- Trust Fund japonais 27016 : 634 000 \$USD

Dans la mobilisation et l'exécution financière de ces ressources, des difficultés majeures n'ont pas été notées. Au demeurant, une décision provisoire de la suspension de l'approvisionnement du compte spécial au moment du dépôt de la DRF n°6 du PPF Q 006 a été prise.

Cette situation était consécutive au retard accusé dans la mise en place du fonds de contrepartie de l'Etat.

D'autres légères difficultés ont été notées dans le cadre de l'exécution du PPF Q006-02; les postes budgétaires retenus (Fonctionnement, Equipements, Fournitures, Formations) au moment des négociations de ce PPF avec les experts de la Banque Mondiale, n'ont pas été tenus en

considération dans l'élaboration de l'accord de crédit, la totalité du montant ayant été affecté au poste "Consultant".

Cette situation a eu pour conséquence le rejet de dépenses de fonctionnement et de formation qui avaient reçu préalablement un avis de non-objection.

L'attention de la Banque Mondiale avait été attirée sur ce point et même une demande d'amendement de l'accord signé par le Ministre des Finances a été par la suite introduite.

En dehors de ces aspects, la collaboration a été très bonne. Une réelle disponibilité a été notée tant du côté de la Division des Décaissements, des autres experts de la Banque Mondiale que de celui du Task Manager du projet.

Les demandes de remboursement de fonds ainsi que les demandes de paiement direct ont été traitées avec diligence.

Il en est de même au niveau technique, les documents d'appel d'offres ainsi que les autres aspects ont été bien traités. Le Task Manager a toujours fait preuve d'un professionnalisme dans la mesure où les remarques généralement formulées sur les dossiers transmis pour observation ont été globalement pertinentes. Elles ont dans la plupart des cas permis d'apporter des modifications ayant permis de mieux réaliser les objectifs visés. Il est régulièrement en contact téléphonique ou par courrier électronique avec les responsables du projet.

3.2. L'EMPRUNTEUR

L'emprunteur a de tout temps matérialisé son attachement à la réussite du Projet. Pour cela, Il a mis à contribution toutes les structures de l'Etat intéressées par le projet. C'est ainsi que des représentants de la Présidence de la République, de la Primature, du Ministère de l'Economie et des Finances, du Ministère de tutelle en l'occurrence le Ministère chargé de l'Energie, du Ministère chargé de l'Environnement, l'Assemblée Nationale ont participé à différentes étapes du projet.

Par ailleurs toutes les études élaborés ont été examinées avec célérité et dans les délais par les experts de ces structures. Grâce à cette collaboration, tous les Arrêtés, Décrets et Lois devant être mis en place dans le cadre de ces réformes, ont été élaborés et promulgués dans des délais records. Mieux, l'Emprunteur a pris l'initiative dans le cadre de la réforme du secteur de mettre en œuvre une bonne approche participative qui a permis l'implication du secteur privé, des Associations de consommateurs et des travailleurs, de la SENELEC dans la validation des études et des orientations législatives et réglementaires. Dans le même objectif, le Ministre chargé de l'Energie a eu à organiser des rencontres avec les organes de presse de la place pour une meilleure sensibilisation des populations.

En outre l'Emprunteur a mobilisé des moyens matériels importants au profit du projet. En effet l'Agence d'exécution (CPRSE) a été installée pendant six (6) ans, dans des locaux assez fonctionnels lui permettant de mener sa mission dans de bonnes conditions.

Dans le cadre de la seconde privatisation de SENELEC, l'emprunteur a du fait de la complexité de la mission et des besoins de transparence, financé sur budget de l'État, des experts extérieurs. Il s'agit:

Pour les cabinets internationaux :

- Cabinet d'avocats Cleary Stern & Hamilton;
- National Economic Research Associates (NERA);
- BNP PARIBAS-Corporate Finance ;

Pour les cabinets nationaux :

- Cabinet Mazars & Guérard Sénégal;
- Cabinets d'avocats Maîtres Ousseynou FALL et Bidjeti FALL.

Ces contrats pris directement en charge par l'État sont estimés à **1.140.000\$US**.

Nonobstant ces charges, il a eu à engager pour un montant de **65 497 500 FCFA hors taxes**, le Cabinet **Mayoro WADE** en vue de la réalisation de l'audit de validation des composantes des actifs et passifs circulants au 30 décembre 2000 et la vérification des opérations de trésorerie et d'achat pour l'exercice 2001 sans oublier l'injection de **40 milliards de FCFA** dans la SENELEC au titre d'une augmentation de capital ceci, afin de permettre à la Société de retrouver un certain équilibre financier et de gestion.

En outre **166 000 000 FCFA** ont été mobilisés pour boucler le financement de l'avenant au contrat de NERA relatif à l'Assistance à la mise en place de la Commission de Régulation du Secteur de l'électricité.

3.3. L'AGENCE D'EXECUTION : La CPRSE

Cette structure a joué un rôle déterminant dans l'exécution du projet. Outre la préparation et la mobilisation des financements nécessaires à la réalisation des programmes dans le secteur de l'Énergie, elle a assuré la coordination et le suivi de l'exécution du Projet.

Elle a, avec le concours des Experts de l'Administration et ceux de la Banque Mondiale, initié tous les dossiers d'études qui ont été menées dans le cadre de la réforme.

Elle a été l'interlocuteur direct des Bureaux d'Études qui ont été recrutés pour le projet. A cet effet, elle a assuré le suivi de l'exécution des missions confiées aux Consultants. Elle a par ailleurs assuré le rôle de facilitateurs dans ces missions par la tenue de réunions avec les syndicats de travailleurs, les Associations de consommateurs, la Direction Générale de SENELEC et les organes de presse.

Du fait de la multiplicité des intervenants dans le secteur, elle a joué un rôle centralisateur entre l'Emprunteur, la Banque Mondiale, les Bureaux d'Études, les structures telles que la SENELEC, PETROSEN, SAR, les Collectivités locales.

Dans le cadre des mécanismes institutionnels mis en place, le Comité de Pilotage des Réformes du Secteur de l'Énergie (CIPRES) a servi de cadre de concertation, de validation, d'orientation et de prise de décisions. Il a regroupé les différents acteurs que sont SENELEC, PETROSEN, SAR et des représentants de la Présidence, de la Primature, du Ministère de l'Économie et des Finances, du Ministre chargé d'Énergie, du Ministre chargé de l'Environnement.

3.4. PERFORMANCE DES BUREAUX D'ETUDES

Pour la réalisation des missions il a été fait recours aux bureaux d'études ci-après:

1) **Sous secteur Électricité**

PARIBAS, NERA, KPMG, LUC HOANG GIA, MICHEL PATOU, BERNARD MEUNIER, MOSTERS, GERARD MADON, LECUILLER, CABINET MAZARS & GUERARD SENEGAL, CABINETS MAÎTRES OUSSEYNOU FALL ET BIDJETI FALL et CABINET MAYORO WADE

2) **Sous secteur Hydrocarbures**

COOPERS & LYBRAND, BEICIP FRANLAP, DOWNSTREAM OIL ADVISOR et SCERIC

3) **Sur le plan institutionnel et environnemental**

CABINET COOPERS & LYBRAND DIEYE (audit des comptes de la CPRSE), Malick JOHN (audit environnemental) et MANAGEMENT COMMUNICATION INTERNATIONAL (communication).

Globalement les prestations réalisées par ces bureaux d'études ont été satisfaisantes. Ceux-ci ont respecté leurs engagements quant aux ressources humaines proposées et au chronogramme. En outre ces travaux ont été de qualité.

Le seul point d'insatisfaction noté réside dans les prestations de la Firme PARIBAS durant le premier processus de privatisation de la SENELEC. Celle-ci n'a pas réalisé comme prévu dans son offre de services et dans le contrat, la première partie de sa mission qui porte sur le "**Choix des autres partenaires privés**".

Cette partie est constituée de deux points:

- La mise en place de la **Tranche Salariée** qui passe entre autres actions par une campagne de communication et la détermination des règles de souscription;
- La mise en place de la **tranche Publique** marquée par la détermination de la place de cotation, la campagne de communication et les règles de souscription.

A l'issue de ces travaux, le bureau d'études devait soumettre les résultats des Offres Publiques de Ventes (OPV) à la CPRSE pour discussion et validation. Cette partie de l'opération devait mettre fin au processus de privatisation dont l'objectif final était la cotation de SENELEC en Bourse.

Du moment que PARIBAS n'a pas commencé l'exécution de cette partie après l'entrée en vigueur du Partenaire Stratégique (Hydro Québec/ Elyo), des relances orales et écrites lui ont été adressées par la CPRSE. Toutefois celles-ci n'ont pas eu le succès escompté, le Banque d'Affaires n'ayant jamais montré un empressement réel pour l'exécution de cette partie.

L'une des explications à cette situation pourrait résider dans le fait que PARIBAS a perçu par le biais du Partenaire Stratégique (Hydro Québec/ Elyo) sa Prime de Succès dès après la signature du contrat de partenariat par ce dernier.

(b) Cofinanciers:

N/A

(c) Other partners (NGOs/private sector):

N/A

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

INDICATORS / MATRIX	Last PSR	Actual
Petroleum sector indicators		
- % of refined products imported other than by SAR (%)	N/A	0
- Number of distributors	N/A	8
- % of sales by new distributors compared to total sales	N/A	4.7
- Specifications for lead content of gasoline (g/lit.)	N/A	0.8
- Total lead released to atmosphere (tons/year)	N/A	N/A
- Specifications for sulfur content of gas oil (%)	N/A	1.0
- Total sulfur released to atmosphere (tons/year)	N/A	N/A
Electricity sector indicators		
- Number and total time of interruptions of service	N/A	N/A
- Urban electrification rate (%)	N/A	56.4
- Rural electrification rate (%)	N/A	8.3
- National electrification rate (%)	N/A	32.0
- Evolution of average consumption (kWh per inhabitant/year)	N/A	132.5
- Evolution of non-domestic sales (GWh/year)	N/A	827
- Evolution of average price of electricity (FCFA/kWh)	N/A	73.30
Household energy indicators		
- Number of forest development plans and simplified schemes implemented	N/A	N/A
- Total forest surface brought under community management (Thousand squared kilometers)	N/A	N/A
- Proportion of wood cut in managed zones (%)	N/A	N/A
- Evolution of LPG consumption (thousand tons/year)	N/A	N/A
- Evolution of kerosene consumption (thousand tons/year)	N/A	N/A
- Evolution of charcoal consumption (million cubic meter/year)	N/A	N/A
- Number of kerosene stoves	N/A	N/A
- Charcoal price (FCFA/kg)	N/A	N/A
Macroeconomic indicators		
- Petroleum fiscal receipts (million FCFA/year)	N/A	N/A
- Petroleum products subsidies	N/A	N/A

Annex 2. Project Costs and Financing

Not applicable

Annex 3. Economic Costs and Benefits

Not applicable

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating		
	Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation					
June 1996	1	PE			
October 1996	4	1PE, 2EE, 1PS,			
April 1997	5	1PE, 2EE, 1PS, 1OE			
June 1997	3	1PE, 1PS, 1EE			
Appraisal/Negotiation					
October 1997	5	1PE, 1OE, 3EE			
Supervision					
June 1998	4	1PE, 1PS, 1OE, 1EE			
June 1999	4	1PE, 1OE, 1EE, 1OA	S		S
December 1999	4	1PE, 1EE, 1OE, 1OA	S		S
November 2000	3	1PE, 1OA, 1OE	S		S
April 2001	2	1PE, 1OE	S		S
September 2001	1	1PE	S		S
ICR					

PE=Power Engineer, EE=Energy Economist, PS=Power Specialist, OE=Petroleum Engineer, ES=Energy Specialist, OA=Operations Analyst, SM=Sector Manager.

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	30.8	73.9
Appraisal/Negotiation	36.3	113.7
Supervision	113.3	307.5
ICR		
Total	180.4	495.1

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<i>Rating</i>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
 <i>Social</i>					
<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> <i>H</i>	<input type="radio"/> <i>SU</i>	<input type="radio"/> <i>M</i>	<input type="radio"/> <i>N</i>	<input type="radio"/> <i>NA</i>

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

Lending

HS S U HU

Supervision

HS S U HU

Overall

HS S U HU

6.2 Borrower performance

Rating

Preparation

HS S U HU

Government implementation performance

HS S U HU

Implementation agency performance

HS S U HU

Overall

HS S U HU

Annex 7. List of Supporting Documents

