



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

Energy and Extractives Global Practice

Eastern and Southern Africa Region

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ABBREVIATIONS AND ACRONYMS

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



BASIC DATA

Product Information

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

Organizations

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

Original PDO

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

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-H9350	22-Apr-2014	18-Jul-2014	12-Jan-2015	31-Dec-2023	100.00	47.66	40.36
TF-A4223	15-Sep-2017	19-Dec-2017	09-Dec-2019	31-Jul-2022	28.73	11.00	18.78

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. The financing for the Burundi - Jiji and Mulembwe Hydropower Project (P133610) in the form of a grant from the International Development Association (IDA) in the amount of SDR 64.7 million was approved by the World Bank Board on April 22, 2014 and became effective on January 12, 2015. The project is co-financed by IDA, European Investment Bank (EIB), European Union (EU), African Development Bank (AfDB), and the Government of Burundi (GoB) with a total funding of US\$270.4 million equivalent. The project development objective (PDO) is to increase the supply of clean and low-cost hydropower electricity to Burundi's national grid. Closing date for IDA financing is December 31, 2023. The project is implemented by a Project Implementation Unit (PIU) within the national electrical and water utility company REGIDESO.
2. The EU funds are administered by the World Bank, through a Trust Fund (TF), under the Administration Agreement dated December 17, 2015 (AA-TF072498). The related Grant Agreement (GA - TF0A4223) in the amount of EUR 28,239,000 was signed between the Republic of Burundi and the World Bank, on December 19, 2017, with the current closing date of July 31, 2022.
3. The Grand Agreement finances the following activities:
 - (a) Construction of: (i) a 110 kV substation at Jiji Power Plant site; (ii) a 110 kV at the Mulembwe Power Plant site; (iii) a 110/30 kV substation at Horezo within the administrative locality of Muheka and (iv) a 110/30/10 kV substation in the urban center of Kabezi;
 - (b) Extension of an existing: (i) 110/30/10 kV RN1 substation in commune of Gohosha; (ii) 30/10 kV Bujumbura Sud substation in the urban commune of Kanyoshaat Bujumbura Sud in the urban commune of Kanyosha and (iii) 30/10 kV substation at Itaba in the commune of Bururi.
 - (c) Construction of (i) a 110 kV transmission lines of approximately 107.2 km to connect Jiji substation & Mulembwe substation, each of the two aforementioned substations to Horezo Substation, and Horezo Substation to through the Kabezi Substation to the RN1 Substation; and (ii) a 30 kV distribution lines of approximately 25.4 km to connect Horezo Substation to Itaba substation, and Kabezi Substation to Bujumbura South Substation.
 - (d) Part of sector reforms including support to the restructuring of the national water and electrical utility, namely REGIDESO, in accordance with 2013 REGIDESO Audit Recommendations for the purposes of increasing its managerial accountability, financial sustainability and operational performance.
4. The implementation of the project has progressed well over the last 3 years with further improvement in the last six months, which is illustrated by (i) tangible progress on the ground in the implementation of the civil works for power stations, and (ii) progress in the implementation of the contracts for the construction of substations and transmission lines, which resulted in an upgrade of the Implementation Progress (IP) to Moderately Satisfactory in the last Implementation Status & Results Report (ISR) dated March 19, 2022. As of July 21, 2022, the overall disbursement rate of the project stands at 49.23 percent (and more than 90 percent of IDA and TF financing have been committed).
5. The TF funds were initially planned to be disbursed by February 9, 2023, which translated into the closing date of the Grant TF0A4223 six months before this date, i.e., July 31, 2022. Due to various factors, some beyond the GoB's control (including impact of COVID-19 and lengthy procurement process for the transmission lines and substations due to stalled procurement process and/or unsubstantiated complaints), the commissioning of the infrastructure supported by the TF and the associated disbursements will not occur within these dates.



6. Indeed, the award of the contract for the construction of the substations was planned for April 2021. However, the preferred bidder requested a price increase, which was contrary to the provisions of the bidding documents, and ultimately refused to sign the contract. Given the fact that all the other proposals had expired, the REGIDESO had to relaunch the bidding process with a revised bidding document optimizing the scope of the works. Similarly, for the transmission lines, the Bank's no objection to the award of the contract to the preferred bidder was provided in July 2021. However, the process was delayed due to a complaint by one of the bidders, which was found unsubstantiated by the Bank and resolved in line with the related procedures by the REGIDESO. As a result, none of these activities, financed by TF, can be completed before the current closing date of July 31, 2022.

7. The detailed description of the progress of the various activities of the project are provided below:

- (a) For the construction of the Jiji and Mulembwe hydropower facilities (financed by IDA), the contract was signed on October 17, 2018, with CMC-ORASCOM, for an implementation period of 35 months for Jiji and 42 months for Mulembwe. The contractor has since made steady progress, including the implementation of the tunnels and galleries, diversion for Jiji scheme and Factory Acceptance Tests (FAT) for major electromechanical equipment. At the end of May 2022, the overall physical rate of progress is estimated at 45.68 percent for these facilities. Despite some delays, CMC-ORASCOM targets the completion of these two plants by end of December 2023.
- (b) For the construction and extension of the substations (partly funded by the TF), a contract was signed on December 6, 2021, with VTTE-SDEL ELEXA for an implementation period of 18 months. The contract became effective on January 24, 2022 and is being implemented without major issues so far. Indeed, the mobilization of resources has taken place, detailed design is being carried out as well as FAT of major equipment.
- (c) For the construction of the transmission lines (entirely funded by the TF), a contract was signed on September 17, 2021, with KEC International Limited for an implementation period of 18 months. The contract became effective on January 24, 2022 and is being implemented without major issues so far. Geotechnical studies have been completed and testing of various equipment is underway. KEC has already submitted the detailed design of several engineering documents for approval to PIU.

8. The project is in compliance with all legal covenants. There are no outstanding or unqualified audit reports, or Interim Financial Reports. Safeguards performance is rated Moderately Satisfactory. Procurement and financial management are also rated Moderately Satisfactory. The present paper seeks to extend the current closing date of July 31, 2022 by two months, to September 30, 2022.

B. RATIONALE FOR RESTRUCTURING

9. The TF funds were planned to be fully disbursed by February 9, 2023, which translated into the closing date of the Grant TF0A4223 six months before this date, i.e., July 31, 2022. Due to the factors mentioned hereabove, some beyond the GoB's control, the commissioning of these infrastructure and the associated disbursements, will not occur by the current closing date of the TF.

10. Since the commissioning of the transmission lines and substations is unlikely to occur within the current closing date of Grant TF0A4223, the proposed restructuring is required to initiate alignment of the timeline of completion of activities supported by this TF with the timeline of the commissioning of the project facilities (end of December 2023). GoB has requested the extension of the Grant TF0A4223 closing date from July 31, 2022 to December 31, 2023, which will also align it with current closing date of IDA financing.

11. Processing of extension of the closing date of Grant TF0A4223 to December 31, 2023 will first require change of the End of Disbursement Date (EDD) for the Trustee level TF (the EU). "In principle approval" of the EU has been received and extension of the Trustee level TF to June 30, 2024, is currently being processed. However, given the time required to



complete the extension of Trustee level TF, interim extension of the closing date of Grant TF0A4223 to September 30, 2022 is required. Once extension of EDD will be approved by the Bank and amendment to AA signed, a second extension of the closing date of the Grant TF0A4223 will be processed to also align it with the closing date of IDA financing (December 30, 2023). This two-phased restructuring is deemed necessary to avoid processing retroactive extension of the Grant TF0A4223.

12. Without the proposed extension, the PDO cannot be achieved. Despite the delays described above, the GoB has reaffirmed its commitment to PDO and the project remains a priority for the country. The PIU agreed to reinforce mobilization of resources from the Owner Engineer (OE – AECOM) for ensuring timely implementation of these activities with (i) mobilization of a resident project manager; (ii) reinforcement of the OE’s team to ensure an efficient contract management of the main hydropower facilities construction contract; and (iii) dedicated supervision of the transmission lines and substations contracts (while previously shared with the main hydropower facilities construction contract).

13. The project is also aligned with Burundi’s poverty reduction strategy (PRSP II). In addition to supporting Pillar II of PRSP II “Transforming Burundi’s economy to generate sustainable, job creating growth”, it supports Pillar 1 of “Strengthening the rule of law, consolidating good governance...” by reinforcing the management and commercial function of REGIDESO. It will also contribute to Pillar III of PRSP II “Improving access and quality in basic social services...” by improving power supply to schools, training centers and health facilities.

14. The requirements of the World Bank Investment Project Financing Policy and Directive regarding extension of closing date are met, specifically: (i) PDO continues to be achievable; (ii) the World Bank and the GoB agree on actions to complete the project (see table below) and performance of implementing agency remains Moderately Satisfactory; (iii) the project is not subject to suspension of disbursements; and (iv) there are no outstanding audit reports or audit reports which are not satisfactory to the World Bank.

Table 1. Action plan

No.	Action	Responsible Entity	Deadline
1.	Sharing with the panel of experts the results of the Factory Acceptance Tests (FAT) for major equipment prior to shipment so that they can give a second opinion on the process	Owner’s Engineer (OE) & REGIDESO	Continuous
2.	Reinforce the mobilization and proactivity of the OE and his technical follow-up of the project (design, construction, and implementation of the RAP/ESMP) for the 3 main contracts.	OE & REGIDESO	Continuous
3.	Rigorous technical and economic verification of the modifications submitted by the Contractor to control the risk of cost overruns (cost/benefit estimation).	OE	Continuous
4.	Support and monitor the reform of REGIDESO at the highest level by setting up an Inter-ministerial Steering Committee	GoB	September 2022
5.	Adopt an appropriate institutional framework for a better operational performance of REGIDESO with the adoption of legislative and regulatory acts defining the new institutional form to be given to REGIDESO; the restructuring of the company; and the establishment of a performance contract with the State.	GoB	September 2022
6.	Create better conditions for an improvement in the financial situation of REGIDESO with the settlement of the debts of public sector clients and the generalization of prepayment meters for public sector consumption.	GoB	Continuous



II. DESCRIPTION OF PROPOSED CHANGES

- 15. The proposed change under this restructuring is extension of the closing date.
- 16. **Extension of the closing date.** Closing date of Grant TF-A4223 is extended until September 30, 2022.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓



Environmental Analysis		✓
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IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

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



The World Bank

BI-Jiji and Mulembwe Hydropower (P133610)
