



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
CAMEROON - CHAD POWER INTERCONNECTION PROJECT
APPROVED ON JUNE 16, 2020
TO
REPUBLIC OF CAMEROON, REPUBLIC OF CHAD

Energy and Extractives Global Practice

Western and Central Africa Region

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ABBREVIATIONS AND ACRONYMS

CAPP	Central Africa Power Pool
CdP	<i>Comité de Pilotage</i> (Steering Committee)
COE	Common Owner's Engineer
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETRP	Electricity Transmission and Reform Project
FA	Financing Agreement
GoC	Government of Cameroon
GoRC	Government of the Republic of Chad
GRM	Grievance Redress Mechanism
GW	Gigawatt
GWh	Gigawatt Hours
HCI	Human Capital Index
HDI	Human Development Index
HFO	Heavy-fuel Oil
HPP	Hydro Power Plant
HV	High-voltage
M&E	Monitoring and Evaluation
PA	Project Agreement
PAP	Project-Affected People
PESIA	Preliminary Environmental and Social Impact Assessment
PIU	Project Implementation Unit
PMS	Project Management Support
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SNE	<i>Société Nationale d'Electricité du Tchad</i> (Chad's National Electricity Utility)
SONATREL	<i>Société Nationale du Transport de l'Électricité du Cameroun</i> (National Transmission Company)
ToR	Terms of Reference



BASIC DATA

Product Information

Project ID P168185	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 16-Jun-2020	Current Closing Date 31-Dec-2027

Organizations

Borrower Republic of Cameroon, Republic of Chad	Responsible Agency SONATREL, SNE
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Project Development Objective (PDO)

Original PDO

The Project Development Objective is to : (i) interconnect the Southern and Northern power systems of Cameroon; (ii) enable electricity trade between Cameroon and Chad; and (iii) increase access to electricity in the Chad capital city of N'Djamena.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-66890	16-Jun-2020			31-Dec-2027	295.00	0	303.96
IDA-D6570	16-Jun-2020	29-Jun-2020	18-Dec-2020	31-Dec-2027	90.00	.94	94.65

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project background

1. **Objective and scope.** The project development objectives are to: (i) interconnect the Southern and Northern power systems of Cameroon; (ii) enable electricity trade between Cameroon and Chad; and (iii) increase access to electricity in the Chad capital city of N'Djamena. By financing the construction of the first high-voltage (HV) interconnector in Central Africa, the project will enable the abundant clean electricity supply available in the South of Cameroon to reach



the country’s northern regions and energy-starved Chad, thereby allowing millions of people in both countries to achieve access to electricity. The project consists of three components: (i) the interconnection of the southern (*Réseau Interconnecté Sud*, RIS) and northern (*Réseau Interconnecté Nord*, RIN) transmission systems in Cameroon (RIS-RIN Interconnection); (ii) co-financing with the African Development Bank (AfDB) of the Cameroon – Chad Interconnection, which will link the power systems of the two countries and enable power trade between them; and (iii) reinforcement of Chad’s power network and electricity access expansion in and around N’Djamena to distribute electricity purchased from Cameroon, as well as improvements to the operational and commercial performance of Chad’s national electricity utility (*Société Nationale d’Electricité*, SNE), thus enhancing its credibility as off-taker of electricity imported from Cameroon.

2. **Costs and financing.** Project costs total US\$744 million and are financed through:

- (a) an **IDA credit in the amount of EUR 271.3 million** (US\$295 million equivalent, including US\$100 million from the national window and US\$195 million from the national window) to the Republic of Cameroon (Credit No. 6689-CM), which finances all costs associated with: (i) the construction of the RIS-RIN Interconnection; (ii) implementation support to SONATREL (Cameroon’s national transmission company); (iii) costs related to the implementation of safeguards instruments in Cameroon (other than compensation of project affected people – PAPs); and (iv) technical assistance to the Government of Cameroon (GoC) for negotiations of power trade contracts with the Government of the Republic of Chad (GoRC) and commercialization of fiber optic;
- (b) an **IDA grant in the amount of SDR 65.9 million** (US\$90.0 million equivalent, including of US\$30 million from the national window and US\$60 million from the national window) to the Republic of Chad (Grant No. D6570-TD), which is intended to cover: (i) the lion share of the costs of the cross-border interconnection within Chad’s borders; (ii) network rehabilitation and expansion in Chad to increase electricity access; (iii) supply and installation of software and tools to support SNE’s commercial and technical operations, as well as management of corporate resources; (iv) project management and implementation support to SNE; and (v) technical assistance to the GoRC for the negotiation of commercial contracts for power trade with the GoC.
- (c) **US\$265.5 million financing from AfDB**, as a part of a project that was approved in 2017. AfDB financing is intended to: (i) cover all costs associated with the construction of the cross-border line within Cameroon’s borders; (ii) co-finance with IDA investment costs for the cross-border line within Chad’s borders; and (iii) finance compensation of PAPs in Chad; and
- (d) **US\$80 million of counterpart funding** to be made available by the GoC to cover compensation of PAPs along the transmission lines to be built within Cameroon’s borders.

3. Co-financing by AfDB is provided in the form of parallel financing, allocated to finance separate work contracts as identified in the procurement plan. Also, a common Owner’s Engineer (COE) will be hired to support supervision of the cross-border interconnection and this will enter into two separate contracts with SONATREL and SNE, to be financed respectively by AfDB and IDA. Project costs by component and sources of funding are presented in Table 1.

Table 1: Breakdown of Project Costs and Financing (US\$ millions)

Component	Activity	IDA Credit to Cameroon	IDA Grant to Chad	AfDB Financing	Counterpart Financing	Total
Component 1	RIS-RIN Interconnection	295.0			80.0	375.0
1.A	Construction of RIS-RIN Interconnection	266.0				266.0
1.B	Project implementation support to SONATREL	24.0				24.0



1.C	Implementation of ESIA, ESMP and RAP	3.5			80.0	83.5
1.D	Technical assistance for the negotiation of commercial contracts for power trade and for commercialization of optical fiber	1.5				1.5
Component 2	Cameroon-Chad Interconnection		49.0	265.5	13.5	328.0
2.A-G	Cameroon-Chad Interconnection		34.0	241.0		275.0
	ESMP and RAP			7.0	13.5	20.5
2. F-H	Common OE for Interconnection		6.0	17.5		23.5
	<i>Unallocated amount</i>		<i>9.0</i>			<i>9.0</i>
Component 3	Electricity access in Chad		41.0			41.0
3.A	Access expansion		33.0			33.0
3.B	Project Implementation support		8.0			8.0
	Overall costs	295.0	90.0	265.5	93.5	744.0

4. **Overall implementation arrangements.** SONATREL and SNE are the implementing agencies for the project’s activities within their respective countries. Nonetheless, a common governance structure is being set up to ensure overall coordination both at the political and technical level and to facilitate power trade between Cameroon and Chad. This includes: (i) an Inter-State Steering Committee (*Comité de Pilotage*, CdP), placed under the joint authority of the Ministers in charge of energy of Cameroon and Chad to provide guidance on strategic and policy matters, as well as resolve issues requiring government decision; and (ii) a Joint Technical Steering Committee (*Comité Technique Cameroon-Tchad*, CT), placed under the joint authority of the Directors General of SONATREL and SNE and also involving the Secretariat of the Central Africa Power Pool (CAPP), to supervise construction and operation of the cross-border line, monitor progress for reporting to the CdP and address technical issues as they arise. Furthermore, SONATREL and SNE will jointly recruit the COE to finalize design and support tendering activities and supervision of works across the two countries. The COE will enter into two separate contracts with SONATREL and SNE, financed by AfDB and IDA respectively.

5. **Project implementation in Cameroon.** Project oversight in Cameroon and coordination with Chad’s counterparts are entrusted to SONATREL’s General Director and a Project Director (PD) appointed from the utility’s senior staff, who will provide close project supervision by reporting back to the General Director. Day-to-day management of the project is to be entrusted to a dedicated Project Implementation Unit (PIU), which is to include a central office in Yaoundé and two local offices in Ngaoundere and Maroua respectively, given the distant project locations involved. The establishment of such PIU is an effectiveness condition for the Financing Agreement (FA) with the GoC. SONATREL should also recruit an OE (SONATREL OE) to support tendering activities and supervision of construction works for the RIS-RIN Interconnection as well as to interface with the COE jointly appointed by SONATREL and SNE.

6. **Project implementation in Chad.** On the Chad’s side, the project is implemented by SNE through a dedicated PIU staffed with essential personnel, including technical, project management, procurement, financial management, environmental and social safeguards. Given SNE’s lack of experience with World Bank-financed projects and severe capacity constraints especially on fiduciary functions, the PIU will be established and assisted in the short term by an external Project Management Support (PMS) consulting firm, located in-house to jumpstart project implementation and transfer project management expertise to SNE and its PIU. The mobilization of the PMS is a condition of effectiveness for the Financing Agreement with the GoRC. The PIU will also be supported by: (i) an OE to supervise the implementation of Component 3; and (ii) the COE for supervision of the cross-border interconnection.

7. **Safeguards.** The project follows the World Bank’s Safeguards Policies and was assessed to be category A in light of the likely significant impacts associated with the construction of the large infrastructure financed under the project.



The total length of HV transmission lines, nearing 1,500 km across the two countries, and seven substations will require large land acquisition of temporary or permanent nature. The line corridor will traverse sensitive natural areas, including two community forests, and pass near the boundaries of one forest reserve and several national parks. Overall, the project is expected to impact around 2,200 PAPs in the two countries, and will require 1,500-2,000 workers, partly to be living in workers' accommodation camps and interacting with local communities. On the other hand, the project is expected to generate large environmental benefits as deriving from the substitution of polluting diesel-based power generation in Chad with hydropower imported from Cameroon as well as from the more efficient management of power networks enabled under project. A number of safeguards instruments already existed at the time of project preparation or have been prepared and disclosed prior to appraisal, and several will need to be updated or be prepared to start implementation, as follows:

- (a) **Preparation of site-specific ESIA, ESMP and RAP for the RIS-RIN Interconnection (Component 1).** In the absence of a defined corridor for the line at the time the project was under preparation, prior to appraisal SONATREL prepared and disclosed a preliminary ESIA (PESIA) including a corridor assessment/scoping study and a Resettlement Policy Framework (RPF). The PESIA constituted a "framework-plus document" and already included the analysis of alternative corridors, based on which a corridor (Nachtigal-Yoko-Tibati-Hourou Oussoua/Ngaoundere) was selected for further planning. Hence, an ESIA/ESMP, together with a RAP, to be prepared by an independent third-party consultant, different from the one who prepared the PESIA, are required next.
- (b) **Update of ESIA, ESMPs and RAPs for the cross-border line (Component 2),** which were prepared and disclosed in 2017 prior to the approval of the AfDB project. While they were found to be compliant with World Bank's policies, an update is required due to the time elapsed since their preparation, to reflect eventual changes to the corridor of the line as well as any changes that may have occurred in the PAPs' circumstances. The update will be prepared and finalized separately by SONATREL and SNE for the respective segments of the line. The disclosure of the updated instruments (ESIAs/ESMPs and RAPs) in each country cleared by the World Bank is a disbursement condition for the IDA financing to Component 2 of the project.
- (c) **Preparation of site-specific ESIA, ESMP and RAP for electrification in N'Djamena (Component 3).** Since the exact project locations were not known at the time of preparation, an ESMF and a RPF were prepared and disclosed prior to appraisal. SNE will not carry out any work on electrification under Component 3 until site-specific ESIA, ESMP and RAP are publicly disclosed in form and in substance satisfactory to the World Bank.

B. Project status

8. **Effectiveness status.** The financing for the project was approved on June 16, 2020. The FA with the GoRC and the Project Agreement (PA) with SNE were on June 29, 2020, and became effective on December 18, 2020, following the recruitment by SNE of the PMS, which was the only effectiveness condition of FA with Chad. The FA with the GoC and the PA with SONATREL have not been signed yet and the related effectiveness conditions remain outstanding. This includes recruitment of the key personnel of the PIU to be established within SONATREL and the signature of a Subsidiary Agreement between the GoC and SONATREL.

9. **Status of the Cameroon-Chad Interconnection.** The common institutional structure for the supervision of the line remains to be fully established. Discussions are ongoing concerning the set-up of CdP, while CT is de facto established, as SONATREL and SNE are coordinating on technical and procurement aspects together with CAPP. Detailed design and safeguards instruments that were completed at the time the AfDB's project was approved will need to be updated. The COE will conduct the updating of the detailed design and support the tendering of works. In Cameroon, where the line is solely financed by AfDB, SONATREL and AfDB have agreed that the COE will also be responsible for the update of safeguards instruments for the sections of the interconnection within Cameroon's borders, a task that in Chad is nearly complete. Terms of reference (ToRs) were drafted by SONATREL and SNE and reviewed by the Bank. They are waiting for AfDB's clearance and a request for expressions of interest is expected to be launched immediately thereafter.



10. **Status of the Bank-financed project components (RIS-RIN Interconnection) in Cameroon.** In the absence of a dedicated PIU at SONATREL, project preparation has been supported by the PIU established for the ongoing Bank-financed Electricity Transmission and Reform Project (ETRP; P152755) approved in 2016, which has continued providing fiduciary support since the time of approval of financing for the project. Funding allocated to the ETRP has been used by SONATREL to complete preparation activities for the RIS-RIN Interconnection and advance towards investment readiness. Nonetheless, progress has been affected by delays in the procurement of consulting services by SONATREL, due to SONATREL's structural lack of procurement capacity and centralized decision-making, as well as by the lengthy approvals required by multiple line ministries to declare the public utility of infrastructures to be built under the project as well as to launch the preparation of relevant safeguards instruments. Progress to date and next steps concerning the RIS-RIN Interconnection are as follows:

- (a) The finalization of the detailed design is pending two steps. An engineering consulting firm hired by SONATREL during project preparation completed a full optimization analysis of all transmission investments (ongoing and prospective) from South to North of Cameroon, based on which a corridor, substation locations and all technical features have been identified. Nonetheless, the final design may change due to:
 - (i) agreement between the Ministry of Energy and Water (MINEE), SONATREL and the Nachtigal Hydro Power Company (NHPC) on the specific arrangements concerning the interconnection of the Nachtigal hydropower plant (construction and ownership of an additional substation). Following lengthy discussions on alternative technical options and related effects on the commercial contract for the supply of electricity from Nachtigal, an agreement has been reached on a solution that was found technically adequate by the Bank. The technical analysis will have to be revised to take into account this solution; and
 - (ii) completion of the ESIA, for which selection of consultants is ongoing. ESIA/ESMP and RAP are expected to be completed by the end of 2021.
- (b) In order to avoid further delays, the decision has been made that the bidding document for works will be finalized in the next two months and tendered (no later than end of September 2021), while the ESIA is ongoing. The bidding document will initially include minimum prescriptions for environmental and social management; once completed, safeguards instruments will be notified to bidders and requirements/responsibilities of the selected bidder will be agreed at the time of contract negotiation.
- (c) The tender for the services of the OE for the RIS-RIN Interconnection will be launched in September 2021.

11. **Status of the Bank-financed project components in Chad.** Project implementation is making steady progress on the Chad's side. In the absence of a dedicated PIU and given SNE's lack of adequate fiduciary capacity, project preparation tasks were outsourced to the PIU established for the IDA-funded Sahel Women's Empowerment and Demographics Project (SWEDD-TD; P150080) and financed through a project preparation advance. All safeguards instruments for the sections of the cross-border interconnection within Chad's borders have been updated. They are under review by the Bank and AfDB and are expected to be disclosed shortly. A PMS has been contracted and is operational at SNE and the selection of external consultants needed to complete the composition of the PIU is ongoing. The exact scope and locations of investments in electrification expansion in and around Ndjamená will be defined based on detailed design analysis and preparation of site specific safeguards instruments to be carried out by the OE, whose selection by SNE is ongoing and is expected to be completed by end-June 2021.

C. Rationale for restructuring

12. **The proposed restructuring encompasses a change in the way the staff of the SONATREL PIU will be sourced to support implementation of the project on the Cameroon's side.** According to the implementation arrangements identified and agreed upon at appraisal, the PIU established by SONATREL shall be headed by a Project Coordinator and



include at minimum the following personnel: (i) a senior Procurement Specialist; (ii) a Financial Management Specialist; (iii) an Accountant; (iv) an Environmental Specialist; (v) a Social Development Specialist; (vi) a Monitoring and Evaluation (M&E) Specialist; (vii) a Technical Coordinator; and (viii) two Coordinators, of for each local offices. The technical and fiduciary assessment of SONATREL's capacity conducted at appraisal indicated lack of sufficient manpower and/or competencies to adequately implement a project of the size and complexity such as the Cameroon-Chad Power Interconnection Project. In particular, at the time of appraisal, SONATREL's technical personnel appeared to be stretched by the demands of multiple investments, including those ongoing under ETRP, and the daily operation of the transmission network. Fiduciary capacity related to procurement and financial management as well as safeguards capacity were also found to be largely inadequate. As a result, it was agreed that external expertise would be largely needed to support the PIU in the implementation of the project and its competitive recruitment on the open market was identified as an effectiveness condition.

13. **Following approval of the financing for the project, SONATREL proposed to consider internally appointed staff for the PIU, which has been also strongly advocated by AfDB.** In fact, the institutional and implementation structure for the cross-border line identified at the time the AfDB project was approved envisaged that SONATREL would set up an internal PIU and define a program to reinforce its competencies to meet the project demands. Given the early stage of operation of SONATREL during the period immediately after approval of the AfDB project, none of such arrangements were put in place. The operationalization of SONATREL, including a program to strengthen its capacity, was launched at a later stage under ETRP. At the time of the appraisal of the project (March 2020) and while ETRP implementation had just begun, all parties agreed that a PIU consisting of externally hired experts would be better suited to respond to the project's demands. During the first implementation mission (October 2020), SONATREL and AfDB asked to consider the option of appointing internal candidates financed by the utility to establish the PIU. The request was found to have some ground, given the importance of further building the utility's internal capacity, ensuring that project management is fully rooted into its operations, as well as harmonizing modus operandi for activities to be financed by AfDB and IDA. In addition, through ETRP, SONATREL has acquired some experience in the implementation of projects financed by international finance institutions and further demonstrated to have sound engineers among its staff. Hence, it was agreed that SONATREL would identify suitable personnel within the institution to form most of the PIU and submit their profiles to the Bank and AfDB for due diligence review.

14. **Based on additional due diligence performed by the Bank in coordination with AfDB, SONATREL demonstrates to have adequate internal expertise to manage the project's technical aspects while fiduciary capacity remains to be reinforced.** The Bank conducted an additional fiduciary and technical assessment, encompassing the personnel proposed by SONATREL to fill the PIU's various positions, as well as the utility's fiduciary system. The assessment confirmed the adequacy of SONATREL staff identified for the positions of Project Coordinator and Technical Coordinator, M&E Specialist and Local Coordinators as well as Environmental Specialist. However, adequate experience and capacity on fiduciary functions, notably related to procurement, financial management and social safeguards, remain lacking. The assessment was fully concurred by AfDB.

15. **As a result, the use of internal expertise for the PIU reinforced with external fiduciary capacity can be considered an acceptable arrangement.** Based on the due diligence review, the Bank and AfDB concurred with the appointment of SONATREL staff who was found to have adequate experience and capacity as detailed above. At the same time, SONATREL will recruit an external expertise to support fiduciary functions within the PIU, with a minimum contract duration of two years and, more importantly, with the specific mandate to train and transfer competences to the relevant staff of SONATREL. Before the completion of the two-year period, the SONATREL's project implementation capacity will be reassessed by the Bank, and external expertise may be phased out or retained. This approach will enable SONATREL to manage the project using mostly its internal expertise with the required capacity being built over time through on-the-job training with support from the externally hired experts. As a result, the PIU will be better embedded into the utility work,



resulting in enhanced coordination between its different units on multiple investments related to network expansion and the upcoming regional transmission backbone. At the same time, the external expertise recruited competitively as per ToRs approved by the Bank will help the PIU manage the complex procurement and social safeguards tasks, as well as have adequate financial management arrangements in place in line with the highest fiduciary standards. Among the other things, by reducing the number of external experts to be externally hired as part of the PIU, the proposed change would allow the FA for Cameroon to reach effectiveness in a timelier manner.

16. The Project Agreement to be signed with SONATREL will continue maintaining the covenant related to the need for SONATREL to ensure that the SONATREL PIU is headed at all times by the Project Coordinator and that its composition includes relevant project implementation specialists, including the procurement specialist, the financial management specialist, the environmental specialist, the social development specialist, the monitoring and evaluation specialist, the technical coordinator, and two local office coordinators, all under terms of reference and with experience and qualifications satisfactory to the Association.

17. In this context, the GoC has requested in its letter dated June 2, 2021, to change the effectiveness condition in FA to be signed to reflect the agreements outlined above.

II. DESCRIPTION OF PROPOSED CHANGES

A. Proposed changes

18. **Based on the findings of the due diligence completed by the Bank and AfDB, it is proposed to change of the effectiveness conditions related to the recruitment of PIU staff.** Given that the Project Coordinator and Technical Coordinator, M&E Specialist, Environmental Specialist and Local Coordinators will be appointed from the staff of SONATREL, the effectiveness condition will be now applicable to the hire of fewer external experts. At the same time, the revised effectiveness condition shall include the hire of an Accountant, an action that was originally envisaged as a dated covenant.

19. As per the original text negotiated with the GoC, paragraph 5.01 of Article V (Effectiveness; Termination) of the Financing Agreement reads: *“The Additional Condition of Effectiveness consists of the following, namely, that SONATREL has established the SONATREL PIU through the competitive recruitment of the Project Coordinator, the procurement specialist, the financial management specialist, the environmental specialist, the social development specialist, the monitoring and evaluation specialist, the technical coordinator and two local office coordinators, all under terms of reference and with experience and qualifications satisfactory to the Association”*. It is proposed that the effectiveness condition is amended to read as follows: ***“The Additional Condition of Effectiveness consists of the following, namely, that SONATREL has competitively recruited the procurement specialist, the financial management specialist, the social development specialist and the accountant for the SONATREL PIU, all under terms of reference and with experience and qualifications satisfactory to the Association.”*** Furthermore, Section I. G. of the Schedule of the Project Agreement with SONATREL shall be amended to reflect the related change in the dated covenants and read as follows: ***“G. Financial Management - SONATREL shall: (i) not later than one (1) month after the Effective Date: (i) adopt a financial procedures manual, in form and substance satisfactory to the Association, which suitably reflects the specificities of the Project; and (ii) not later than three (3) months after the Effective Date: (A) customize and deploy the accounting software TOMPRO to handle accounting and reporting needs under the Project and train SONATREL staff in the use thereof; and (B) operationalize its internal audit unit with adequate staff, working equipment, processes and procedures, and include the Project’s activities in its audit scope, with a clear reporting timeline, under terms and conditions satisfactory to the Association.”***



III. SUMMARY OF CHANGES

	Changed	Not Changed
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
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		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



The World Bank

Cameroon - Chad Power Interconnection Project (P168185)

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