



1. Project Data:		Date Posted : 04/27/2001	
PROJ ID: P000108		Appraisal	Actual
Project Name: Power Rehabilitation And Extension Project	Project Costs (US\$M)	15.0	14.9
Country: Benin	Loan/Credit (US\$M)	15.0	14.9
Sector(s): Board: EMT - Power (87%), Central government administration (13%)	Cofinancing (US\$M)	0	0
L/C Number: C2284			
	Board Approval (FY)		91
Partners involved :	Closing Date	12/31/1997	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
Kevin Warr	Patrick G. Grasso	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The project's objective was to correct critical deficiencies in Benin's power sector by :			
<ol style="list-style-type: none"> 1. streamlining the relationship between the utility (SBEE) and Government (GOB); 2. reinforcing SBEE's organization and operations, including the introduction of a performance contract between SBEE and the GOB; and 3. financing part of the 1991-95 investment program in the power sector, including the rehabilitation, reinforcement and extension of the distribution grid, as well as economically justified connection of new loads . 			
b. Components			
Institutional development component: strengthening of SBEE through (i) an institutional study to review and make recommendations to streamline responsibilities between SBEE and the Borrower and establish performance indicators in key areas of SBEE's operations; (ii) a training program, including training overseas for selected SBEE staff in technical, financial and managerial areas; and (iii) improvement of SBEE's billing and accounting system through establishment of a laboratory for meter calibration, installation of computerized mapping facilities for customers and equipment management, provision and installation of hardware and establishment of software for a computerized billing system; and carrying out of an arrears audit . An additional component was added to further extend the distribution network .			
<ol style="list-style-type: none"> 1. Investment Component: (i) reinforcement of SBEE's subtransmission substation in Cotonou, Porto -Novo and Abomey/Bohicon; (ii) rehabilitation, reinforcement and extension of the Cotonou, Porto -Novo and Abomey/Bohicon distribution systems; and (iii) provision of telecommunications equipment, tools and spare parts for distribution and diesel plants . An additional component was added to finance a study on privatization options for SBEE. However, consultants were not selected according to Bank guidelines, and the study was financed by SBEE, not the Bank. 			
c. Comments on Project Cost, Financing and Dates			
There is some confusion in the ICR regarding project costs and financing . Annex 2, Project Costs and Financing, indicates no cofinancers, and a total project cost of US\$ 14.9 million, all of which was funded through the IDA credit . However, Section 9.1 (Partner Comments from the Implementing Agency) indicates that the French Development Agency (ADF) provided an additional FF 71,00,000 (US\$10.5 million), which would significantly increase the total cost of the project. The Staff Appraisal Report estimated the total cost of the project at US\$ 36.5 million, with IDA providing US\$15.0 million, SBEE providing US\$8.31 million and the Caisse Centrale de Cooperation Economique (CCCE) providing US\$13.2 million.			
The project was slated to close at the end of CY 1997, but closed on June 30, 2000. Delays were caused by, among other things, the slow procurement procedures of the Government . Also, the recruitment of consultants took much longer than anticipated and, on average, it took eight months for contracts to be signed following submission of the evaluation reports on bids.			
3. Achievement of Relevant Objectives:			
<ol style="list-style-type: none"> 1. Streamline the relationship between the utility (SBEE) and Government (GOB): <u>This objective was not</u> 			

achieved. The Government continued to interfere with the operation of SBEE and, during project implementation, the utility had a total of five different managers, all appointed by the Government rather than the Board of Directors. A performance contract was signed between SBEE and GOB, but had little actual effect on streamlining the relationship between SBEE and GOB.

2. **Reinforce SBEE 's organization and operations** : This objective was not achieved. Technical losses were reduced, but the average collection period increased to over 14 months in 1998. The financial rate of return, which was over 5 percent in 1990, has become negative in recent years. SBEE suffers from serious weaknesses in its operations, including poor internal controls and deficient accounting
3. **Finance part of the 1991-95 investment program in the power sector** : This objective was substantially achieved. At the end of 1999, SBEE had double the amount of residential customers it had in 1990, which exceeded the appraisal estimate of 20,000 new customers. 40,000 new connections were made during the project. As a result, over 580 km of distribution lines were built, which also exceeded the appraisal estimate. Over the 1990-99 period, sales of electricity have increased 6.9 percent. Sales per customer, however, have declined as new connections reached lower income groups, which are benefiting from lifeline tariffs.

4. Significant Outcomes/Impacts:

At a donors' conference in 1998, all participants agreed that no further assistance would be made to SBEE and the power sector unless GOB disengaged from SBEE's day-to-day operations. Subsequently, the Government agreed that privatization of the utility was necessary and has opted for a concession in both water and electricity. The future privatization of SBEE has the potential to generate significant development impacts in terms of efficiency gains and sector performance.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The project was approved in FY91, but did not become effective until the establishment of the PIU in 1995. Moreover, the PIU was, according to the borrower, never operational. This negatively impacted the project's implementation, especially in the areas of disbursement and assessment of available funds.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	The text of the ICR rates outcome as Marginally Satisfactory, whereas the formal rating is Unsatisfactory. OED also rates outcome for the project as Unsatisfactory. While the investment portion exceeded expectations, the institutional development portion, which could have long-term developmental impacts, did not achieve its objectives.
Institutional Dev .:	Negligible	Negligible	
Sustainability:	Likely	Non-evaluable	The ICR correctly notes that the sustainability of the physical assets financed under the project hinges on SBEE's capacity to operate and maintain its facilities adequately. SBEE does not have a clear maintenance policy for its distribution network and its poor financial situation will not allow it to maintain its facilities properly. However, the expected privatization of the utility would presumably remedy this situation. The lack of data on the progress of SBEE's privatization makes sustainability non-evaluable.
Bank Performance:	Satisfactory	Unsatisfactory	The ICR notes that preparation and supervision were marginally satisfactory. OED rates the Bank's performance as Unsatisfactory because the issue of the project implementation unit was not addressed in an effective manner. There were six supervision missions between 1991 and the end of 1994, yet the PIU was not established until early 1995, after which the impact of the PIU was negligible

			at best.
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR .:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- A strong project implementation unit is a key element to successful project implementation where there is no other feasible alternative. Therefore, the effective operation of the PIU should be an issue in supervision missions.
- When used, PIUs should play an integral role in ensuring rapid and efficient completion of the project .
- PIUs should be closely integrated into line ministries with other public entities of the borrower countries, leveraging on available resources (of existing agencies) rather than setting them up as independent units and having them operate autonomously .
- Experience under this project confirms that performance contracts between governments and utilities are ineffectual, especially since governments have little incentive under performance contracts to refrain from interfering in the management of their utilities .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The overall quality of the ICR is satisfactory . However, its quality could be improved by including sufficient data on total project costs and cofinancing . It also lacks data on the economic rate of return, even though the SAR estimated an ERR of 20 percent. Also, the ICR raised the issue that many of the new electricity connections were to lower income groups, but failed to quantify how many poor households were newly connected as a result of the project . This additional information would have added value to the ICR .