I. Project Context

Country Context

The project is being developed under the regional framework of the Nile Equatorial Lakes Subsidiary Action Program that comprises the countries of Burundi, Democratic Republic of Congo, Kenya, Rwanda, Tanzania, and Uganda and is part of the broader Nile Basin Initiative (NBI). The NBI seeks to develop the Nile River in a cooperative manner, share substantial socio-economic benefits, and promote regional peace and security. The Initiative is guided by a Shared Vision “to achieve sustainable socio-economic development through the equitable utilization of, and benefit from, the common Nile Basin water resources.” The project, which the countries of Burundi, Rwanda, and Tanzania are seeking to jointly develop and share the benefits of cooperation, is a forerunner among the NBI countries and will play a critical role in increasing regional generation and transmission links to help meet regional electricity demand.

The project offers opportunities for the regional countries to develop joint infrastructure. The project is expected to contribute to regional stability and integration by developing a joint
hydropower generation and transmission system. The project provides for important transmission interconnections, which will help form the transmission backbone between Burundi, Rwanda, and Tanzania, advancing the medium and long term goals of regional transmission inter-connection in the EAPP and the SAPP.

Adequate and reliable power supply is critical to meeting the social and economic development objectives of the project beneficiary countries. Power demand is increasing rapidly and the limited availability of electricity is constraining development in the region. The three main project beneficiaries are characterized by constrained power systems where demand exceeds present generation capacity. The costs of meeting peak loads on national power systems are high as these loads are supplied from expensive thermal plants. Investments in power generation facilities will increase the reliability and lower the cost of electricity, thus contributing to the achievement of the countries’ economic development.

**Sectoral and institutional Context**

Electricity demand in the three project beneficiary countries exceeds their present generation capacity, and access to commercial energy sources is also limited. It is estimated that only four percent of the energy needs in Tanzania were fulfilled by electricity – the rest were met by biofuel (wood fuel) and coal. In Burundi and Rwanda, the percentage of energy needs fulfilled by non-electrical energy is about the same, approximately 90% or more.

The three beneficiary countries are characterized by constrained power systems where demand exceeds present generation capacity. All beneficiaries of the project have power shortages resulting from inadequate capacity or poor hydrological conditions. Countries have resorted to expensive, emergency thermal generation to close the demand deficit. This situation has resulted in high generation costs and reliance on Government subsidies to cover fuel costs. Power generation expected from the proposed project, at an estimated cost of USD 0.067/KWh will dramatically reduce costs and replace thermal generation in the region, which costs about USD 0.25/kWh.

Only a very small proportion of the population of the region, between 2% and 9%, has access to electric power supply; the current unit consumption in the region is 95 kWh/capita/year and this includes all industrial and commercial consumption. This low access to electricity has major consequences on social and economic development as well as on the environment. An underdeveloped manufacturing sector, high dependency for subsistence livelihoods based on natural resources (fuel wood, agriculture, fisheries), weak economy, decayed infrastructures (water system, health care, social utilities), and deforestation due to high demand in fuel wood are all major issues which have roots in the lack of access to electricity. Confronted with substantial environmental degradation, the rural population will have to deal with shortages in natural resources, on which its livelihood depends. With regard to the economy, without a better access to electricity, it is obvious that the regional undiversified economy will be further constrained by its dependence on already diminished natural resources and will not be able to provide sustainable minimal income to the growing population.

II. **Proposed Development Objectives**

The development objective of the Regional Rusumo Falls Hydroelectric Project is to increase the supply of electricity to the national grids of Rwanda, Tanzania and Burundi.

III. **Project Description**
IV. Financing (in USD Million)

<table>
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<th>For Loans/Credits/Others</th>
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<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>International Development Association (IDA)</td>
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<td>African Development Fund</td>
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<tr>
<td>Bilateral Agencies (unidentified)</td>
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<td>Foreign Private Commercial Sources (unidentified)</td>
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<tr>
<td>Total</td>
<td>469.00</td>
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</tbody>
</table>

Total Project Cost: 469.00
Total Bank Financing: 340.00
Total Cofinancing: Financing Gap: 0.00

V. Implementation
Ownership: The power plant will be jointly financed and owned by the three countries of Burundi, Rwanda and Tanzania. A Special Purpose Vehicle (SPV), the Rusumo Power Company Limited, jointly owned by the three Governments will be the owner of the hydropower plant facilities. The associated transmission lines will separately be financed by the respective countries with a loan from the African Development Bank and others and owned by the country respective power utilities.

VI. Safeguard Policies (including public consultation)
### Safeguard Policies Triggered by the Project

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<tr>
<th>Policy</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>Projects on International Waterways OP/BP 7.50</td>
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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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</tbody>
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#### Comments (optional)

### VII. Contact point

#### World Bank

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#### Borrower/Client/Recipient

- **Name:** Government of Rwanda
- **Contact:**
- **Title:**
- **Tel:**
- **Email:**

- **Name:** Ministry of Finance and Economic Affairs on behalf of the United Republic of Tanzania
- **Contact:**
- **Title:**
- **Tel:**
- **Email:**

#### Implementing Agencies

- **Name:** Government of Burundi
- **Contact:**
- **Title:**
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