DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

OMVG INTERCONNECTION PROJECT

APPROVED ON APRIL 29, 2015

TO


ENERGY & EXTRACTIVES

AFRICA

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I. BASIC DATA

Product Information

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Organizations

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Project Development Objective (PDO)

Original PDO

The project developmental objective is to enable electricity trade between Senegal, Guinea, Guinea-Bissau and The Gambia.

Summary Status of Financing

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Policy Waiver(s)

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

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

The Gambia River basin Development Organization (Organisation de mise en valeur du fleuve de la Gambie-OMVG) – a sub-regional organization comprising The Gambia, Guinea, Guinea-Bissau and Senegal – is the executing agency of the four member countries' integrated development programs for the rational and harmonious exploitation of the common resources of the Gambia, Kayanga-Geba and Koliba-Corubal river basins. The OMVG project involves the construction of a 225-kV interconnection line loop interconnecting the four member countries. The project will enable electricity trade between the four countries and connect them to the rest of the electricity network of the sub-region – the West African Power Pool (WAPP).

The OMVG project was approved by the Board on April 29, 2015. The objective of the Project is to enable electricity trade between The Gambia, Guinea, Guinea-Bissau and Senegal.

Part 1: Extension of WAPP Transmission Network - OMVG Interconnection

1. Transmission lines. Provision of works, technical assistance, equipment and goods for the construction of: (i) approximately 566 km of Lots 5, 6 and 7 between Soma and Tanaff of 225 kV transmission network and a corresponding fiber optic cable; (ii) approximately 1,111 km of Lots 1, 2, 3, 4 and 6, of 225 kV transmission network and a corresponding fiber optic cable, interconnecting the electrical networks of the four Participating Countries.

2. Substations. Provision of works, technical assistance, equipment and goods for the construction of: (i) the 225/30 kV Substations of Bambadinca and Salthino in Guinea Bissau; and (ii) eleven 225/30 kV Substations, one 225/33kV Substation and one 225/110/30kV Substation on the interconnection.

Part 2: Technical Assistance to OMVG

1. Implementation Support. (i) Provision of technical assistance, training, capacity building, equipment and supporting operating costs related to the coordination and implementation of Project activities, monitoring and evaluation, implementation of safeguard requirements and assessment of the impacts of the Project activities; and (ii) provision of technical assistance to the Project Implementing Unit (PIU) through the Project Management Firm, financing of internal audits and the implementation of the Environmental and Social Management Plan (ESMP), and provision of technical assistance related to the fiber optic cables and for the increased collaboration between OMVG and the Senegal River basin Development Organization (Organisation de mise en valeur du fleuve du Senegal-OMVS).

2. Operations and Maintenance Support. Financing of part of the costs of operation and maintenance of the OMVG Transmission Network for the first five years of Project implementation.

The project investment Component 1 is co-financed by the European Investment Bank (EIB) (USD 104 million), the Islamic Development Bank (ISDB) (USD 90 million), the African Development Bank (AfDB) (USD 82 million), the Agence Francaise de Development (AFD) (USD 50 million), West African Development Bank (WADB) (USD 41 million),
Kreditanstalt fur Wiederaufbau (KFW) (USD 32 million), and (Kuwait Fund) KF (USD 24 million). The AfDB is the lead donor. The IDA financing for the OMVG project included an initial credit to the Government of Guinea-Bissau in the amount equivalent to USD 78 million approved on April 29, 2015, signed on June 23, 2015, and effective on June 14, 2016.

Project Status

The OMVG project has been effective since June 2016 but project implementation started out slowly. Although all contracts had been signed by June 2017, project disbursements remained behind target due to delays in the submission of contractor invoices for advance payment while they sought the needed financial guarantees. These were resolved by November 2017 but coordination issues between the OMVG, ATMO (the project management agency supporting the Project Management Unit (PMU), in French, assistance technique a maitrise d’ouvrage), the PMU and the Owner’s Engineer, and delays in the preparation of the Resettlement Action Plans (RAPs) slowed implementation further. Project supervision was intensified to address these organizational and safeguards challenges in the second half of FY18.

A phased approach was adopted to accelerate the start of civil works while safeguards requirements were met, focusing on liberating the substations and ‘green zones’ along the line routing where there are no resettlement in all four countries. For the areas that required resettlement, it was determined that eight RAPs would be required – one for the transmission line and one for the substations in each of the four countries. All eight RAPs have been approved and published. Construction has been launched in all four countries with some sections on hold while safeguards requirements are met. In the case of Guinea Bissau, the main challenge is the implementation of the RAP, which is the subject of this restructuring. The transmission line is expected to be delivered in phases with first sections available by end-2020 (expected in Senegal and The Gambia) and the full line expected by the end of 2021.

With respect to the environmental safeguard requirements, all contractor ESMPs have been approved, forestry protocols signed for each country (approximately 300,000 trees expected to be cut during project construction), and their associated specifications for the implementation of the forestry protocols. OMVG has started the recruitment process of an operator in each country to implement the forestry protocols, in partnership with the forestry commission in each country. A chimpanzee study has been completed to assess potential impact on chimpanzee habitat which identified five "priority zones" (located in Senegal, Guinea and Guinea-Bissau) where civil works are on hold until certain measures have been implemented such as the training and sensitization of construction workers and local population, since most of the risks identified are during the construction phase. Finally, OMVG have started the process to change the line routing in the Dindefelo region of Senegal to avoid passing through the buffer zone of the UNESCO World Heritage site (Bas sari Country).

Safeguards requirements have been met at twelve out of fifteen substations (four in Senegal, two in The Gambia, four in Guinea-Bissau, and two in Guinea), where civil works have now started, all lines in The Gambia, and some sections of the lines in Senegal and Guinea (except for priority chimpanzee zones). Project disbursement has increased in tandem from 10 to 24 percent. To ensure strong supervision of the safeguards risks, the task team prepared a Safeguards Supervision Plan in March 2019, which identified the key safeguards risks during construction phase, and mitigation actions, which include regular safeguards field missions (one to each country every two months).

Partly as a result of the delays in releasing the Rights of Way, contractors have started to submit significant penalty claims since they have mobilized their teams but have not been able to start works. These claims reached USD 94 million in April 2019 (across all contracts in all four countries) and are under negotiation between OMVG and the
contractors. The Owners Engineer have recruited a claims expert to negotiate these claims down. It is essential that
the Lines RAP in Guinea Bissau is implemented quickly (the substations RAP has already been implemented using the
government’s own funds), to ensure that construction can begin on the line in Guinea Bissau, and no further penalties
are incurred as a result of continued delays in construction.

Under component 2, the Technical Assistance firm that serves as the PMU has been recruited and the team is well
installed within the PIU. The PIU is composed of the OMVG secretariat and the recruited PMU firm with support from
the Owners Engineer. The procurement process for the Operations and Management support to the Asset
Management Agency is underway with the contract expected to be allocated in 2019. The procurement process has
also been launched for the Fiber Optic study.

Rationale for Restructuring

During the preparation of the project, the four governments agreed to provide counterpart funds of approximately
USUSD 16 million to finance interest during construction and compensation costs of the RAPs for the interconnection
line (Senegal USD 7 million, Guinea USD 3 million, Guinea-Bissau USD 5 million, and The Gambia USD 1 million). The
breakdown for Guinea-Bissau included USD 4 million for interest and USD 1 million for compensation of Persons
Affected by the Project (PAPs).

In the process of developing the two RAPs for Guinea Bissau (one for the Transmission Lines, and one for the
Substations), a significant gap emerged between the estimated budget for RAP cash compensation, and the actual
costs to implement the RAP, mainly due to the large number of trees identified along the right of way that will need to
be felled. The estimated budget for the implementation of the RAP in Guinea Bissau is USD 6.6 million (nearly 5.5% of
its annual government budget whereas comparatively Senegal’s PAP budget is 0.05% of its annual government
budget). The Government of Guinea Bissau has made available about 300 million CFA francs (approximately USD
600,000), which has been used to finance the substations RAP, but cannot cover this increase in cost due to a tight
fiscal situation. There is therefore currently, a financial gap of approximately USD $6 million.

The OMVG project has strategic importance for Guinea Bissau – the second smallest country and the poorest country
of the four OMVG member countries – for the reliable and affordable electricity supply that it will provide. Given the
extreme urgency of launching civil works, in particular to avoid further contractor penalties submitted to OMVG by
contractors who have already mobilized their teams, it is essential to start the civil works as soon as possible.

The Government of Guinea Bissau (GoGB) requested IDA support to finance the compensation gap through IDA funds
on a correspondence dated August 22, 2019. In their request to the Bank, the Guinea Bissau authorities explained that
they were unable to cover the budget for RAP compensation in a timely manner due to severe fiscal constraints. The
Bank agreed and in line with the Bank Procedure for the Preparation of Investment Project Financing, which requires
RVP approval for the use of financing for land expenditures or cash compensation for involuntary resettlement, a
Memo (included in Appendix I) requesting Regional Vice President (RVP) approval to use IDA funds was sent on
October 29, 2019. The memo requesting approval to reallocate 6 million USD equivalent in the Financing Agreement
to cover the financial gap created by higher than expected compensation costs to PAPs in Guinea Bissau was approved
November 2, 2019. Following the approval of the RVP memo, the project is now being restructured to reallocate credit
proceeds to cover the cost of the RAP as per the request from the GoGB.

Given that these expenditures were not envisioned during project preparation and the current Financing Agreement
does not include a specific disbursement category for these expenditures, this proposed restructuring is to reallocate
the requested funds from Category 1 to a new Category 4 for the payment of RAP compensation expenses. This will allow OMVG to complete cash compensation payments quickly, implement the Lines RAP, and, therefore, ensure compliance with OP 4.12 while maximizing the likelihood of timely completion of construction. It will forestall further accumulation of penalties from contractors while existing claims continue to be negotiated down by the PIU. In other countries, governments have been able to provide the counterpart funding needed to implement the RAPs, which has allowed civil works to proceed in most sites now, except for the lines in Guinea Bissau.

Detailed Changes

The proposed change consists of a reallocation between disbursement categories of resources currently available under the project, in order to use IDA proceeds to finance cash compensation for the Transmission Lines RAP in Guinea Bissau. Funds will be reallocated across disbursement categories under IDA credit 56610 to Guinea Bissau from the allocation originally approved on April 29, 2015, indicated in the column “Current Allocation” of the table below. The proposed reallocation is indicated in the “Proposed Allocation” column of the same table and reflects changes requested by the Government of Guinea Bissau in the request dated August 22, 2019.

The reallocation would shift 6 million USD equivalent from Category 1 (Goods, works, non-consulting services and consultants’ services for the construction of the 225kV transmission lines for part of Lot 5: Mansoa-Tanaf, Mansoa-Bissau, Bambadinca-Mansoa, Saltinho-Bambadinca and Boke-Saltinho and the 225/30 kV substations of Bambadinca and Saltinho in Guinea Bissau) to a new “Category 4” for resettlement costs. The IDA resources reallocated to the new disbursement category (Category 4) will finance cash compensation for the portions of land lost under the transmission towers, cash assistance for loss of crops’ income, cash compensation for utility and productive trees’ loss, and a cash compensation of 5,000 CFA francs per PAP for restriction on land-use.

As outlined in the Lines RAP for the Guinea Bissau lines disclosed on the World Bank website and in country on May 13, 2019, the proposed project is expected to have the following environmental and social impacts:

- 870 individuals and 26 legal entities for a total of 3,065 persons when including household members in the right of way for the electricity line. Out of the 870 individual PAPs, there are 669 household heads, including 51 women.
- An area of 72.22 ha of cultivated land is impacted in Guinea-Bissau. The area of land permanently lost under the towers is 64 m² per PAP. This loss has a relatively small impact on farmers’ incomes. In fact, the lost area is usually a small percentage (around 1%) of the average agricultural plot. No PAP has more than one tower within its property. PAPs will be compensated in cash or in kind (agricultural inputs). The compensation amount of PAPs in cash or in equivalent material and agricultural inputs is 7,540,000 CFA, or USD 13,484. Cultivated land will only be temporarily impacted during the construction of the line, as PAPs can continue cultivating during operation. Restrictions, particularly the height of crops, will nevertheless apply to the land portions under the 40-meter width limit.
- 9 structures were identified on the right of way: 5 houses, 1 animal shelter, 1 shed and 2 fences.
- The Project will impact a total of 62,171 trees in the corridor for the construction of the line. The trees to be cleared will be inventoried by the builders and the General Directorate of Forests and Fauna before the beginning of the construction of the line.

Payment process and record keeping - Payment of cash compensation will require additional arrangements on the flow of funds to ensure that the right amount will be paid to the right beneficiaries at the right time, and that proper books of accounts and supporting documents will be kept in respect of all expenditures. The following measures will be taken to mitigate the fiduciary risk:

- Flow of funds: IDA funds will be channeled through a special account fully dedicated to the payment of resettlement costs in cash to facilitate verifications.
In-depth review: An in-depth review of all payments will be carried out every semester during Financial Management implementation support missions in addition to the quarterly reviews to be conducted by the internal auditor of the project. Moreover, the project will support the internal control of PIU to build its capacity through training on audit methodology, preparing work programs based on risk assessment and the adoption of risk-based approach to perform regular ex-post audits.

Financial audit: In addition to the regular financial audits of the project, a special opinion of cash compensation will be issued by the external auditor.

Information dissemination: To increase transparency regarding information dissemination, PIU will inform beneficiaries through appropriate channels and update regularly the Bank by providing comprehensive information including the internal audits reports and budgets. Resettlement grievances will be duly documented according to the updated grievance mechanism agreed upon with OMVG.

Monitoring - The PIU - composed of the OMVG secretariat and the PMU firm with support from the Owners Engineer - is central in the daily follow-up of RAP implementation. The PMU has an Environmental and Social Expert and several team members, with lead responsibility for the daily monitoring RAPs’ implementation by the two NGOs. This task is shared with the National Monitoring Committee comprised by different government representatives, as well as OMVG and PAPs representatives. The National Monitoring Committee is expected to also supervise resettlement activities in the field. OMVG will inform in advance the relevant local authorities so that appropriate institutional arrangements (such as communication with PAPs, payment modalities etc.) are finalized at the level of the selected districts for the holding of Payment Commissions. Where relevant, the OMVG will also request local authorities to grant customary land titles / land use authorization minutes for PAPs.

OMVG will submit a RAP’s implementation report with subsequent monitoring reports as required for the Bank’s review and approval. The report will provide details on the use of Bank funds to comply with OP 4.12 standards. PAPs’ compensation records will be duly documented, and the report will be audited afterwards. The PIU is responsible for administrative, financial and accounting management. It also supports the OMVG for the launching of tenders and award of contracts. The PIU is also the Secretariat of the Consultative Commission to Monitor the Project (CCS). The OMVG supervises the PMU through the monitoring of its performance contract.

Risks - The route was revised and improved to minimize the impacts on the environment and populations by March 2017 before completing the LIDAR survey. On the one hand, it was improved to avoid urban areas that have developed since the 2006 route report. On the other hand, the route was also optimized in some other places in order to avoid sensitive areas (classified forests, built-up areas) and minimize the electricity line length. In addition, proposed modifications for technical reasons of some builders were also taken into account in the establishment of the final layout. The LIDAR surveys (topography and orthophotos) were carried out along this final route in May and June of 2017. After the analysis of these last images some adjustments were made in line alignment in order to reduce impacts on people, properties and environment. Each of these changes is documented and approved by the Owners Engineer and OMVG.

Besides the optimization and realignment of line layout, the RAP includes a series of measures to minimize impacts and the number of people affected by the project during implementation, including the preparation of environmental, safety and social mitigation measures, with the objective of better managing the disturbances caused by the companies involved in the assembly and operation of the substations and the transmission line. The contractors’ ESMPs (ESMP-C) also incorporate environmental, social including GBV, and safety clauses. Their effective
implementation will be supervised by the Owner’s Engineer and reported to the OMVG. Moreover, the RAPs include a participatory system for monitoring and controlling environmental and social mitigation measures.

II. DETAILED CHANGES

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

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