

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB7552

Project Name	Electricity Sector Support Project
Region	Africa
Country	<i>Burkina Faso</i>
Sector	<i>Energy</i>
Lending Instrument	<i>Investment Lending</i>
Project ID	<i>P149115</i>
Parent Project ID	<i>Not Applicable</i>
Borrower(s)	<i>Government of Burkina Faso</i>
Implementing Agency	<i>SONABEL and DGE (Energy Directorate, Ministry)</i>
Environmental Screening Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	<i>03/17/2014</i>
Estimated Date of Appraisal Completion	<i>04/17/2014</i>
Estimated Date of Board Approval	<i>06/10/2014</i>
Concept Review Decision	Proceed with the preparation of the operation

I. Strategic Context

A. Country Context

1. Burkina Faso is a low-income landlocked country in a volatile region; consequently, it faces significant structural economic vulnerability. Yet despite these constraints Burkina Faso - or simply “Burkina”, as it is referred to locally - has built an impressive record of economic stability, a record which it has maintained in the face of serious and unpredictable shocks ranging from recurrent droughts in its agricultural regions to instability and conflict in its neighboring countries. Substantial reserves of gold and a vibrant cotton sector have supported a relatively robust and strengthening economic growth rate, though the country remains highly sensitive to commodity-price fluctuations. Burkina has also received significant aid flows over the last decade, and it has performed well on its Country Poverty and Institutional Assessment (CPIA) scores (3.8 out of 6).

2. However, despite its general political stability and solid macroeconomic management, Burkina has not experienced broad-based private-sector growth or widespread employment creation. The persistence of high poverty levels raises serious questions regarding the effectiveness of Burkina’s growth model in generating inclusive, pro-poor growth and mitigating the threat posed by food insecurity. Notwithstanding recent conflicts in neighboring countries Burkina’s economy is expanding at an increasingly rapid pace, with the real GDP growth rate

rising from 5 percent in 2011 to 9 percent in 2012 on the strength of solid agricultural yields and stronger-than-expected productivity in the gold sector. Growth is expected to remain strong at 7 percent in 2013.

3. Nevertheless, significant challenges in reducing poverty will persist over the medium and long terms. Nationwide poverty incidence has fallen slightly, decreasing by 4.3 percentage points between 2003 and 2009, but overall poverty remains high. At its current pace the poverty rate of 35 percent in 2015 envisioned in the Millennium Development Goals (MDGs) is unlikely to be achieved. Consequently, the achievement of the extreme poverty goal for 2030 cannot be considered plausible. However, the government and its development partners are making a concerted effort to both accelerate growth rates and strengthen the relationship between growth and poverty reduction. The budget for pro-poor spending increased from 5.3 percent of GDP in 2006 to 7.6 percent in 2011 and is projected to reach 7.8 percent by 2015. The impact of this progressive increase in pro-poor spending would be greatly enhanced through complementary reforms targeting the key areas of agricultural productivity, transportation and trade costs, sustainable mining-sector policies, and access to credit by female entrepreneurs.

Sector Development Strategy

4. Burkina Faso continues to face limited access to modern energy services with only 14 percent of the population having access to electricity. Dependence on thermal generation with imported fuel remains high with the additional constraints of electricity imports from Cote d'Ivoire being limited to insufficient contractual volumes. The country's electricity sector faces six main challenges: (i) expanding generation capacity to meet a rapidly increasing demand; (ii) providing security of supply in the face of frequent interruptions of imports from neighboring countries; (iii) secure sufficient supply of low cost electricity from neighboring countries; (iv) improving the efficiency and equity in energy services provision by reforming tariff and subsidy policies in a context of high supply costs, and improved demand-side management; (v) expanding access of energy services to rural and peri-urban populations; and (vi) increasing the share of renewables in the electricity generation mix.

5. In October 2013, the Council of Ministers adopted a new energy policy (Politique Sectorielle de l'Energie (POSEN) 2013 – 2022) as sector response to the national accelerated growth and sustainable development strategy (SCADD). The POSEN is based on four strategic pillars: (i) promote the use of local (renewable) energy resources; (ii) enhance sub-regional cooperation; (iii) ensure universal access to quality energy services; and (iv) make energy an engine for sustainable development. The GoBF's goal is to achieve: (a) a 100% access rate to electricity services in urban areas and 49% in rural communities; (b) an 80% market penetration of improved cook stoves in urban households and 90% for rural ones; (c) a 40% penetration rate of cooking gas in urban areas and 10% rural, all to be achieved by target year 2022.

6. As described in the project documents of the parent project, the 2013-16 CAS is aligned with the government's Strategy for Accelerated Growth and Sustained Development (SCADD) and aims to selectively support the achievement of accelerated growth and sustainable development in Burkina Faso. Both the OF and AF are consistent with the CAS's objective to help improve competitiveness and to support broad-based growth. By scaling up efforts to improving energy supply, expanding energy services access, and improving demand side management, the AF will allow the Government to reach an increased number of remote and poor populations, thus improving rural productivity and livelihoods.

II. Project Development Objectives

A. Project Development Objectives

7. There are no changes being proposed to the development objectives of the original project which are to contribute to: (i) increasing access to electricity, (ii) improving the reliability of electricity supply; and (iii) improving efficient use of energy in targeted areas.

8. The proposed activities aim at : (a) the scaling up of the access component of the ESSP by expanding electricity access in rural communities through least cost measures including grid extension, installation of hybrid mini-grid, solar home systems and multifunctional platforms for households, schools, health centers, and other productive activities; (b) technical assistance to the national utility, SONABEL, to update its strategic plan according to the findings of the recently completed sector diagnostics as well as the acquisition and implementation of a customer management system and; (c) technical assistance to the Government to further improve the environment for private participation in the sector.

B. Key results

9. The additional financing will have a direct impact on the results framework by increasing the PDO level indicator targets related to: (a) the number of direct project beneficiaries; and (b) the number of people provided with access to electricity under the project by household connection. Additional intermediate indicators will be included in the results framework to capture an improved strategic plan for SONABEL and the support to the government to further improve the environment for private participation in renewable energy.

C. Components

10. The proposed activities will be linked to components (2 and 4) of the original project.

(a) **Component 2: Increasing electricity access in target areas (original amount \$US 25.59 million; proposed AF \$US 25.00 million):**

- *Component 2 - original project:* finances grid expansion and installation of connections in about forty (40) communities through (a) existing and new 33kV transmission lines, and (b) the existing 34.5 kV Bobo-Dioulasso - Ouagadougou line.
- *Component 2 - additional financing:* will support electrification of about 80 additional communities through (a) grid expansion; but also through (b) hybrid mini grids and solar home systems in remote and poor communities; and (c) multi-functional platforms to foster income generating activities in small localities.

(b) **Component 4: Institutional Strengthening and Capacity Development (original amount \$US 5.49 million; proposed AF \$US 8.5 million):**

- *Component 4 – original project:* support activities to help: (a) Strengthen the institutional capacity of the FDE, SONABEL, and DGE to support scaling up of energy service expansion. (b) Strengthen the capacity of energy service providers including, *inter alia*, energy services cooperatives, local communities, NGOs, and private sector small- and medium-size enterprises. (c) Undertake specific studies to improve the energy mix, more particularly in renewable energy in the medium term. (d) Provision of institutional support to DGE, SONABEL and FDE. (e) Provision of support to DGE for coordination of the Project.
- *Component 4 – additional financing:* will support: (a) SONABEL for the development and implementation (within available resources) of a strategic plan including the acquisition and implementation of a state-of-the-art customer management system (CMS)¹ and a fuel consumption audit; and (b) DGE for technical assistance to improve the environment for private participation in renewable energy.

D. Institutional arrangement

1. The institutional arrangements remain the same. The Ministry in charge of Energy (MEM), through a steering committee, will oversee the overall supervision and coordination of the Project. The steering committee will be comprised of representatives of the Ministry of Energy, Ministry of Finance, SONABEL and FDE.

¹ Comprehensive overhaul, cleaning and updating of the client database will be part of CMS implementation.

III. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in the Bank-Supported Projects (OP/BP 4.00)		X	
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)		X	
Pest Management (OP 4.09)			
Physical Cultural Resources (OP/BP 4.11)	X		
Involuntary Resettlement (OP/BP 4.12)	X		
Indigenous Peoples (OP/BP 4.10)		X	
Forests (OP/BP 4.36)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects in Disputed Areas (OP/BP 7.60)*	not eligible for piloting under OP 4.00		
Projects on International Waterways (OP/BP 7.50)	not eligible for piloting under OP 4.00		

IV. Tentative financing

Source:		(\$m.)
Borrower/Recipient		02
IBRD		35
IDA		
Others (specify)		
	Total	37

V. Contact point

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Implementing Agencies

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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