

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
ELECTRICITY SECTOR SUPPORT PROJECT  
APPROVED ON JULY 26, 2012  
TO  
REPUBLIC OF SENEGAL

Energy & Extractives Global Practice

Africa Region

|                                  |                            |
|----------------------------------|----------------------------|
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## ABBREVIATIONS AND ACRONYMS

|         |   |
|---------|---|
| AF      | Additional Financing  |
| EIB     | European Investment Bank  |
| ESIA    | Environmental and Social Impact Assessment  |
| EU      | European Union  |
| IDA     | International Development Association   |
| PASE    | <i>Projet d'Appui au Secteur d'Electricité</i> (Electricity Sector Support Project)         |
| PDO     | Project Development Objective   |
| PMU     | Project Management Unit   |
| PoC     | Principles of Collaboration   |
| RAP     | Resettlement Action Plan  |
| SENELEC | <i>Société Nationale d'Electricité du Sénégal</i> (National Electricity Utility of Senegal) |
| T&D     | Transmission and Distribution   |



REPUBLIC OF SENEGAL  
ELECTRICITY SECTOR SUPPORT PROJECT (P125565)

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**BASIC DATA**

**Product Information**

|  |  |
|--|--|
| Project ID<br>P125565                          | Financing Instrument<br>Investment Project Financing |
| Original EA Category<br>Partial Assessment (B) | Current EA Category<br>Partial Assessment (B)        |
| Approval Date<br>26-Jul-2012                   | Current Closing Date<br>31-Oct-2020                  |

**Organizations**

|                                 |  |
|---------------------------------|--|
| Borrower<br>Republic of Senegal | Responsible Agency<br>Ministry of Energy and Mining, SENELEC |
|---------------------------------|--|

**Project Development Objective (PDO)**

Original PDO

The project development objectives are to contribute to (i) reducing SENELEC’s technical and commercial losses; and (ii) improving the reliability of electricity services in selected areas focusing primarily on Greater Dakar.

**Summary Status of Financing**

| Ln/Cr/Tf  | Approval    | Signing     | Effectiveness | Closing     | Net Commitment | Disbursed | Undisbursed |
|-----------|-------------|-------------|---------------|-------------|----------------|-----------|-------------|
| IDA-58920 | 28-Jul-2016 | 31-Aug-2016 | 24-Jan-2017   | 31-Oct-2020 | 70.00          | 4.64      | 68.37       |
| IDA-51450 | 26-Jul-2012 | 03-Aug-2012 | 01-Jan-2013   | 31-Oct-2020 | 85.00          | 72.71     | 6.82        |

**Policy Waiver(s)**

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

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

The Electricity Sector Support Project (P125565), is comprised of an original IDA credit (51450) of US\$85 million equivalent approved on July 26, 2012 and an additional financing (AF) IDA credit (58920) of US\$70 million equivalent approved on July 28, 2016. The PDOs, which remained unchanged with the AF, are to contribute to (a) reducing SENELEC's technical and commercial losses; and (b) improving the reliability of electricity services in selected areas focusing primarily on Greater Dakar. The AF aims to scale up and finance new activities under the well-performing parent project while leveraging parallel financing of US\$94 million from the European Investment Bank (EIB). If approved, this will be the first restructuring of the project. The original closing date of the project was September 30, 2016. The current closing date, which was extended as part of the AF, is October 31, 2020.

Overall disbursement rate has increased from 44 percent (November 2017) to 51 percent as of July 2018. Disbursement for the parent project (IDA-51450, US\$85m) has reached 91 percent and disbursement for the additional financing IDA-58920 has reached 6.4 percent.

The project consists of four components:

- (i) Component 1: upgrading and modernization of the transmission and distribution network (US\$46.5 million)
- (ii) Component 2: improve SENELEC's commercial performance (US\$35.5 million)
- (iii) Component 3: long term strategic outlook (US\$1.75 million)
- (iv) Component 4: project implementation, communication and monitoring and evaluation (US\$4.25 million)

Progress under the four project components is as follows:

Component 1, Upgrading and Modernization of the Transmission and Distribution Network. Major activities under the original project have been implemented including the connection of isolated centers, densification of the network in Dakar, and connecting Goree Island to mainland Dakar. The main activity remaining under PASE 1 is the Hann-Cap des Biches Transmission Line, which being constructed under close supervision. In particular, the World Bank is closely supervising the implementation of the Resettlement Action Plan. Activities outlined for implementation under the AF are mainly related to the connection of isolated centers and upgrading of the T&D network in Dakar. The bidding documents and safeguards documents are currently under preparation. The ESIA's are in the process of being reviewed by donors and are expected to be cleared for the team to proceed with preparation of the RAPs.

Component 2, Improve SENELEC's Commercial Performance: this component is expected to finance prepayment meters and the installation of SENELEC's new commercial and information system. The contract for the information system is under implementation and is expected to be completed in 2018.



Components 3, Long-term Strategic Outlook: this component finances key strategic studies for the energy sector, including a masterplan for the distribution sector, separation of SENELEC accounts, and an auditor for the SENELEC Performance Contract. Terms of Reference are currently under preparation.

Component 4: Project Implementation, Communication, and Monitoring and Evaluation: The PMU is operational but needs additional capacity especially as the funding has scaled up with the EIB and EU funding. SENELEC intends to recruit an additional 13 positions of which 3 have been completed and 10 are in process.

There are no outstanding audits on the project at the time of the restructuring.

## II. DESCRIPTION OF PROPOSED CHANGES

The proposed changes under this restructuring are (i) a financing plan, to change parallel co-financing to joint co-financing as explained below; (ii) reallocation between categories; and (iii) non-cash compensation associated with the implementation of RAPs

### I. Co-financing restructure

The AF was approved on July 26, 2016, signed on August 31, 2016, and became effective on January 24, 2017. The AF leveraged approximately US\$94 million equivalent of co-financing from the European Investment Bank (EIB), which was approved by the EIB Board in September 2016 (including \$12 million on-grant from the European Union). The parallel co-financing was shown in the financing plan of the AF and was taken into account in the cost of project components and in the update of the project results framework done as part of the AF. The World Bank is leading supervision of project implementation, with EIB joining such missions when possible (no joint missions have taken place to date).

Following discussions with the EIB, it has been agreed that rather than parallel co-financing, the EIB funds will be implemented as joint co-financing. This will enable the EIB to delegate supervision of procurement activities to the World Bank team. This restructuring is therefore required to reflect the new joint co-financing structure. In order to reflect joint co-financing structure, the Legal Agreements and amounts allotted in each of the disbursement categories need to be updated, which will be done as part of this restructuring.

EIB will be co-financing additional activities for the PASE under the first (upgrading and modernization of the T&D network) and second (improve SENELEC's commercial performance) components:

- (i) Component 1 (EIB financing amount – US\$74.5 million): The EIB investments will include grid extension activities in the Greater Dakar, Dabo and Velingara regions as well as to provide connection to isolated secondary consumption centers in Tangori, Baila, Kounkane and Medina Goudass.
- (ii) Component 2 (EIB financing amount – US\$19.4 million): The EIB funding will support the procurement and installation of an additional 300,000 prepaid meters to the 260,000 additional meters to be provided through IDA financing.

A Procurement Plan for the joint co-financing has been agreed between the EIB, IDA, and SENELEC, and a Principles of Collaboration (PoC) has been drafted and will be signed following approval of this restructuring.



**II. Reallocation between categories in the original IDA financing**

The reallocation is required to address the gap in funding needs for the works category and will be achieved by allocating remaining funds in Categories 1, 3 and 4 (achieved through cost savings on contracts) to Category 2. Actual costs for construction works (category 2 in the parent PASE project) are larger than the estimated allocation due to the higher value of actual costs and additional costs resulting from the expansion of project scope to include new projects (such as the renewal of the Dakar-Goree submarine cable and procurement of additional meters). On the other hand, cost savings were achieved for equipment provision (category 1 in the original PASE project) and studies (category 3 in the original PASE project). Contingency funding is also available in Category 4. As a result, a reallocation of funding across these categories is required to address the gap, summarized in the table below.

**III. Non-cash compensation associated with the implementation of RAPs**

The government requested the project to finance non-cash compensation costs associated with the implementation of RAPs. As per World Bank requirements, the cash-compensation costs will be financed through counterpart funding. The most urgent RAP to be implemented is the Hann-CDB RAP, but non-cash compensation costs may be needed for other RAPs.

**III. SUMMARY OF CHANGES**

|  | Changed | Not Changed |
|--|---------|-------------|
| Reallocation between Disbursement Categories | ✓       |             |
| Other Change(s)                              | ✓       |             |
| Change in Implementing Agency                |         | ✓           |
| Change in DDO Status                         |         | ✓           |
| Change in Project's Development Objectives   |         | ✓           |
| Change in Results Framework                  |         | ✓           |
| Change in Components and Cost                |         | ✓           |
| Change in Loan Closing Date(s)               |         | ✓           |
| Cancellations Proposed                       |         | ✓           |
| Change in Disbursements Arrangements         |         | ✓           |
| Change in Disbursement Estimates             |         | ✓           |
| Change in Overall Risk Rating                |         | ✓           |
| Change in Safeguard Policies Triggered       |         | ✓           |
| Change of EA category                        |         | ✓           |
| Change in Legal Covenants                    |         | ✓           |



|   |  |   |
|---|--|---|
| Change in Institutional Arrangements      |  | ✓ |
| Change in Financial Management            |  | ✓ |
| Change in Procurement                     |  | ✓ |
| Change in Implementation Schedule         |  | ✓ |
| Change in Economic and Financial Analysis |  | ✓ |
| Change in Technical Analysis              |  | ✓ |
| Change in Social Analysis                 |  | ✓ |
| Change in Environmental Analysis          |  | ✓ |

**IV. DETAILED CHANGE(S)**

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

|                               | Current Allocation   | Actuals + Committed                                 | Proposed Allocation  | Financing %<br>(Type Total) |          |
|-------------------------------|----------------------|---|----------------------|-----------------------------|----------|
|                               |                      |   |                      | Current                     | Proposed |
| IDA-51450-001   Currency: XDR |                      |   |                      |                             |          |
| iLap Category Sequence No: 1  |                      | Current Expenditure Category: DISB - GOODS          |                      |                             |          |
|                               | 19,900,000.00        | 13,479,171.94                                       | 17,450,000.00        | 100.00                      | 100.00   |
| iLap Category Sequence No: 2  |                      | Current Expenditure Category: Wks,NCS excl Part A.4 |                      |                             |          |
|                               | 25,500,000.00        | 28,571,707.46                                       | 31,500,000.00        | 100.00                      | 100.00   |
| iLap Category Sequence No: 3  |                      | Current Expenditure Category: CS and TR             |                      |                             |          |
|                               | 7,500,000.00         | 6,912,451.15  | 7,350,000.00         | 100.00                      | 100.00   |
| iLap Category Sequence No: 4  |                      | Current Expenditure Category: UNALLOCATED           |                      |                             |          |
|                               | 3,400,000.00         | 0.00  | 0.00                 |                             |          |
| <b>Total</b>                  | <b>56,300,000.00</b> | <b>48,963,330.55</b>                                | <b>56,300,000.00</b> |                             |          |





IDA-58920-001 | Currency: EUR

|                              |   |                   |                      |        |
|------------------------------|---|-------------------|----------------------|--------|
| iLap Category Sequence No: 1 | Current Expenditure Category: G,W,NCS,TR,OC&CS-exp Pt A2,3,B1,2,3                   |                   |                      |        |
| 62,800,000.00                | 905,847.80  | 5,000,000.00      | 100.00               | 100.00 |
| iLap Category Sequence No: 2 | Current Expenditure Category: G,W,NCS,TR,OC&CS- exp A5, 6, B5a1, B5b, B5d C.1, 2, D |                   |                      |        |
| 0.00                         | 0.00  | 10,000,000.00     |                      | 7      |
| iLap Category Sequence No: 3 | Current Expenditure Category: G,W,NCS,TR,OC&CS- exp A.1, 2, 3, 4, B.5(c)            |                   |                      |        |
| 0.00                         | 0.00  | 47,800,000.00     |                      | 100    |
| <b>Total</b>                 | <b>62,800,000.00</b>  | <b>905,847.80</b> | <b>62,800,000.00</b> |        |