Mali: The Selingue Rehabilitation Project

The main objective of this project (1996–2002), assisted by both the World Bank and the European Investment Bank, with an initial IDA credit of US$ 27.50 million, which rose to US$ 34.21 million equivalent due to exchange rate fluctuation, was to repair and rehabilitate the Selingue Hydropower plant built 26 years ago. Other objectives were: (i) maintain the electricity supply/demand balance by increasing the thermal capacity of the system and implement an energy-efficient program; (ii) improve the capacity of the Energie du Mali (EDM) to properly operate, maintain and supervise its power generation facilities; and (iii) prepare a long-term institutional framework and regulatory system for the power sector and privatize EDM.

Impact on the ground

- Power sector restructuring was a major achievement. In 1997, an operational audit was conducted within the scope of the management contract. The following year, the government announced plans to privatize EDM by the end of 2000. Prior to transferring EDM’s assets to a private operator, the government set up a new legal and regulatory framework, and established in March 2000 an independent regulatory authority, Commission de Régulation d’Eau et d’Electricité.

- In 1998, the management of EDM was contracted out to a French/Canadian joint venture, which carried out a training needs assessment and designed a management development program aimed at upgrading the technical and managerial competence of middle- and upper-level staff. This program helped EDM to operate more efficiently during the two-year transition preceding privatization in 2000.

- The project’s institutional impact was substantial, particularly from the standpoint of privatizing EDM, which was the only way for the utility to regain its financial viability. Its financial condition had been characterized by structural imbalances since 1995. Various measures intended to restore financial stability failed, until the government, in response to an indication by the Bank that it would suspend disbursements since financial covenants were not being met, adopted a new water and electricity law. This was followed by the utility being privatized and the financial situation stabilizing.

- A demand-side management study was completed under the auspices of the Power Sector Institutional Development unit (CEDISE). This provided the newly-privatized EDM with a number of measures to improve its internal efficiency.
• The civil works repairs were completed in 1998. These provided dam stability allowing for proper water-level measurement, drainage and seepage. This enabled the level of the reservoir to be raised to 349m. EDM’s transmission network was connected to the Manantali grid in 2001, but the fact that energy from the Manatali dam did not become available till early 2002 resulted in extending the credit closing date to the end of June 2002, to allow for the completion of the transmission system for reinforcement works.
• The first 3 MW of thermal capacity needed urgently to maintain the power supply/demand balance were commissioned on target. The remaining 6 MW were installed at a lower cost than the appraisal estimate.

Lessons learned
• The Bank should finance a project generated by necessity, even when the main implementing agency is an unstable institution, provided essential measures are put in place and enforced. The alternative to rehabilitating the Selingue dam was to drain the lake and abandon the infrastructure. This would have incurred higher economic and social costs in the long run, as the production of electricity from thermal and other sources would have been considerably more expensive; fishing in the lake for commercial purposes would have been curtailed; the quality of life on the project area’s population would have been impacted by the limited availability of water for household consumption and irrigation.
• The simplicity of project design, through a two-pronged approach, made it possible to pay adequate attention to operations involving both physical infrastructure and institutional development as if they were separate, self-standing projects. This resulted in achieving objectives related to both areas.
• Sector reform initiatives undertaken under the project demonstrate how a step-by-step approach to institution building can facilitate the privatization of public utilities. The corporatization of EDM was followed by institutional grading first by means of a 3-year management contract, then sector reform including changing the legal framework, the establishment of a regulatory authority and finally by the transfer of assets to a private contractor through International Competitive Bidding (ICB) under a concession agreement.
• The Environmental Action Plan, which aimed at correcting the negative impacts that resulted from the dam construction, was largely left incomplete as the projected costs were not included in the IDA Credit, and Government failed to deliver on raising the money needed. Projects whose objectives include environmentally sustainable development, should provide direct funding for related initiatives, including contingency funds where the Borrower intends to obtain funding from non-Bank/IDA sources.

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