

**BOARD APPROVAL**  
**Lapse-of-time Procedure**  
**14 December 2018**

**FOR CONSIDERATION**

## MEMORANDUM

**TO :** THE BOARDS OF DIRECTORS

**FROM :** Vincent O. NMEHIELLE  
Secretary General

**SUBJECT :** MULTINATIONAL: BURUNDI-RWANDA POWER GRID INTERCONNECTION PROJECT FOR NELSAP\*

ADF GRANT OF UA 2.51 MILLION  
TSE GRANT OF UA 3.17 MILLION  
GRANT OF EUR 15 MILLION FROM THE RESOURCES OF THE EUROPEAN UNION

Please find attached the above-mentioned **Grant Proposals** and the **Draft Resolutions** which are submitted for your consideration, **on a Lapse-of-time basis**.

If no objection is received **by 5.00 pm on 14 December 2018**, the proposals will be considered **approved** and the **Resolutions adopted**.

**Attch.**

**Cc: The President**

\* Questions on this document should be referred to:

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Mrs. N. NWABUFO	Deputy Director General	RDGE	Extension 8343
Mr. B. BALDEH	Director	PESD	Extension 4036
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# AFRICAN DEVELOPMENT BANK GROUP



**PROJECT : Burundi-Rwanda Power Grid Interconnection Project for NELSAP**

**COUNTRY : Multinational Burundi/Rwanda**

## APPRAISAL REPORT

*Date: November 2018*

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# AFRICAN DEVELOPMENT BANK GROUP



## MULTINATIONAL

## BURUNDI-RWANDA POWER GRID INTERCONNECTION PROJECT FOR NELSAP

## APPRAISAL REPORT

**RDGE**

November 2018

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## Currency Equivalents

August 2018

UA 1	=	BIF 2515.18
UA 1	=	EUR 1.19706
UA 1	=	USD 1.40487

## Fiscal Year

1 July - 30 June

## Weights and Measures

m	metre	1 m	•	koe	kilo oil equivalent	
cm	centimetre	0.01 m	•	V	volt	1 V
mm	millimetre	0.001 m	•	kV	kiloVolt	1000 V
km	kilometre	1.000 m	•	kVA	kiloVolt Ampere	1000 VA
m <sup>2</sup>	square metre	1 m <sup>2</sup>	•	W	Watt	1 W
cm <sup>2</sup>	square centimetre	0.0001 m <sup>2</sup>	•	kW	kiloWatt	1000 watts
mm <sup>2</sup>	square millimetre	0.01 cm <sup>2</sup>	•	MW	Mega Watt	1000 kW
km <sup>2</sup>	square kilometre	1 000 000 m <sup>2</sup>	•	GW	GigaWatt	1000 MW
ha	hectare	10 000 m <sup>2</sup>	•	kWh	kiloWatt-hour	1000 Wh
kg	kilogramme	1000 g	•	MWh	MegaWatt-hour	1000 kWh
t	tonne	1 000 kg	•	GWh	GigaWatt-hour	1000MWh

## Acronyms and Abbreviations

ADF	African Development Fund
AfDB	African Development Bank
BD	Bidding Document
BoD	Board of Directors
CAP	Capacity to Pay
CIF	Climate Investment Fund
CPIA	Country Policy and Institutional Assessment
CPW	Construction and Public Works
CRP	Comprehensive Resettlement Plan
CSP	Country Strategy Paper
CSS	Climate Safeguards System
DRC	Democratic Republic of Congo
EAPP	East Africa Power Pool
ECF	Extended Credit Facility
EDCL	Energy Development Corporation Limited
EDPRS II	Second Economic Development and Poverty Reduction Strategy
ENPV	Economic Net Present Value
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
FD	Final Design
FRR	Financial Rate of Return
GESP	Growth and Employment Strategy Paper
GPRF	Growth and Poverty Reduction Framework
IEC	Information Education Communication
IMF	International Monetary Fund
ISS	Integrated Safeguards System
JCAS	Joint Country Assessment Strategy
KSI	Key Sector Indicator
LV	Low Voltage
M&E	Monitoring and Evaluation
MFBP	Ministry of Finance, Budget and Economic Development Cooperation
NBI	Nile Basin Initiative
NDC	Nationally Determined Contribution
NELSAP	Nile Equatorial Lake Subsidiary Action Programme
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPIU	National Project Implementation Unit
NPV	Net Present Value
OPEV	Operations Evaluation Department
PCN	Project Concept Note
PIU	Project Implementation Unit
PMIREL-PLEN	Multinational Power Grids Interconnection Project for Nile Equatorial Lakes Countries
PMP	Procurement Methods and Procedures
PND	National Development Plan
PIIP	Portfolio Performance Improvement Plan
PPP	Potentially Problematic Project
PRCA	Procurement Risks and Capacity Assessment
PRCAP	Procurement Risks and Capacity Assessment Plan
PRSP	Poverty Reduction Strategy Paper
RAP	Resettlement Action Plan
REGIDESO	Régie de Production et Distribution d'Eau et d'Electricité (Water and Electricity Production and Distribution Corporation)
SEP	Stakeholder Engagement Plan
SPD	Standard Procurement Document
SPMP	Standard Procurement Methods and Procedures
TFP	Technical and Financial Partner
TSF	Transition Support Facility
UA	Unit of Account

# INFORMATION SHEET

## CUSTOMER INFORMATION

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**BORROWER** : Republic of Burundi

**EXECUTING AGENCY** : Régie de Production et Distribution d'Eau et d'Electricité (Water and Electricity Production and Distribution Corporation) (REGIDESO)

## Financing Plan

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Source	Amount in Million	Foreign Exchange	Instrument
ADF	2.51	UA	Grant
TSF	3.17	UA	Grant
EU	12.53	UA	Grant
Government of Burundi	1.58	UA	Grant
<b>TOTAL COST</b>	<b>19.79</b>	<b>UA</b>	

## Financial Information of the ADF-TSF-EU Grant

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Currency of the Grant	Unit of Account
Type of interest rate*	
Base interest rate*	
Service Charge*	
Commitment Fee	
Maturity	
Grace Period	
FRR, NPV (baseline scenario)	
ERR (baseline scenario)	

*\*Where applicable*

## Duration and Key Milestones

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Concept Note Approval	:	July 2018
Project Approval	:	December 2018
Effectiveness	:	January 2019
Deadline for last disbursement	:	June 2025
Completion	:	June 2024

## **Project Summary**

### ***1. Project Overview***

1.1 The Burundi-Rwanda power grid interconnection, which falls within the Multinational Power Grid Interconnection Project for the Nile Equatorial Lakes Countries (PMIREL-PLEN or NELSAP) approved by the Bank on 27 November 2008, involves constructing 140.7 km of 220 kV line initially operated at 110 kV (79.2 km in Burundi and 61.5 km in Rwanda) and two 220/30 kV sub-stations, and extending two 110 kV sub-stations between Gitega and Ngozi towns in Burundi, and Butaré and Kigoma towns in Rwanda. The project will help to improve the living conditions of the population, as well as the quality of the economic and social development framework by increasing the supply of affordable power. It will also contribute to enhancing the integration of the regional electricity market. Burundi's section of the interconnection, which costs UA 19.79 million, will be implemented over five (5) years (2019-2023) and will be financed by an ADF grant of UA 2.51 million, a TSF grant of UA 3.17 million, an EU grant of UA 12.53 million (EUR 15 million), and the Government of Burundi for UA 1.59 million.

1.2 The regions to be particularly affected by the construction of the interconnection line in Burundi are: (a) Bujumbura, (b) Gitega-Muramvya-Gatumba-Ruyigi, (c) Ngozi-Muyinga-Kanguzo-Kayanza-Kirundo-Karuzi, (d) Bururi-Rumonge-Makamba-Nyanza-Lac and (e) Bubanza-Tora-Cibitoke. By 2025, the project will supply electricity to about 150,000 households/homes, or 720,000 people in these regions. Households, industries, businesses, schools, utilities, REGIDESO and private customers in these regions will benefit from the energy transmitted by the interconnection line. The project area mainly covers three provinces - Gitega, Kayanza and Ngozi - directly crossed by the power transmission line in central Burundi. The most populated localities in Gitega, Kayanza and Ngozi provinces, Mutaho, Muhanga and Mivo respectively, will benefit from the project and 1,800 households/homes or 8,300 people will be supplied with electricity. The project will improve women's access to electricity and gradually diversify their activities. In addition, by allowing women to be employed in the construction sector, they will be able to increase their income, strengthen the financing capacity of their income-generating activities, and significantly reduce the volatility of their earnings. The project will also create 120 temporary jobs during the construction phase and 5 permanent jobs during the operation phase. Furthermore, 20 young people, 50% of them girls, will benefit from internships with the works contractors.

### ***2. Needs Assessment***

2.1 Burundi faces major economic and social development challenges due to various constraints, including structural deficit of energy and its very high costs. The country's electricity access rate is low (at about 10%) because of inadequate energy production. There is a wide disparity in access to electricity, ranging from almost zero in rural areas compared to a national average of 10%. REGIDESO had a bills collection rate of 34% and losses of about 17.65% for 2017, while unmet electricity demand is still estimated at 36%. The considerable gap between electricity supply and demand has inevitably resulted in selective power cuts for customers, particularly in July, August, November and December. Given the scarce resources to support its development, the Government of Burundi is encouraging private sector actors to participate in power production and supply to meet demand. In addition, Burundi is firmly committed to the integration of the regional energy market through interconnections and common production infrastructure to reduce its energy deficit. This project seeks to solve these problems by focusing on interconnection of the regional power grids.



### **3. *Value Added for the Bank***

3.1 The Bank's intervention will help to implement the project and achieve its objectives. In particular, the Bank will bring to this operation its immense experience in managing energy projects in Burundi and the East African region. Consequently, in the project design, it will draw on lessons from previous operations by: (i) establishing a new PIU to avoid accumulating projects to be managed by a single PIU; (ii) introducing objectives-based compensation payments; (iii) recruiting an international technical assistance staff to assist in managing all energy projects in Burundi, as well as an international procurement assistant to help manage project procurement; (iv) providing capacity building in project management and procurement; (v) establishing the PIU before project approval; and (vi) revitalizing the training centre to build the capacity of the Executing Agency.

### **4. *Knowledge Management***

4.1 To draw useful lessons from the project, a monitoring and evaluation system will be established to document its outcomes and impacts. Consequently, lessons will be drawn from: (i) quarterly progress reports; (ii) supervision mission reports; (iii) monthly reports of the consulting engineer; (iv) audit reports; and (v) project completion reports. The supervision and completion reports will be posted on the Bank's website. The data collected from all these reports will be used to prepare and develop similar operations in future.

## Results-Based Logical Framework

<b>Country and Project Name:</b>	Burundi-Rwanda Power Grid Interconnection Project
<b>Project Goal:</b>	Help to improve the living conditions of the population, as well as the quality of the economic and social development framework by increasing the supply of affordable electricity

RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATION MEASURES	
	Indicator (including KSI)	Baseline Situation (2016)	Target (2023)			
<b>IMPACT</b>	Improvement in the people's living conditions, as well as the quality of the economic and social development framework	Decline in cost of electricity	<i>Average cost per kWh: USD 0.20</i>	<i>Average cost per kWh: USD 0.08</i>	Statistics compiled by both countries and NELSAP	
<b>OUTCOMES</b>	<p><b>Outcome 1:</b> Increased demand in central Ngozi</p> <p><b>Outcome 2:</b> Improved access to electricity</p>	<p>Increase in peak demand at Ngozi (MW)</p> <p>Population with access to electricity in Mivo, Muhanga and Mutaho Additional population with access to electricity</p>	<p>Ngozi: 4.73 MW</p> <p>6,200 inhabitants</p>	<p>Ngozi: 10.71 MW (average scenario)</p> <p>14,500 inhabitants</p> <p>720,000 inhabitants (2025)</p>	<p>Project impact monitoring and evaluation reports</p> <p>Appraisal, supervision, progress, monitoring and evaluation, audit, project completion and impact assessment reports</p>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>- The situation of political tension between the Great Lakes Region countries;</li> <li>- Political instability and fragility of peace in Burundi;</li> <li>- REGIDESO's low financial capacity to operate and maintain the energy infrastructure.</li> </ul> <p><b>Mitigation Measures:</b></p> <ul style="list-style-type: none"> <li>- The first two risks are mitigated by the international community's efforts to restore inter-Burundian dialogue.</li> <li>- The third risk is mitigated by improving REGIDSO management and financial situation.</li> </ul>

<b>OUTPUTS</b>	1. Power transmission line constructed	Additional 220 kV line length (km)		79.2 km	Project impact monitoring and evaluation reports  Appraisal, supervision, progress, monitoring and evaluation, audit, project completion and impact assessment reports	<u>Risks:</u> - Institutional risk associated with responsibility for operation of the interconnected grid and project management. - Clearance of the rights-of-way may constitute a risk for works start-up.  <u>Mitigation Measures:</u> - The first risk is mitigated by technical cooperation between the electricity sectors of the Great Lakes Region countries and between the electricity sectors of the East African Region countries. - The second risk is mitigated by including compensation to people affected by the project before works start-up in the conditions precedent to first disbursement
	2. Sub-stations constructed and extended	Number of additional 220 kV sub-stations (including sub-station extensions)		1 220/30 kV sub-station 1 110 kV sub-station extension		
	3. Rural electrification networks constructed	MV line length in electrified localities (km)	09.3	10		
		LV line length in electrified localities (km)	76.3	207.7		
	4- Job creation and capacity building	Temporary jobs created		120 (50% women)		
		Permanent jobs created		5 (50% women)		
	5-Project management	Young graduates in internship		20 ((50% de filles)		
Works supervision			10			
MCE-IEC campaign conducted			01			
Audit of accounts			5			
	ESMP Implementation Reports		10			
<b>KEY ACTIVITIES</b>	<b>COMPONENTS</b>					
	A. Construction of transmission line				<b>Resources: UAM 19.79/EURM 23.69</b> ADF Grant: UAM 2.51/EURM 3.00 TSF Grant: UAM 3.17/EURM 3.79 EU Grant: UAM 12.53/EURM 15.00 Burundi Govt.: UAM 1.58/EURM 1.9	<b>Application: UAM 19.79/EURM 23.69</b> Component A: UAM 14.95/EURM 17.90 Component B: UAM 1.50/EURM 1.80 Component C: UAM 3.33/EURM 3.99
	B. Rural electrification					
	C. Project management					



# **MANAGEMENT'S REPORT AND RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE AFRICAN DEVELOPMENT BANK GROUP CONCERNING A GRANT FROM THE AFRICAN DEVELOPMENT FUND TO THE REPUBLIC OF BURUNDI TO FINANCE THE RWANDA-BURUNDI POWER GRID INTERCONNECTION PROJECT.**

Management hereby submits this report and recommendation concerning a proposal for an ADF grant of UA 2.51 million, a TSF grant of UA 3.17 million and a grant of EUR 15 million from the resources of the European Union to the Republic of Burundi to finance the Burundi-Rwanda Power Grid Interconnection Project.

## **I. STRATEGIC THRUST AND RATIONALE**

### ***1.1 Project Linkages with Country Strategy and Objectives***

1.1.1 The Burundi-Rwanda Power Grid Interconnection Project falls within the implementation of Burundi's 2018-2027 National Development Plan through its second pillar "Increase in energy production". At sector level, the project supports the National Energy Policy, which aims to achieve efficient and sustainable management of production, supply and access to modern energy services. The project is also consistent with Pillar II of the Bank's Country Strategy Paper for Burundi, which lays emphasis on improving infrastructure, particularly in the energy sector. It is aligned on the regional integration strategy for East Africa 2018-2022 through Pillar 1 "Development of regional infrastructure for economic transformation". It is worth noting that Burundi faces major economic and social development challenges due to various constraints, including structural deficit and high cost of energy. The country's electricity access rate is low (at about 10%) because of inadequate power production. The Burundi-Rwanda Power Grid Interconnection Project also falls within the overall framework for interconnecting the power grids of the Nile Equatorial Lakes Countries (NELSAP), and is classified as a priority integrating project that will optimize the use of energy resources by pooling the power generation and transmission facilities of the East Africa region.

1.1.2 The project is in line with three of the Bank's five operational priorities (the "High 5s"), i.e. "Light up and Power Africa", "Integrate Africa" and "Improve the quality of life for the people of Africa", and is indirectly consistent with the priority "Industrialize Africa". The same applies to the Bank's Ten-Year strategy (2013-2022), which reaffirms AfDB's role as lead agency for the implementation of NEPAD programmes in infrastructure and regional integration. Finally, the project is in line with the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), which seeks to increase equitable access to basic infrastructure services, such as electricity, and build the capacity of governments to provide basic services to the people and thus improve trust and social cohesion.

### ***1.2 Rationale for Bank's Intervention***

1.2.1 This project falls within the regional power grid interconnection programme of Burundi, DRC, Rwanda, Uganda and Kenya under NELSAP, which will eventually facilitate the creation of a regional power market through the integration of national energy facilities. The interconnection of Burundi and DRC power grids, on the one hand, and those of Burundi and Rwanda, on the other, will be implemented under the programme. This second Burundi interconnection line was co-financed by the European Union and KfW, which suspended its financing of EUR 3 million for the Burundi section following suspension of German cooperation with the Republic of Burundi on 5 June 2015. Through this operation, the Bank is

responding to the request of the Government of Burundi to fill the financing gap in accordance with its policies. The interconnection of the power grids in Burundi and Rwanda is an essential component of the regional interconnection, whose purpose is to accelerate economic transformation in East Africa.

1.2.2 Following the assessment of Burundi's resilience capacity prepared in July 2018 and awaiting approval, the country faces fragility situations due to its low capacity to provide basic services. The fragility has increased following various crises in the Great Lakes region. The country also confronts major economic and social development challenges due to a number of constraints, including the structural deficit of energy and its very high costs. The electricity sub-sector records a low access rate of about 10% because of inadequate development of energy infrastructure, in particular obsolete transmission and distribution networks with losses of up to 34%, and insufficient energy generation inevitably resulting in selective power cuts for customers, particularly in July, August, November and December. In 2016, peak demand reached 53 MW for power generation of 287.4 GWh. The total installed capacity is 62.85 MW, half of which is diesel-powered (thermal). Electricity remains expensive in Burundi with an average rate of USD 0.20 per kWh. Therefore, the project, which is part of the overall framework for interconnecting power grids in the Nile Equatorial Lakes Countries (NELSAP), will help to bridge the energy gap and optimize the use of energy resources by pooling the East African region's generation and transmission facilities. Classified as a priority integration operation, this project will promote the creation of the regional power market. The project will also help to remedy fragility by reducing inequalities and poverty through rural electrification in Mutaho, Muhanga and Mivo, the most populated localities in Gitega, Kayanza and Ngozi provinces respectively, where 8,300 people will be supplied with electricity, at a social rate of USD 0.0458/kWh for those whose monthly consumption is limited to 50 kWh (See Technical Annexes A3.41.18). Similarly, it will help women to improve their access to electricity and gradually diversify their activities. The capacity of staff of the Project Implementation Unit and REGIDESO will also be built. Overall, households, industries, businesses, schools, public services, REGIDESO and private customers in areas through which the interconnection line is built will benefit from the power transmitted.

1.2.3 The Bank will draw on its experience in managing energy projects in Burundi and the region. AfDB has accumulated experience in the design and implementation of energy infrastructure projects, such as multinational power grid interconnection projects and power generation projects. Based on this experience, the Bank will provide relevant solutions to the challenges encountered in implementing the project.

### **1.3 Aid Coordination**

1.3.1 The formal mechanism for consultation and dialogue between the Government and technical and financial partners was structured at two forum levels: (i) the strategic forums chaired by the Minister of Finance scheduled to meet monthly; and (ii) the political forums organized every three months and chaired by the Second Vice-President of the Republic. The Permanent Secretariat of the National Aid Coordination Committee was under the supervision of the 2nd Vice-President of the Republic, but his powers were transferred to the Ministry of Finance, Budget and Economic Development Cooperation. Even though the consultation frameworks are not operational, consultation remains active between technical and financial partners at sector level and particularly in infrastructure and energy.

## II. PROJECT DESCRIPTION

### 2.1 Project Components

2.1.1 The overall project goal is to help improve the living conditions of the population, as well as the quality of the economic and social development framework by increasing the supply of affordable power. The project's development objective is to help enhance the integration of the regional electricity market and contribute to increasing power supply while reducing the associated costs.

2.1.2 The project will consist in constructing a 220 kV Kigoma (Rwanda) - Butare (Rwanda) - and Ngozi (Burundi) - Gitega (Burundi) transmission line, as well as building and extending associated sub-stations: 140.7 km of 220 kV line, two 220/30 kV sub-stations and the extension of two 110 kV sub-stations. The 220 kV voltage level takes into account the medium- and long-term development of the regional power grid. The transmission line will be designed and constructed for a voltage of 220 kV but may initially be operated at 110 kV, if necessary. In Burundi, this will involve: (i) building 79.2 km of 220 kV line from the Rwanda/Burundi border to Ngozi and from Ngozi to Gitega (single three-phase interconnection line); (ii) building a 220/30 kV 20 MVA sub-station in Ngozi with integration into the existing 30 kV distribution network; (iii) extending the 110 kV sub-station in Gitega; (iv) integrating the transmission line into the Bujumbura grid control centre; and (v) constructing 0.7 km of 30 kV and 131.4 km of low-voltage grids, and connecting households in Mutaho, Muhanga and Mivo localities in Gitega, Kayanza and Ngozi provinces respectively. The project has three components as presented in Table 2.1.

Table 2.1: Project Components

Project Components (amounts in EUR Million)			
No.	Name of Component	Cost Estimate	Description of the Component
A)	Construction of a transmission line	14.95	(i) Construction of a 220 kV line from Rwanda/Burundi border to Ngozi and from Ngozi to Gitega (single three-phase interconnection line), (ii) Construction of a 220/30 kV 20 MVA sub-station at Ngozi with integration into the existing 30 kV distribution grid, (iii) Extension of the 110 kV sub-station in Gitega, (iv) Integration of the transmission line into the control centre of the Bujumbura grid.
B)	Rural electrification	1.50	(i) Construction of 30 kV and low-voltage networks and household connections in Mutaho, Muhanga and Mivo localities in Gitega, Kayanza and Ngozi provinces, respectively.
C)	Project management	3.33	(i) Works supervision and control, (ii) Implementation of the ESMP and RAP, (iii) Operating costs of the Project Implementation Unit, (iv) Audit Service, (v) External monitoring and evaluation; (vi) Communication and visibility.
	Total Project Cost	19.79	

## 2.2 *Technical Solution Adopted and Alternatives Explored*

2.2.1 The construction of a single Kigoma (Rwanda) - Butare (Rwanda) - Ngozi (Burundi) - Gitega (Burundi) three-phase transmission line was selected to interconnect the power grids of Burundi and Rwanda. The interconnection line will be constructed at 220 kV and operated at 110 kV. The choice of voltage level is based on demand forecasts in the project area and planned power generation projects in the region. The line's route will avoid: (i) crossing the Kibira National Park, which is a protected area; and (ii) extending the line to Kigali airport sub-station, which has not yet been built.

2.2.2 Alternatives for the above-mentioned solution were explored but were not retained for the reasons indicated in the table below:

Table 2.2: *Alternative Solutions Explored and Reasons for Rejection*

Alternative Solution	Brief Description	Reason for Rejection
Technical solution 1: Kigoma (Rwanda) - Rwegura (Burundi) line route	The interconnection line will connect Kigoma directly to Rwegura without the construction of an intermediate sub-station.	<ul style="list-style-type: none"> <li>▪ Crossing the Kibira National Park, which is a protected area</li> </ul>
Technical solution 2: Kigoma (Rwanda) - Butare (Rwanda) - Rwegura (Burundi) line route	The interconnection line will connect Kigoma to Rwegura through the construction of the Butare intermediate sub-station in Rwanda.	<ul style="list-style-type: none"> <li>▪ Crossing the Kibira National Park, which is a protected area</li> </ul>
Technical solution 3: Kigoma (Rwanda) - Butare (Rwanda) - Ngozi (Burundi) - Rwegura (Burundi) line route	The interconnection line will connect Kigoma, Butare, Ngozi and Rwegura. Butare and Ngozi sub-stations will be intermediate sub-stations. However, Bujumbura will not be within the 110/220 kV loop between DRC, Burundi and Rwanda.	<ul style="list-style-type: none"> <li>▪ Crossing the Kibira National Park, which is a protected area</li> </ul>
Technical solution 5: Kigali Airport (Rwanda) - Kigoma (Rwanda) - Butare (Rwanda) - Ngozi (Burundi) - Gitega (Burundi) line route	The interconnection line will connect Kigali, Kigoma, Butare, Ngozi and Gitega Airport. Butare, Ngozi and Bujumbura will be within the 110/220 kV loop.	<ul style="list-style-type: none"> <li>▪ Kigali airport sub-station has not yet been built.</li> </ul>
Technical solution 6: Development of own thermal generation in Burundi	Development of a diesel thermal power plant in Burundi	<ul style="list-style-type: none"> <li>▪ High cost price per kWh</li> </ul>

## 2.3 *Project Type*

2.3.1 The Burundi-Rwanda Power Grid Interconnection Project is an autonomous multinational investment operation to build a power transmission grid that would link the two countries. It should be noted that project management in the two countries will be completely separate. The proposed financing instruments are a grant from resources of the African Development Fund and a grant from resources of Pillar 1 of the Transition Support Facility to



be provided to Burundi in accordance with the conditions of the Funds and the Strategic and Operational Framework for Regional Operations.

## 2.4 Project Cost and Financing Arrangements

2.4.1 The total project cost, excluding all taxes, royalties and customs duties, is estimated at UA 19.79 million. The cost includes a 5% provision for physical contingencies and a 5% provision for price escalation. The Bank will finance 28.7% of the overall project cost, while the European Union, the main donor, will contribute 63.3%. Project costs by component, source of financing and expenditure category are presented in Tables 2.3, 2.4 and 2.5 below.

Table 2.3: Project Cost Estimate by Component (in UA Million)

Component	UA Million			% F.E.
	Foreign Exchange	Local Currency	Total	
Component A: Construction of transmission line	11.56	2.04	13.60	85
Component B: Rural electrification	0.96	0.41	1.37	70
Component C: Project management	0.650	2.380	3.03	21
<b>Base Cost</b>	<b>13.16</b>	<b>4.83</b>	<b>17.99</b>	73
Provision for physical contingencies (5%)	0.66	0.24	0.90	73
Provision for price escalation (5%)	0.66	0.24	0.90	73
<b>Total Project Cost</b>	<b>14.48</b>	<b>5.31</b>	<b>19.79</b>	73

2.4.2 The project will be financed by a grant of UA 2.51 million from the African Development Fund and a grant of UA 3.17 million from Pillar 1 of the Transition Support Facility, for a total UA 5.68 million. The contribution of the African Development Fund will be financed in advance from the resources of Burundi's allocation for 2019. The TSF grant of UA 3.17 million represents additional funding over and above that initially provided by KfW.

Table 2.4: Sources of Financing (in UA Million)

Sources of Financing	UA Million			% F.E.
	Foreign Exchange	Local Currency	Total	
ADF	2.13	0.38	2.51	68.2
TSF	1.83	1.34	3.17	68.2
European Union	10.52	2.01	12.53	84
Government of Burundi		1.58	1.58	0
<b>Total Project Cost</b>	<b>14.48</b>	<b>5.31</b>	<b>19.79</b>	<b>73.2</b>

2.4.3 Burundi has UA 14.11 million in resources from Pillar 1 of the Transition Support Facility (TSF). Since the country recently adopted a national development plan, the TSF resources will be used to cover part of the cost of sub-station construction, rural electrification costs, and project management costs comprising engineering services and supervision of all construction works, the operating costs of the Project Implementation Unit (PIU) and external audit services. The ADF resources will in part finance the sub-station construction/extension.

2.4.4 The European Union resources to be managed by the Bank under a future agreement between the two parties will finance the construction of the power transmission line and part of the ESMP implementation. The resources will also fund external monitoring and evaluation, as well as communication and visibility, which are activities to be implemented by the European Union.

2.4.5 The resources from the Government of Burundi will finance the compensation for people affected by the project along the power transmission line.

Table 2.5: Project Cost by Expenditure Category (in UA Million)

Expenditure Category	UA Million			% F.E.
	Foreign Exchange	Local Currency	Total	
Works	12.51	2.45	14.96	84
Goods		0.029	0.029	0
Services	1.04	0.25	1.29	81
Operating costs	0.170	1.540	1.710	10
<b>Base Cost</b>	<b>13.72</b>	<b>4.27</b>	<b>17.99</b>	76
Provision for physical contingencies	0.686	0.214	0.90	76
Provision for price escalation	0.686	0.214	0.90	76
<b>Total Project Cost</b>	<b>15.10</b>	<b>4.70</b>	<b>19.79</b>	76

2.4.6 The project expenditure schedule by component is shown in Table 2.6.

Table 2.6: Expenditure Schedule by Component (in UA Million)

Component	2019	2020	2021	2022	2023	Total
Component A: Construction of transmission line		4.167	7.144	2.977	0.752	15.04
Component B: Rural electrification		0.475	0.95	0.08		1.50
Component C: Project management	1.95	0.975	0.975			3.25
<b>Total Cost</b>	1.95	5.617	9.069	3.052	0.752	19.79
% of Total	9.9	28.4	45.8	15.4	3.8	100%

## 2.5 Project Area and Beneficiaries

2.5.1 The regions particularly targeted by the construction of the interconnection line in Burundi are: (a) Bujumbura, (b) Gitega-Muramvya-Gatumba-Ruyigi, (c) Ngozi-Muyinga-Kanguzo-Kayanza-Kirundo-Karuzi, (d) Bururi-Rumonge-Makamba-Nyanza-Lac and (e) Bubanza-Tora-Cibitoke. These regions were surveyed to determine the demand forecast used for sizing the interconnection line. By 2025, the project will supply electricity to about 720,000 people in these regions. Households, industries, businesses, schools, utilities, REGIDESO and private customers in these regions will directly benefit from the energy transmitted by the interconnection line. The indirect project area mainly covers three provinces - Gitega, Kayanza and Ngozi - which will be directly crossed by the transmission line in central Burundi. The direct project area covers the line corridor that specifically crosses the following municipalities: Mwumba, Ngozi (Ngozi Province), Muhanga (Kayanza Province), Mutaho, Bugendana, Giheta and Gitega (Gitega Province). These municipalities have a total population of 1,962,486<sup>1</sup> (2,217,691<sup>2</sup>), 52% of whom are male and 48% female. The three provinces cover

<sup>1</sup> General Population and Housing Census 2008.

<sup>2</sup> Population forecasts for 2016.

4,686 km<sup>2</sup> with an average density of 419 inhabitants/km<sup>2</sup>. The localities of Mutaho, Muhanga and Mivo in Gitega, Kayanza and Ngozi provinces are the most populated by province and located less than 1 km from the line. These communities will be electrified under the project, and 8,300 people will be supplied with electricity.

## **2.6 *Participatory Approach to Project Identification, Design and Implementation***

2.6.1 In accordance with the policies of the Bank and Burundi, the Government of Burundi has adopted a participatory and inclusive approach. The project design follows a feasibility study conducted in consultation with all stakeholders (Ministry of Energy, Electricity Corporation, population along the line, local administrative authorities, women's organizations, etc.). The ESIA, ESMP and CRP were prepared based on public consultations with community administrators, sector heads, *chefs de collines* (hill overseers) and focus groups consultations with community leaders, farmers, women, young people and religious leaders to gather their expectations about the CRP. Communities and women's groups in the areas crossed by the interconnection line were consulted several times in 2012, 2015 and 2018 to sound out their fears and expectations about the project. Furthermore, as regards the preparation of the resettlement plan, a survey was conducted among the people affected by the project to inform them, identify assets affected and define the conditions for compensation. This participatory process contributed to project ownership by the stakeholders and thus increased the chances of success.

2.6.2 The participatory approach will be maintained and reinforced during project implementation by the Stakeholder Engagement Plan (SEP) prepared to ensure that adequate information is provided to affected persons and other stakeholders in a clear and timely manner, and that these groups have the opportunity to voice out their concerns and opinions enough to influence project decisions. SEP activities are already being implemented and will be continued by the PIU in close collaboration with the communities affected by the project, local authorities, and decentralized administrative authorities.

## **2.7 *Bank Group Experience and Lessons Reflected in Project Design***

2.7.1 As at 22/06/2018, the Bank's portfolio in Burundi comprised 17 public sector operations, including two (2) projects at risk. The total net commitment stood at UA 276.875 million, with UA 136.864 million for national projects and UA 140.011 million for regional operations. The overall disbursement rate was 56.5% as at 22/06/2018. The current energy sector portfolio has two (2) national projects and three (3) multinational projects implemented within a crisis environment. The contract for construction of the hydropower facilities of the Jiji and Mulembwe Project was signed on 17 October 2018 after a long procurement process. The Bank's first disbursement is expected as part of the project start-up advance. On 20 August 2018, the European Union notified the Bank of the approval of a EUR 15 million grant to finance the costs of the 220/110 kV sub-station in Bujumbura under the Burundi-DRC interconnection project for which KfW had suspended its financing. The Ruzizi III Project agreement is being finalized, while the competitive bid invitation for the construction of the Rusumo Falls line and sub-stations was published on 23 October 2018. The lessons drawn during project implementation, particularly in the energy sector, are: (i) low human capacity for project implementation; (ii) delays in the procurement process; (iii) the need for international expertise in project management; (iv) the need to limit the number of projects to be managed by each implementation unit; (v) the need for better planning to avoid modification of ongoing projects; (vi) the need to pay compensation based on objectives achieved; and (vii) the need to revitalize the training centre to build the capacity of the Executing Agency.

2.7.2 Different Bank experiences in financing and monitoring the implementation of regional infrastructure projects, as indicated in the supervision and completion reports, point to several challenges to be addressed to improve project performance. The difficulties include: (i) the multiplicity of actors with different technical and operational capacities; (ii) the poor coordination and harmonization of project activities in the various countries; (iii) the weak national power companies, including in terms of their financial situation, the lack of technical monitoring of activities, and procurement difficulties; (iv) long delays in fulfilling conditions precedent to implementation and first disbursement of resources; and (v) the time taken to mobilize the counterpart contribution, which delays the compensation of persons affected by projects and consequently works start-up. The Bank has financed or is financing several multinational and multi-donor projects in the electricity sub-sector, including the Burundi-DRC Interconnection Project (NELSAP), the Rusumo Falls Regional Hydropower Plant Project (the Transmission Line Component), and the Jiji and Mulembwe Hydropower Plant Project.

2.7.3 The project design has incorporated some lessons from the Bank's previous operations as follows: (i) establishment of a new PIU to avoid the accumulation of projects to be managed by a single PIU; (ii) introduction of compensation payments based on the objectives achieved; (iii) recruitment of an international technical assistance staff to manage all Burundi's energy projects and an international procurement consultant to assist in the procurement process; (iv) capacity building in project management and procurement; (v) establishment of the PIU before project approval, (vi) revitalization of the training centre to build the capacity of the Executing Agency and inclusion of compensation to people affected by the project before works start-up in the conditions precedent to first disbursement.

## **2.8 *Key Performance Indicators***

2.8.1 The project implementation performance will be measured in terms of the performance indicators indicated in the results-based logical framework. The project's key performance indicators are: (i) decline in the cost of electricity; (ii) increase in peak demand in Ngozi and Butare; (iii) the average electricity access rate; (iv) the number of permanent jobs created (direct and indirect - disaggregated by gender); (v) the number of temporary jobs created (direct and indirect - disaggregated by gender); (vi) the number of young graduate interns recruited and employable (disaggregated by gender); and (vii) the number of ESMP implementation reports produced. The project outputs are: (a) additional 220 kV line length; and (ii) the number of additional 220 kV sub-stations (including sub-station extensions).

2.8.2 During project implementation, the performance indicators will be collected from the monthly reports of the consulting engineer, quarterly progress reports to be prepared by the PIU, supervision mission reports, and the project completion reports (Borrower and Bank).

## **III. PROJECT FEASIBILITY**

### **3.1 *Economic and Financial Performance***

3.1.1 To determine the impact of the proposed investment, the Bank developed a financial and economic model based mainly on data from the project's technical feasibility studies prepared by Fichtner. The analysis considered the energy transmission components in Burundi to assess the project viability and determine the expected transmission tariff from the power purchase plant.

3.1.2 The main financial and economic outcomes are summarized in Table C.1 below, while the detailed assumptions and calculations are presented in Technical Annex B7.

*Table C.1: Key Project Economic and Financial Data*

FRR, NPV (baseline scenario)	(8.35%, EUR 1.1 million)
ERR (baseline scenario)	(47.58%)

NB: The detailed calculations are given in Technical Annex B.7

3.1.3 The financial analysis focuses on determining the appropriate amount to be charged for power transmission, which is part of the electricity purchase price. The project will allow for power trade based on surplus energy from the regional grid. The power transmission charge will be the base price for power trade with Rwanda. The recommended transmission charge is estimated at EUR 0.016 per kWh. The transmission charge will be set at a minimum level to cover: (i) the capital cost of the initial investment; (ii) transmission maintenance and operating costs; and (iii) the average project cost. Consequently, it is recommended that when the Government of Burundi engages in power trade, the price difference between the purchase price of electricity and the average national production cost should be more than EUR 0.016 per kWh to have a positive financial impact on REGIDESO. As regards the transmission charge, the real internal rate of return is estimated at 8.35%. The financial net present value (NPV), at the weighted average capital cost (effective discount rate of 8%), is EUR 1.1 million.

3.1.4 The main economic benefits of the project are calculated taking into account the capacity to pay (CAP) of end-users in Burundi and the ceiling feed-in charge that the Government is willing to pay as feed-in charge for electricity through interconnection. The economic net present value (NPV), calculated at an economic opportunity cost of 11% of the capital in real terms, is estimated at EUR 242.28 million. The real economic rate of return (ERR) is 47.58%.

3.1.5 A sensitivity analysis was also conducted on the major risk variables of the project to test the robustness of financial and economic cash flows. The main risk parameters affecting the overall project viability include additional capital costs, increased operating and maintenance costs, and cost price fluctuations. The results of the sensitivity tests show that the economic and financial results are robust even under adverse conditions. The sensitivity tests are presented in detail in Technical Annex B7.

## **3.2 Environmental and Social Impact**

### **Environmental Aspects**

3.2.1 In accordance with the requirements of the Integrated Safeguards System (ISS), the project has been classified in Category 1 given its nature, i.e. the construction of an electricity transmission line of more than 110 kV and its impact in terms of resettlement, as it will displace 1,561 households or 6,712 people. Therefore, an Environmental and Social Impact Assessment (ESIA), along with an Environmental and Social Management Plan (ESMP) and a Comprehensive Resettlement Plan (CRP) were prepared in 2012 and updated in 2018. It should be noted that these studies do not cover the rural electrification component that was added to the project following the appraisal mission. Environmental and social assessment of the rural electrification component will be conducted when the sites and technical studies are finalized. The summaries of the ESIA/ESMP and CRP were posted on the Bank's website on 10 August 2018, for 120 days before project presentation to the Boards of Directors.

### ***Negative Environmental Impacts***

3.2.2 During the construction phase, the main impacts will be of medium-to-high intensity without the implementation of mitigation measures. The impacts on the physical environment include: (i) deterioration of air quality; (ii) increase in the noise level; (iii) compaction and possible soil erosion, as well as risks of soil contamination; and (iv) potential change in water quality following surface and groundwater contamination. At the biological level, the impacts are: (i) reduction in the vegetation cover; (ii) habitat loss and fragmentation of terrestrial habitat of some species over small portions of the project area; and (iii) local disturbance of associated fauna and flora. As regards the avian fauna, habitat losses are considered minimal and no IUCN Red List species will be affected by potential vegetation losses. Construction activities will also increase noise that may disturb the bird species in the area. During operation and maintenance, the physical environment could be affected by noise (crown effect), dust and landscape changes due to the presence of the line. At the biological level, the presence of the line could also be an obstacle for birds.

### **Social Aspects**

#### ***Positive Impacts and Improvement Measures***

3.2.3 One of the expected major positive impacts is the creation of about 120 jobs during the construction phase, including 35 semi-skilled jobs and 5 jobs in the operational phase. The construction works will also help to promote local small business and skills transfer to local workers. In addition to direct employment, the presence of the site will allow for the supply of various goods and services to meet workers' needs. During the operational phase, the project will supply electricity to about 720,000 people in targeted rural and urban areas by 2025, which will help to improve the well-being of beneficiaries and create conditions for increasing income-generating activities and improving the quality of public services (health and education) in the urban areas concerned.

3.2.4 Furthermore, during the appraisal mission, a new component was added to the project – the rural electrification programme - that will consist in the construction of a 30 kV low voltage distribution network to connect households in Mutaho, Muhanga and Mivo localities in Gitega, Kayanza and Ngozi provinces, respectively. Access to electricity for households will have a significant impact on their living standards and conditions, taking into account the income-generating activities that could be developed. Rural electrification will also help to improve education and health care services. Finally, the livelihood improvement measures in the CRP require the implementation of: (i) an agricultural programme to improve food security; (ii) a financial management training programme for affected households receiving cash compensation; (iii) a microfinance programme; and (iv) temporary assistance measures for people in difficulty as a result of displacement.

## ***Negative Impacts***

3.2.5 At the socioeconomic level, the project's most significant negative impact will be the physical displacement of households and the loss of livelihoods and economic assets of people in the right-of-way. The other social impacts are: (i) disruption of the quality of life, health and safety of residents and employees during construction due to increased road traffic, (ii) risks associated with the spread of communicable diseases (HIV/AIDS, etc.); (iii) changes in air quality and noise levels affecting the health of residents; (iv) possible tensions between workers and residents that affect social cohesion; (v) disruption of women's livelihood activities as a result of interruption of farming; (vi) friction associated with relocation; and (vii) potential risk of damaging cultural heritage with the possible disruption of sites not identified at this stage. During the operational phase, the main challenges will be related to the health and safety of workers and the local population due to the proximity of high voltage lines.

## **Mitigation Measures and Social Improvement**

3.2.6 In addition to compensation and resettlement of affected persons under the CRP implementation, the following livelihood improvement measures will be taken: (i) an agricultural programme to improve food security; (ii) a financial management training programme for affected households receiving cash compensation to ensure efficient management of compensation; (iii) a microfinance programme for the development of income-generating activities; and (iv) temporary assistance measures for people in difficulty following displacement. In addition to these measures, the Mutaho, Muhanga and Mivo localities will be electrified.

## **Environmental and Social Management Plan (ESMP)**

3.2.7 The ESMP includes regulatory and contractual measures for contractors, as well as measures to mitigate negative impacts. During the construction phase, there will be standard measures for managing impacts related to alteration of the quality of air, water, soil, noise and other nuisances that may affect the local population. As for the biological environment, measures will be taken to minimize deforestation and conduct compensatory reforestation, where appropriate. The works will also avoid the breeding season of the species present. Bird diverters will be installed on sections of lines that may be located on bird migration corridors. Measures will also be taken to manage natural and environmental risks. REG and REGIDESO will be responsible for the project implementation in Rwanda and Burundi, respectively. REGIDESO will recruit contractors to be in charge of the works, as well as consulting firm to supervise the works. REGIDESO's capacity will also be strengthened by recruiting an environmentalist specialized in health/safety for the ESMP implementation. In addition, the PIU's capacity will be strengthened through training on various topics. The total cost of the proposed measures is USD 308,500 for Burundi, and will be included in the project costs.

## **Involuntary Resettlement**

3.2.8 A Comprehensive Resettlement Plan (CRP) was prepared for Rwanda and Burundi in 2012 and updated in 2017. The Rwanda portion of the CRP is being implemented in Rwanda. As for Burundi's portion, the 2017 CRP was updated with socioeconomic data in July 2018 to update the census of persons and inventory of people's property located in the line's crossing corridor and on the sites identified for the sub-stations. Most of the households will suffer crop and tree losses. Other types of losses are residential dwellings and adjoining buildings (kitchens, poultries, animal pens, etc.), as well as bare land. In Burundi, the project will affect 1,561 households (6,712 people), including 124 physically displaced households to be

resettled. A resettlement NGO will be recruited for the CRP implementation to support REGIDESO in managing sensitive social issues. The resettlement budget for Burundi is estimated at EUR 1,902,111 or BIF 3,579,678,669. The budget will be covered by Burundi's counterpart contribution.

### **Climate Change and Green Growth**

3.2.9 The project is classified in Category 2 in accordance with the Bank's Climate Safeguards System (CSS). It is vulnerable to climate change, with the main risks being landslides caused by heavy rains, as well as floods and winds with increased speeds in mountain areas. The construction of the line must adapt to these extreme climatic phenomena to be sustainable. The proposed adaptation measures are: (i) strengthen the foundations of power transmission towers in areas exposed to landslides; (ii) provide information to community institutions and carry out awareness-raising activities; and (iii) train stakeholders in the use of the new facilities during climate change emergencies.

3.2.10 Burundi is preparing its third national communication and national climate change adaptation plan. Projects will be implemented to achieve mitigation and adaptation objectives. As regards energy, the interconnection line will help electrify rural areas and improve people's well-being. However, it will also be a source of water and soil pollution and greenhouse gas emissions, the main cause of global warming. In all, the project will emit 10,436 KtCO<sub>2</sub> or an average of 522 KtCO<sub>2</sub> per year. In the environmental and social management plan, REGIDESO has programmed mitigation activities such as reforestation and anti-pollution activities, to be covered by Burundi's counterpart contribution. Burundi's NDC foresees a 20% reduction in GHG emissions by 2030. To that end, collaboration with technical services, particularly with Burundi's Environmental Protection Authority, will help to measure the GHGs emitted and sequestered in order to highlight the contribution of the interconnection project to the reduction effort contained in the NDC.

### **Gender**

3.2.11 Many tools and regulations promote gender equality. These include: (i) the National Gender Policy, whose priority areas are culture and traditions, armed conflict and the peace process, poverty, employment, agriculture, health, HIV/AIDS, education and training, equal rights, violence against women, and institutional mechanisms for gender promotion; (ii) the national action plan on the implementation of Resolution 1325; (iii) the national strategy to combat gender-based violence and a plan to implement this strategy; and (iv) the revised Penal Code, which increases penalties for gender-based violence against women. However, despite the progress, women's advancement still faces many sociocultural constraints and inequitable access to productive and economic resources.

3.2.12 Specifically, the project will enable women to improve their access to electricity and gradually diversify their activities, because the construction of the line will ultimately reduce energy cuts that negatively affect the volume of their activities. In addition, given the socio-cultural changes in terms of division of labour, which means that women are increasingly employed in the construction sector in both unskilled and skilled jobs, they will be able to benefit from jobs that will be created during the construction works, which will help increase their income. This will also enable women to join existing savings and credit facilities, which could in turn help to strengthen their capacity to finance income-generating activities and significantly reduce income volatility.



3.2.13 In addition, given the mismatch between training and employment on Burundi's labour market and, above all, the very low rate of access by girls to technical education, the project will finance teaching materials for the two technical schools in Ngozi and Gitega, which have an electricity section to help improve the quality of training, while the contractor for the works will grant 20 vocational internships to young graduates from these schools, 50% of whom will be girls, to help them improve their employability. Considering the ongoing or planned energy sector projects, the girls thus supported will have more opportunities to find jobs in the energy sector, in general, and more particularly in construction projects for medium and low voltage lines. These project contributions to the improvement of employability of young girls should be included in the works bidding documents.

3.2.14 However, some challenges need to be addressed during the project implementation phase. Based on experience with projects implemented in Gitega and Ngozi Provinces, the population has realized that during the construction phase, workers from other regions are likely to be the cause of unwanted pregnancies, early marriages and other gender-based violence, as well as pose risks of HIV/AIDS contamination. For example, the persons interviewed reported that children born in these circumstances are not registered in the civil registry. As a result, they are excluded from free early childhood care and school fees once they reach school age, making them highly vulnerable. Consequently, it will be important to sensitize the construction workers and local population for them to adopt behaviour that would help to prevent these adverse situations that could come with the project implementation. The terms of reference of the consulting firm in charge of the sensitization campaigns should specify that 50% of the positions should be reserved for women.

## **IV. IMPLEMENTATION**

### **4.1 Implementation Arrangements**

4.1.1 Under the supervisory authority of the Ministry of Water Resources, Energy and Mines, *Régie de Production et Distribution d'Eau et d'Electricité* (the Water and Electricity Production and Distribution Corporation) (REGIDESO) will be the project executing agency. A National Project Implementation Unit (NPIU), established within REGIDESO, is currently in charge of project management. The unit is also responsible for managing the Kamanyola-Bujumbura 220 kV line construction project and the Rusumo Falls-Muyinga-Gitega 220 kV transmission line project. Drawing on lessons from implementing previous Bank operations, a new Project Implementation Unit (PIU) will be established within REGIDESO for better performance. The new PIU will be placed under the direct responsibility of a Project Coordinator, and will include two (2) Sub-station Engineers, one (1) Civil Engineer, two (2) Line Engineers, one (1) Accounting Officer, one (1) Procurement Officer, one (1) Environmentalist, one (1) Social/Gender Development Officer, one (1) Assistant, and two (2) Drivers. The Project Coordinator will be responsible for project monitoring and evaluation. Given REGIDESO's low capacity, the project will receive support from a Steering Committee, a Technical Committee<sup>3</sup>, an International Technical Assistance staff, a contract management specialist, and an International Procurement Consultant. These two experts will assist in management and procurement in all Burundi energy projects. They will be recruited using savings expected from other energy projects in implementation in the country<sup>4</sup>. PIU staff other than the two (2) drivers will be appointed by Burundi authorities. Their CVs will be submitted

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<sup>3</sup> The Steering Committee and the Technical Committee will be financed by Burundi.

<sup>4</sup> The master plan for power generation, transmission and distribution and the Burundi-DRC Power Grid Interconnection Project.

to the Bank for prior approval. The Project Coordinator will not carry out any activities within the Executing Agency other than those entrusted to him/her under this project. He/she will see to the regular implementation and monitoring of project activities and contract management. He/she will also have the required technical and management resources to provide all technical management services, as well as administrative and financial management of the project. The recurrent political crisis situation has not allowed the Bank to carry out far-reaching reforms in the energy sector. However, REGIDESO has taken measures to improve its financial situation, including the installation of prepaid meters (11,105 in 2017) that will reduce losses and improve the bills collection rate. As a member of the East Africa Power Pool, Burundi also benefits from the tools, models and guidelines prepared by this regional organization for cross-border energy trade.

4.1.2 The consulting engineering firm was recruited with KfW funding to supervise and control the engineering and construction of the Burundi and Rwanda sections of the interconnection line. It has already prepared the bidding documents for Burundi, and is currently supervising and controlling the construction works in Rwanda. As funding for these services was suspended in July 2018 for the Burundi section, the same consulting engineering firm will preferably be directly recruited to continue supervision and control activities to ensure that the Burundi and Rwanda components are aligned. The firm will also supervise and monitor works on ESMP and CRP implementation. The support and training of REGIDESO staff for the operation and maintenance of 220 kV/110 kV lines and sub-stations will be part of the tasks and responsibilities of the consulting engineering firm. REGIDESO and EDCL, with the facilitation of NELSAP, will agree on the management of the interface for the connection of the two sections of line. The infrastructure constructed will be operated and maintained by REGIDESO.

4.1.3 **Procurement Arrangements:** All Bank-financed goods, works and consultancy services will be procured in accordance with the "Procurement Policy for Operations Financed by the Bank Group" October 2015 edition, and in accordance with the provisions set out in the Financing Agreement. More specifically, the procurements will be made in accordance with the Bank's Procurement Methods and Procedures (PMP) based on the relevant standard bidding documents (SBD) for all contracts.

4.1.4 **Procurement Risks and Capacity Assessment (PRCA):** The risks at country, sector and project level, as well as the procurement capacity of the executing agency (EA) were assessed for the project and the results were used to guide the decision to select the procurement system (Borrower, Bank, or Third Party) to be used for specific activities or set of similar activities within the project. A market analysis was also conducted to obtain information on market characteristics, factors that could affect competition, and the main stakeholders in sector markets. The results of the market survey and analysis were used in planning procurements, structuring contracts, selecting the best procurement methods and procedures (MPAs) suitable for the target objective, and defining the Bank's review and supervision framework.

4.1.5 Appropriate risk mitigation measures have been included in the Procurement Risks and Capacity Assessment Action Plan (PERCA) presented in Annex B5.

4.1.6 **Financial Management Arrangements:** The appraisal mission considers that the existing financial management systems at the Project Executing Agency (REGIDESO) in Burundi and the Project Management Unit are **moderately satisfactory** on the whole, and the overall fiduciary risk is **intermediate** due to some weaknesses identified at the Executing Agency, in particular: (i) the absence of a budget and activity schedule; (ii) the absence of a procedures manual; (iii) fuel use monitoring, which needs to be improved by including the

quantity received at departure, the mileage at departure, the mileage at arrival and the final quantity; (iv) the absence of configuration of the Delta software to obtain the balance systematically; (v) lack of training of the Administrative and Financial Director and the Chief Accountant in the Bank's financial management procedures; and (vi) the lack of premises and sufficient number of cupboards for the storage of the project's supporting documents, by donor and by year sequentially.

Consequently, it recommends that:

The Project Executing Agency should: (i) **each year** establish, in addition to the other budgets, a budget linked to the activity schedule; (ii) have a budget linked to the activity schedule prepared by the Implementation Unit **at the beginning of each year after the project launching**; (iii) prepare a procedures manual **before 30 December 2018**; (iv) **immediately** improve its fuel monitoring system by including the quantity received at departure, the mileage at departure, the mileage at arrival, and the final quantity; (v) have an administrative, financial and accounting procedures manual prepared by the Implementation Unit **after the project launching**; (vi) have fuel monitoring, maintenance and repair and mission reports prepared by the Implementation Unit during the project implementation; (vii) acquire sufficient space and cupboards for the Implementation Unit before project launching to store supporting documents by donor and by year sequentially; (viii) have its Delta software configured **before 28 February 2019** to systematically obtain the balance sheet; (ix) have an accounting software procured **3 months after the project launching** to systematically obtain the project's financial statements; (x) have the Project Implementation Unit prepare a provisional cash flow plan **as soon as the first disbursement is made**; (xi) after the project launching, open two bank accounts, one in USD and the other in Burundian francs, in an acceptable commercial bank; (xii) have a half-yearly activity report prepared by the Implementation Unit within six months **after the project launching**, incorporating the interim financial statements; (xiii) take **immediate** action to ensure that the 2016 and 2017 audits are conducted; and (xiv) recruit an external audit firm **after the project launching**.

**4.1.7 Disbursement Arrangements:** Given the components and expenditure categories, namely the categories of goods, works, services and operations, the disbursement procedures for the resources will consist in the direct payment method for contracts for the procurement of goods, works and services, and the special account method for the operating costs. The payment methods are presented in detail in Technical Annex B4.

**4.1.8 External Audit Arrangements:** The project accounts will be audited yearly by an independent firm. The terms of reference of the audit will be approved in advance by the Bank and the recruitment of the audit firm must take place within six (6) months following project start-up. The audit contract will be concluded for 3-year period, non-renewable, provided that the services delivered following the first audit assignment are deemed satisfactory by the Bank. The audit reports must be submitted to the Bank latest six (6) months following the end of the fiscal year.

## **4.2 Monitoring**

**4.2.1** The Project Coordinator will prepare quarterly reports on the project status, with its performance presented through indicators. The quarterly reports will be submitted to the Bank. The Bank's supervision mission reports, the monthly reports of the consulting engineer, the audit reports, and the project completion reports (Borrower and Bank) will be used in monitoring the project implementation and achievement of the set objectives. The above-mentioned reports are monitoring instruments that will help to identify constraints or delays to

take corrective action. Since the European Union's resources will be managed by the Bank, a future agreement will define the arrangements for the two parties, particularly in project implementation monitoring.

4.2.2 The table below summarizes the Bank's activities based on the project implementation schedule. The project will be supervised at least twice a year. At project completion, the PIU will prepare and submit a completion report to the Bank.

<b>Period</b>	<b>Milestones</b>	<b>Monitoring Activities / Feedback Loop</b>
October – December 2018	Establishment of the PIU	- Submission of CVs by REGIDESO - Approval of CVs by the Bank
December 2018 - January 2019	Project approval and effectiveness of the ADF-TSF-EU grant	- Board approval - Signing of the grant agreement - Fulfilment of conditions precedent to effectiveness - Fulfilment of conditions precedent to the first disbursement
January 2019	Conclusion of contract for EU financing	- Signing of the AfDB – EU agreement
October 2018 – March 2019	Recruitment of the consulting engineer	- Signing of the consulting engineer's service contract
June 2019 - February 2020	Recruitment of works contractors	- Bidding documents, competitive bidding notice - Approval of bidding documents - Approval of the bids evaluation report - Signing of the contracts with contractors
June 2020 – May 2022	Infrastructure construction works	- Design, manufacture, transportation and installation of equipment - Works management and supervision - Project supervision/ESMP monitoring missions
June 2021	Mid-term review	- Mid-term mission
November 2023 – May 2024	Project completion	- Borrowers' project completion report - Bank's project completion report

### **4.3 Governance**

4.3.1 Governance problems related to fraud and corruption may arise during procurement. An assessment of Burundi's national procurement system did not show that it is effective in preventing such governance issues. Consequently, the Bank's procurement rules and procedures will be used. The Bank's prior opinion will be required at each stage of the procurement process. The preparation of administrative, accounting and financial procedures manuals, the use of separate accounting for the project, the use of appropriate management software and independent external audits will ensure good governance from a financial management point of view. All these procurement and financial management arrangements will ensure that project resources are used efficiently and for the purposes for which they were intended.

### **4.4 Sustainability**

4.4.1 The project's sustainability is underpinned by the Government of Burundi's determination to develop power trade between the two countries. Sustainability will also be based on the good governance of REGIDESO, whose sound financial situation will allow it to have adequate resources to operate and maintain the interconnection line. It should be noted that REGIDESO installed 11,105 prepaid meters in 2017. The installation of prepaid meters will reduce losses, improve the bills collection rate, and facilitate operation and maintenance over the long term.

4.4.2 The environmental and social impact assessment helped to take into account constraints, to ensure that the project would remain sustainable. The route of the interconnection line has been chosen so that it does not cross the Kibira National Park, which is a protected area. Furthermore, public consultations, particularly with PAPs, made it possible to obtain their support for the operation. Project sustainability is also underpinned by a technical design prepared in accordance with international standards and construction of the structures in line with best engineering practice.

#### **4.5 Risk Management**

4.5.1 The main risks associated with the project implementation are as follows: (i) political tension between the Great Lakes Region countries; (ii) political instability and fragile peace in Burundi; and (iii) clearance of the line's right-of-way before works start-up. The first two risks are mitigated by the international community's efforts to restore inter-Burundian dialogue. The third risk is mitigated by including compensation to people affected by the project before works start-up in the conditions precedent to first disbursement.

4.5.2 Once the project is implemented, the main risks include: (i) institutional risk associated with responsibility for the operation of the interconnected grid and project management; and (ii) REGIDESO's poor financial capacity to operate and maintain the energy infrastructure. The first risk will be mitigated by technical cooperation between the power sectors of Great Lakes Region countries and between the electricity sectors of the East African Region countries. The second risk will be mitigated by improving REGIDESO's management and financial situation.

#### **4.6 Knowledge Building**

4.6.1 To learn useful lessons from the project, a monitoring and evaluation system will be established to document its outcomes and impacts. Consequently, lessons will be drawn from: (i) quarterly progress reports; (ii) supervision mission reports; (iii) monthly reports of the consulting engineer; (iv) audit reports; and (v) project completion reports. The supervision and completion reports will be posted on the Bank's website. The data collected from all the reports will be used to prepare and develop similar operations in future.

### **V. LEGAL INSTRUMENTS AND POWERS**

#### **5.1 Legal Instrument**

5.1.1 The project costs will be financed by a grant from the African Development Fund (ADF), a grant from the Transition Support Facility (TSF), and a grant from the European Union (EU), which the Bank will administer under conditions to be defined by the two parties.

#### **5.2 Conditions for Bank Intervention**

##### **5.2.1 Conditions precedent to effectiveness of the Protocol of Agreement**

Effectiveness of the ADF-TSF-EU Grant Agreement shall be subject to the signing of the relevant Protocol of Agreement by the parties concerned;

## 5.2.2 Conditions precedent to first disbursement of ADF-TSF-EU Grant Resources

In addition to effectiveness of the ADF-TSF-EU Grant Protocol of Agreement, the first disbursement of resources shall be subject to the Borrower's (Burundi) fulfilment of the following conditions to the satisfaction of the Fund/Bank:

- Signature and submission to the Fund / Bank of the ADF-TSF-EU grant onlending agreement signed between the Government of Burundi and REGIDESO; and
- Provide the Fund / Bank with the Project Administrative, Accounting and Financial Management Procedure Manual.

## 5.2.3 Other Conditions

- i. Start-up of rural electrification works or any works whose environmental and social impacts have not been assessed by the ESIA/ESMP and CRP shall be subject to submission of environmental and social study reports and resettlement plans validated by the Burundi's Environmental Protection Authority to the Bank;
- ii. For all works involving expropriation, provide, as works progress, and before any works start in any area, evidence of compensation and/or resettlement of persons affected by the project in that area, in accordance with the CRP and the relevant rules and procedures of the African Development Bank Group, particularly the Involuntary Resettlement Policy and the Integrated Safeguards System. It is worth noting that where such compensation or resettlement is not possible, either totally or partially, due to the impossibility of identifying the beneficiaries or in the event of a dispute or other impossibility beyond the Borrower's control, duly justified and acceptable to the Bank (hereinafter referred to as "Disputed Cases"), the condition may be deemed to have been fulfilled if the Borrower provides evidence that the resources allocated for the compensation and/or resettlement of the Disputed Cases are deposited and kept in a bank account acceptable to the Bank, or deposited and kept with a trusted third party acceptable to the Bank.

## 5.3 *Compliance with Bank Policies*

5.3.1 This project complies with all applicable Bank policies. The summaries of the ESIA / ESMP and RAP were published on the Bank's website on 10 August 2018. However, they do not cover the rural electrification component that was added to the project after publication of the ESIA / ESMP and RAP at the request of the Government. This additional component is expected to have minimal impact, of which, it is the obligation of the grant recipient to mitigate, starting rural electrification or any work whose environmental and social impacts have not been addressed by the ESIA / ESMP and RAP, following approval by the Bank of environmental and social studies reports and resettlement plans validated by the Burundian Agency for Environmental Protection.

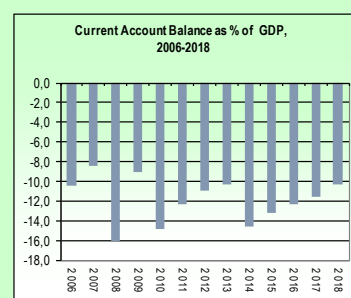
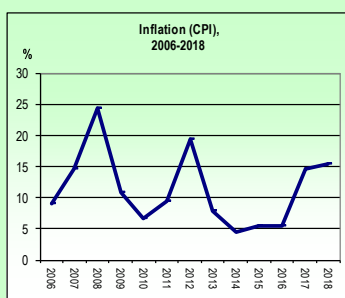
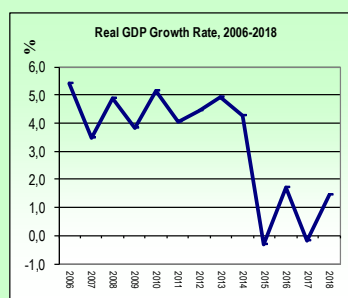
## **VI. RECOMMENDATION**

6.1 Management recommends that the Board of Directors approve the proposal for an ADF grant of UA 2.51 million, a TSF grant of UA 3.17 million and a grant of EUR 15 million from the resources of the European Union to the Republic of Burundi to finance the Burundi-Rwanda Power Grid Interconnection Project, under the conditions set out in this report.

# Annex I: Comparative Socioeconomic Indicators

## Burundi Selected Macroeconomic Indicators

Indicators	Unit	2000	2013	2014	2015	2016	2017 (e)	2018 (p)
<b>National Accounts</b>								
GNI at Current Prices	Million US \$	880	2 930	3 137	3 130	3 235	...	...
GNI per Capita	US\$	130	280	290	280	280	...	...
GDP at Current Prices	Million US \$	709	2 452	2 706	2 814	2 874	3 053	3 406
GDP at 2000 Constant prices	Million US \$	709	1 127	1 174	1 170	1 191	1 188	1 205
Real GDP Growth Rate	%	-0,9	4,9	4,2	-0,3	1,7	-0,2	1,4
Real per Capita GDP Growth Rate	%	-3,0	1,5	0,9	-3,6	-1,6	-3,4	-1,8
Gross Domestic Investment	% GDP	7,5	14,3	15,2	11,7	9,6	10,0	11,7
Public Investment	% GDP	6,4	5,2	4,9	3,3	3,1	3,4	3,7
Private Investment	% GDP	1,2	9,1	10,3	8,5	6,5	6,6	8,1
Gross National Savings	% GDP	-4,2	-4,3	-3,4	-6,7	-4,1	-5,7	-7,2
<b>Prices and Money</b>								
Inflation (CPI)	%	24,3	7,9	4,4	5,6	5,5	14,5	15,4
Exchange Rate (Annual Average)	local currency/US\$	720,7	1 555,1	1 546,7	1 571,9	1 654,6	1 735,2	1 820,5
Monetary Growth (M2)	%	34,8	11,1	14,6	5,5	1,5	10,6	...
Money and Quasi Money as % of GDP	%	24,6	30,7	32,0	32,0	30,2	29,9	...
<b>Government Finance</b>								
Total Revenue and Grants	% GDP	22,3	26,6	19,8	16,7	15,9	20,4	20,2
Total Expenditure and Net Lending	% GDP	24,7	28,5	23,6	24,4	23,0	26,9	29,0
Overall Deficit (-) / Surplus (+)	% GDP	-2,3	-1,8	-3,8	-7,7	-7,1	-6,5	-8,8
<b>External Sector</b>								
Exports Volume Growth (Goods)	%	4,7	-19,8	23,1	5,6	14,8	-4,8	1,8
Imports Volume Growth (Goods)	%	1,7	-0,5	10,3	-35,9	-2,2	-1,9	5,1
Terms of Trade Growth	%	-22,0	-9,6	25,4	-42,7	28,0	-2,8	-7,2
Current Account Balance	Million US \$	-61	-254	-394	-374	-355	-354	-353
Current Account Balance	% GDP	-8,6	-10,4	-14,5	-13,3	-12,3	-11,6	-10,4
External Reserves	months of imports	2,9	3,6	3,5	1,7	1,7	2,9	3,1
<b>Debt and Financial Flows</b>								
Debt Service	% exports	70,1	14,5	14,4	20,7	22,4	27,5	36,7
External Debt	% GDP	126,3	21,0	18,9	18,2	16,7	25,9	35,2
Net Total Financial Flows	Million US \$	79	589	539	260	734	...	...
Net Official Development Assistance	Million US \$	93	559	515	367	742	...	...
Net Foreign Direct Investment	Million US \$	12	7	47	7	0	...	...



Source : AfDB Statistics Department; IMF: World Economic Outlook, April 2018 and International Financial Statistics, April 2018; AfDB Statistics Department: Development Data Portal Database, April 2018. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

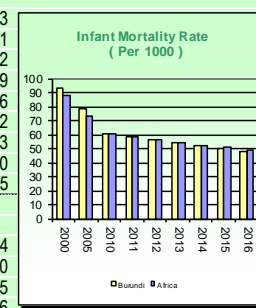
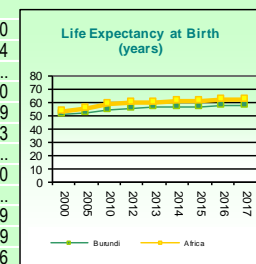
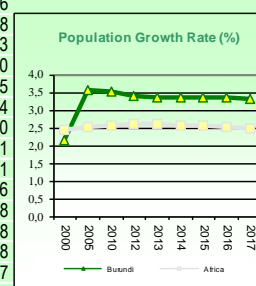
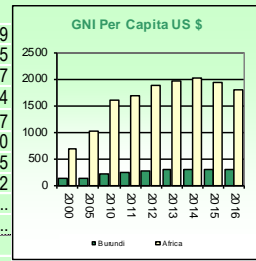
Last Update: May 2018



## Burundi

### COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Burundi	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ('000 Km <sup>2</sup> )	2017	28	30 067	80 386	53 939
Total Population (millions)	2017	11,9	1 184,5	5 945,0	1 401,5
Urban Population (% of Total)	2017	12,2	39,7	47,0	80,7
Population Density (per Km <sup>2</sup> )	2017	464,8	40,3	78,5	25,4
GNI per Capita (US \$)	2016	280	2 045	4 226	38 317
Labor Force Participation* - Total (%)	2017	83,3	66,3	67,7	72,0
Labor Force Participation** - Female (%)	2017	84,3	56,5	53,0	64,5
Sex Ratio (per 100 female)	2017	97,8	0,801	0,506	0,792
Human Develop. Index (Rank among 187 countries)	2015	184	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2013	73,7	39,6	17,0	...
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2017	3,3	2,6	1,3	0,6
Population Growth Rate - Urban (%)	2017	5,7	3,6	2,6	0,8
Population < 15 years (%)	2017	45,2	41,0	28,3	17,3
Population 15-24 years (%)	2017	18,5	3,5	6,2	16,0
Population >= 65 years (%)	2017	2,5	80,1	54,6	50,5
Dependency Ratio (%)	2017	91,4	100,1	102,8	97,4
Female Population 15-49 years (% of total population)	2017	23,3	24,0	25,8	23,0
Life Expectancy at Birth - Total (years)	2017	57,9	61,2	68,9	79,1
Life Expectancy at Birth - Female (years)	2017	60,0	62,6	70,8	82,1
Crude Birth Rate (per 1,000)	2017	42,5	34,8	21,0	11,6
Crude Death Rate (per 1,000)	2017	10,6	9,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2016	48,4	52,2	35,2	5,8
Child Mortality Rate (per 1,000)	2016	71,7	75,5	47,3	6,8
Total Fertility Rate (per woman)	2017	5,7	4,6	2,6	1,7
Maternal Mortality Rate (per 100,000)	2015	712,0	411,3	230,0	22,0
Women Using Contraception (%)	2017	37,7	35,3	62,1	...
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2004	2,6	46,9	118,1	308,0
Nurses and midwives (per 100,000 people)	2004	17,6	133,4	202,9	857,4
Births attended by Trained Health Personnel (%)	2010	60,3	50,6	67,7	...
Access to Safe Water (% of Population)	2015	75,9	71,6	89,1	99,0
Access to Sanitation (% of Population)	2015	48,0	51,3	57	69
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2016	1,1	39,4	60,8	96,3
Incidence of Tuberculosis (per 100,000)	2016	118,0	3,8	1,2	...
Child Immunization Against Tuberculosis (%)	2016	93,0	245,9	149,0	22,0
Child Immunization Against Measles (%)	2016	93,0	84,1	90,0	...
Underweight Children (% of children under 5 years)	2010	29,1	76,0	82,7	93,9
Prevalence of stunting	2010	57,5	20,8	17,0	0,9
Prevalence of undernourishment (% of pop.)	2011	...	2 621	2 335	3 416
Public Expenditure on Health (as % of GDP)	2014	4,0	2,7	3,1	7,3
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2016	130,9	106,4	109,4	101,3
Primary School - Female	2016	131,3	102,6	107,6	101,1
Secondary School - Total	2016	48,4	54,6	69,0	100,2
Secondary School - Female	2016	47,6	51,4	67,7	99,9
Primary School Female Teaching Staff (% of Total)	2016	54,1	45,1	58,1	81,6
Adult literacy Rate - Total (%)	2014	61,6	61,8	80,4	99,2
Adult literacy Rate - Male (%)	2014	69,7	70,7	85,9	99,3
Adult literacy Rate - Female (%)	2014	54,7	53,4	75,2	99,0
Percentage of GDP Spent on Education	2013	5,4	5,3	4,3	5,5
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2015	46,7	8,6	11,9	9,4
Agricultural Land (as % of land area)	2015	79,1	43,2	43,4	30,0
Forest (As % of Land Area)	2015	10,7	23,3	28,0	34,5
Per Capita CO2 Emissions (metric tons)	2014	0,0	1,1	3,0	11,6



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update : May 2018

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. \* Labor force participation rate, total (% of total population ages 15+)

\*\* Labor force participation rate, female (% of female population ages 15+)

**Annex II: Table of the Bank's Portfolio in Burundi as at 22 June 2018**

<b>AfDB PORTFOLIO IN BURUNDI - 22/06/2018</b>								
<b>Sector</b>	<b>Project Name</b>	<b>Project Number</b>	<b>Approval Date</b>	<b>Effectiveness Date</b>	<b>Disbursement Deadline</b>	<b>Disbursed Amount (in UA)</b>	<b>Approved Amount (in UA)</b>	<b>Disbursement Rate (%)</b>
<b>NATIONAL PROJECTS</b>								
<b>Multisector</b>	Support project for preparing development strategies	P-BI-I00-002	17/05/2017	16/08/2017	31/03/2019	28 932	870 000	3.3%
	Support project for socioeconomic reintegration of young people and women - PARSEJF (BURUNDI) -(FAT)	P-Z1-IZ0-026	25/05/2016		28/06/2019	276 695	770 000	35.9%
	<b>Sub-Total Multisector</b>					<b>305 627</b>	<b>1 640 000</b>	<b>19%</b>
<b>Transport</b>	RN-15 : GITEGA-NYANGUNGU-NGOZI Development and Paving Project Phase 2	P-BI-DB0-016	29/06/2011	16/03/2012	31/03/2019	2 793 242	10 000 000	27.9%
	RN-15 : GITEGA-NYANGUNGU-NGOZI Development and Paving Project Phase 2	P-BI-DB0-016	29/06/2011	16/03/2012	31/03/2019	31 567 963	32 000 000	98.7
	RN-18 : NYAKARARO-MWARO - GITEGA KIBUMBU-GITEGA (MWEYA) Phase II	P-BI-DB0-020	01/02/2017	23/05/2017	31/12/2020	127 194	9 720 000	1.3%
	RN-18 : NYAKARARO-MWARO - GITEGA KIBUMBU-GITEGA (MWEYA) Phase II	P-BI-DB0-020	01/02/2017	23/05/2017	31/12/2020	0	4 080 000	0.0%
	RN-13 : MAKEBUKO RUYIGI Road Project	P-BI-DB0-017	18/12/2013	07/07/2014	31/12/2018	8 412 640	8 940 000	94.1%

	RN-18 : NYAKARARO-MWARO-GITEGA Development and Paving Project Phase I	P-BI-DB0-018	24/09/2014	19/11/2014	30/06/2019	14 051 522	19 420 000	72.4%
	<b>Sub-Total Transport</b>					<b>56 952 560</b>	<b>84 160 000</b>	<b>68%</b>
<b>Energy</b>	Electric Energy Production, Transmission and Distribution Master Plan Project		30/04/2014	14/08/2014	31/03/2018	302 800	414 000	73.1
	JIJI MULEMBWE Hydropower Project	P-BI-FA0-100	23/06/2014	31/07/2014	31/12/2019	0	14 340 000	0.0%
	<b>Sub-Total Energy</b>					<b>302 800</b>	<b>14 754 000</b>	<b>2%</b>
	Rural Infrastructure Support Project in Bugesera natural region		25/09/2009	04/11/2009	31/05/2018	14 215 500	15 000 000	94.8%
<b>Agriculture</b>	Agricultural Processing Support Project in Bugesera natural region	P-BI-K00-013	15/12/2017	25/01/2018	30/06/2023	0	12 000 000	0.0%
	<b>Sub-Total Agriculture</b>					<b>14 215 500</b>	<b>27 000 000</b>	<b>53%</b>
<b>Environment</b>	Watershed Development and Climate Resilience Improvement Project (PABVARC)	P-BI-C00-001	22/04/2013	28/05/2013	30/06/2018	6 145 191	6 230 000	98.6%
	Watershed Development and Climate Resilience Improvement Project (PABVARC)	P-BI-C00-001	22/04/2013	28/05/2013	31/10/2017	2 948 753	3 080 000	95.7%
	<b>Sub-Total Environment</b>					<b>9 093 943</b>	<b>9 310 000</b>	<b>98%</b>
	<b>National Total</b>					<b>80 870 430</b>	<b>136 864 000</b>	<b>59.1%</b>
	<b>MULTINATIONAL PROJECTS</b>							
<b>Multisector</b>	Support project for socioeconomic reintegration of young people and women - PARSEJF (CIRGL)	P-Z1-IZ0-028	25/05/2016	07/11/2016	28/06/2019	124 360	380 000	32.7%
	<b>SUB-Total Multisector</b>					<b>124 360</b>	<b>380 000</b>	<b>33%</b>

<b>Transport</b>	RN-5: NYAMITANGA-RUHWA-NTENDEZI-MWITYAZO Road Project	P-Z1-DB0-047	16/12/2008	16/03/2009	31/12/2018	48 438 346	49 380 000	98.1%
	RN-3 : MUGINA-MABANDA-NYANZA-LAC Roads Development and Paving Project	P-Z1-DB0-073	27/06/2012	23/07/2012	31/12/2018	22 630 460	27 500 000	82.3%
	Preparatory Study for Development of Bujumbura Port	P-Z1-DB0-013	14/10/2013	13/12/2013	31/12/2018	739 688	801 048	92.3%
	<b>Sub-Total Transport</b>					<b>71 808 493</b>	<b>77 681 048</b>	<b>92%</b>
<b>Energy</b>	NELSAP Interconnection Project - BURUNDI (Power Transmission Line KAMANYOLA (DRC) - BUJUMBURA	P-Z1-FA0-034	21/11/2008	16/03/2009	31/12/2019	2 902 938	15 150 000	19.2%
	RUZIZI Hydropower Project III (BURUNDI)	P-Z1-FA0-076	16/12/2015	07/03/2016	31/12/2022	0	19 290 000	0.0%
	RUSUMO Regional Hydropower Project – BURUNDI	P-Z1-FA0-007	27/11/2013	18/02/2014	31/08/2019	228 790	16 700 000	1.4%
	RUSUMO Regional Hydropower Project – BURUNDI	P-Z1-FA0-007	27/11/2013	23/09/2014	31/08/2019	565 374	10 810 215	5.2%
	<b>Sub-Total Energy</b>					<b>3 697 102</b>	<b>61 950 215</b>	<b>6%</b>
	<b>Total Multinational</b>					<b>75 629 955</b>	<b>140 011 263</b>	<b>54.0%</b>
	<b>TOTAL</b>					<b>156 500 385</b>	<b>276 875 263</b>	<b>56.5%</b>

### Annex III: Major Related Projects Financed by the Bank and Other Development Partners in Burundi

Donors	Amount Million	Currency	Projects	Status
African Development Bank	15.15	UA	Multinational Power Grids Interconnection Project for Nile Equatorial Lakes Countries (PMIREL-PLEN) - 2008	Ongoing
	16.70	UA	Rusumo Falls Regional Hydropower Plant Project - Transmission Line Component - 2013	Ongoing
	0.414	UA	Study Project on Energy Production and Transmission Master Plan - 2014	Ongoing
	0.630	USD	Study Project on Energy Production and Transmission Master Plan - 2014	Ongoing
	14.34	UA	Jiji and Mulembwe Hydropower Project	Ongoing
	19.29	UA	RUZIZI Hydropower Project III	Project agreement to be signed
World Bank	100	USD	Jiji and Mulembwe Hydropower Project	Ongoing
	113.3	USD	Rusumo Falls Regional Hydropower Plant Project – Electric Power Plant Component – 2013	Ongoing
	0.461	USD	Study Project on Energy Production and Transmission Master Plan – Distribution Component – 2014	Completed
	106	USD	RUZIZI Hydropower Project III	Project agreement to be signed
	2	USD	7.5 MW Solar IPP Project in Mubuga	Ongoing
European Union	12.750	Euro	Rusumo Falls Regional Hydropower Plant Project – Transmission Line Component – 2013	Ongoing
	36.60	Euro	Jiji and Mulembwe Hydropower Project	Ongoing
	48	Euro	RUZIZI Hydropower Project III	Project agreement to be signed

		Euro	Resilience of the population/Rural and semi-urban electrification	Ongoing
		Euro	Photovoltaic electrification in the health centres of 8 health provinces (Health Sector - Energy Component)	Ongoing
		Euro	Energy Fragility Facility	Ongoing
		Euro	Support for Transition to Energy Sector - ATASE I	Ongoing
		Euro	Support for Transition to Energy Sector - ATASE II	Being prepared
	15	Euro	RUZIZI III - Bujumbura Sub-Station	Being prepared
		Euro	Resilience of the population/Rural and semi-urban electrification	Being prepared
		Euro	Electrification/Private Sector	Being prepared
European Investment Bank	95	USD	Jiji and Mulembwe Hydropower Project	Ongoing
	123.6	Euro	RUZIZI Hydropower Project III	Project agreement to be signed

## **Annex IV: Rationale for the Level of Burundi's Counterpart Contribution below 10%.**

1. The project will be financed through an ADF grant of UA 2.51 million, a TSF grant of UA 3.17 million, and an EU grant of UA 12.53 million to Burundi, for a total of UA 19.79 million. The counterpart contribution accounts for 8% of the project cost for the Burundi component.

2. The level of the Government's counterpart contribution to the Bank's financing below 10% of the total project cost required by the Eligible Expenditures Policy (paragraph 4.2.2). Thus, in accordance with the provisions of Section 4.2.2.2 of the Bank Group Eligible Expenditures Policy (revised version of 19 March 2008), the level of Government counterpart contribution for the ADF window has been determined based on the following four (4) criteria: (i) the country's commitment to implement its overall development programme; (ii) the financing allocated by the country to the sector targeted by the Bank's assistance; (iii) the country's budgetary situation and debt level; (iv) the upper limit on cost sharing and the guidelines specified in the country financing parameters.

### **Burundi faces significant fragility factors**

3. Burundi is one of the Regional Member Countries (RMCs) that have experienced recurrent socio-political conflicts. The resulting situations of violence and insecurity have led to a crisis of mistrust of the political class and, above all, tensions between dominant coalitions and communities. The country has not developed a sufficient resilience capacity to stem the violence and address economic, social and environmental issues. Given all these risks, the Government and political class have been unable to meet the expectations of the population, particularly women and young people.

4. In 2008, Burundi, a post-conflict country, was declared a "Fragile State", and has been the subject of engagement with partners, including the Bank Group, in line with the New Deal Principle (Busan New Deal), over the past ten years. Fragility factors can be summarized in five points: (i) political, security and institutional factors; (ii) economic, financial and natural resource management factors; (iii) social factors, poverty and gender issues; (iv) environmental factors and the effects of climate change; and (v) interactions between external and internal factors (regional dimension, in particular).

### **A. Burundi is committed to implementing its new national development plan (PND 2018-2027)**

5. In order to meet major persistent economic and social development challenges and act on the 2012-2016 Poverty Reduction Strategy, the Government of Burundi has prepared a National Development Plan for Burundi for the 2018-2027 decade (PND Burundi 2018-2027). The PND is part of a development approach based on a new dynamic for transforming economic, demographic and social structures. This includes generating multiplier and sustainable effects on improving economic growth and average income per capita, as well as ensuring basic needs, poverty reduction, human capital development, environmental sustainability and social equity.

6. PND 2018-2027 was prepared within a political, economic and social environment marked by an open policy to dialogue and consultation between the Government and partners from political parties, civil society, religious denominations and young people, who are key development actors. It is intended to be the basis for strong and inclusive growth as from 2018 so as to enable Burundi to reach the level of emerging country by 2027. To achieve this ambition, the programme cost over the 2018-2027 period is estimated at BIF 20,385 billion (about USD 11 billion). To finance the PND, the Government will rely on domestic resource mobilization and strengthen the Burundi Revenue Authority to broaden the tax base. The contribution of total revenue to expenditure financed by domestic resources increased from 62.65% in 2009 to 71.45% in 2017. Furthermore, despite the suspension of direct aid from some donors since 2015, the Government has been able to maintain a constant public investment rate of about 3.3% of GDP between 2015 and 2018. However, PND implementation will require the mobilization of external resources and increased use of private sector financing.

7. PND 2018-2027 builds on 11 pillars: (i) modernization of agriculture; (ii) increased energy production; (iii) improvement of knowledge based on technology and know-how; (iv) development of the natural resources sector; (v) diversification and promotion of a competitive and healthy economy; (vi) creation of an enabling environment for industrialization; (vii) strengthening of human capital; (viii) reinforcement of transport, trade and ICT infrastructure; (ix) tourism promotion; (x) public-private partnerships; and (xi) regional integration and international cooperation.

#### **B. Financing allocated by the country to the sector targeted by Bank assistance**

8. With a low electricity access rate of about 10%, improving energy supply and access is crucial for Burundi's development. Interventions in the energy sector aim to increase production and make energy more accessible, reliable and less costly. In this regard, the Government has undertaken a vast project to develop the energy sector by unlocking its energy potential through mobilization of additional resources with co-financing and private sector investment under a Public-Private Partnership. Planned investments in the energy sector account for about 15% of PND 2018-2027 (about UA 1.2 billion). In addition, Burundi is firmly committed to integration of the regional energy market through interconnections and common production infrastructure to reduce its energy deficit. Regional public power generation and regional interconnection projects currently under implementation include the RUSUMO-FALLS regional hydropower plants between Burundi, Rwanda and Tanzania (80 MW including 26.7 MW for Burundi), and RUZIZI III between Burundi, DRC and Rwanda under Public-Private Partnership (147 MW including 49 MW for Burundi).

9. The Bank is a major partner of the country in the energy sector. Projects in the energy sector account for 28% of the current portfolio. With this new operation, the Bank will consolidate the achievements of previous projects to achieve the objectives set out in the country's energy development strategy. The aim will be to help improve the living conditions of the population and the quality of economic and social development by increasing the supply of affordable electricity. The project's development objective is to strengthen the integration of the regional electricity market and increase electric power supply, while reducing associated costs.



**C. The country is in a tight fiscal situation with a high risk of over-indebtedness**

10. Since 2015, Burundi has been going through a crisis that has had a significant impact on public finance and fiscal policy. The sharp decline in external financing through the State budget has resulted in a deterioration of the budget deficit and insufficient budgetary savings to finance infrastructure investments from the State's own resources.

11. In 2018, the objective is to contain the deterioration of the fiscal deficit, which had worsened in 2017 (8.2% of GDP compared to 6.2% in 2016). Forecasts put the deficit at 8.9%. During the first half of the year, tax and non-tax revenues improved by 19.2% compared to the same period in 2017; this was mainly due to increase in taxes on domestic trade (+28.3%) and income taxes (+27.1%). However, taxes on foreign trade have stabilized. The increase in public expenditure will be limited to 4.6% compared to 2017 (7% for current expenditure, 4.6% for investment from domestic resources, and 1.2% for investment from external resources). Overall, the budget deficit is expected to be slightly lower than the initial forecast of 8.9% of GDP. To finance this deficit, the Government will use advances from the Central Bank and issue treasury bills, of which the last was issued in July 2018.

12. Burundi reached the completion point of the Heavily Indebted Poor Countries Initiative (HIPC) in 2009. However, according to the IMF/World Bank Debt Sustainability Analysis (DSA) conducted in 2015, Burundi remains at high risk of over-indebtedness, even though the ratio of net present value of debt to GDP, which was 18% in 2015, is well below the 30% threshold. The country is exposed to high risk of over-indebtedness due to the net present value of external debt/ exports of goods and services ratio, which was estimated at 152% for 2015 (compared to 187% for 2012), a rate well above the reference threshold of 100%. The ongoing crisis has increased Burundi's overall debt from 34% of GDP in 2014 to 44% in 2016. Estimates for 2017 stand at 50%.

13. This analysis underscores the need for more prudent and rigorous debt management. To mitigate the risk of over-indebtedness, the institutional debt management system has been strengthened. The public debt management framework was renovated by the promulgation of Law No. 1/03 of 11 May 2016, which promotes low-cost and low-risk public debt management without compromising public finance sustainability. The National Public Debt Management Committee, which is responsible for developing the debt strategy, determines the overall debt ceiling, the maximum amount of treasury bill issues, the maximum amount of Government guarantees and the degree of concessionality acceptable for loans. However, despite this institutional framework, the country does not currently have a medium-term debt strategy. At the operational level, the debt situation is managed by the Debt Department, which systematically verifies data using the DMFAS software (Debt Management and Analysis System) and compares them with the payment notices sent by creditors. However, internal capacities remain limited as regards data production and debt sustainability analysis.

#### **D. Bank Support in Burundi**

14. Due to this high risk of over-indebtedness, the country can receive only limited resources from the Bank. The funding for the Indicative Operations Programme for CSP 2012-2016, extended to 2018, comes mainly from ADF window resources as grants. For the 2017-2019 period, the ADF-14 Performance-Based Allocation (PBA) amounts to UA 29.22 million, in addition to TSF funding of UA 26.11 million. For the 2020-2021 period, the assumption is that the same allocations will be made. The Bank will also continue its efforts towards mobilizing additional resources, such as special/thematic and trust funds, so as to increase the limited ADF allocations for the country. Lastly, the regional package, with its significant leverage effect, will be used to finance integrative and highly important projects given the country's level of isolation. Priority will also be given to the search for co-financing for large-scale operations in the infrastructure sector, as is the case for this project, which is co-financed with the European Union.

#### **E. Conclusion**

15. In conclusion, taking into account the fact that Burundi's financial parameters allow the Bank to fully finance projects (100%) under certain conditions, as well as in light of the above analyses on its commitment to implementing development policies, particularly in the energy sector, and the country's budgetary constraints, we recommend limiting the Government's counterpart contribution to the project to UA 1.59 million, or 8% of the total project cost. This amount will cover compensation for persons affected by the interconnection line.

16. This note was submitted to, and validated by, the SNSP on 24 October 2018.

## **Annex V: Note of Fragility and Resilience for the Burundi-Rwanda Power Grid Interconnection Project**

Burundi was declared a fragile State since 2008 because of recurrent socioeconomic conflicts. It was therefore one of the first countries to receive support from the Transition Support Facility. The average score of the country's policies and institutions assessment indicator (CPIA) remained between 2.96 and 3.08 between 2004 and 2016, which is below the fragility threshold of 3.2.

The country has not developed a sufficient resilience capacity to stem the violence and address economic, social and environmental issues. Given all these risks, the Government and political class have been unable to meet the population's expectations, particularly women and young people, let alone to use inclusive socio-political dialogue mechanisms, even though they are provided for and guaranteed by the Constitution.

The project area mainly covers the three provinces of Gitega, Kayanza and Ngozi, directly crossed by the power transmission line in central Burundi. This summary note will highlight the project's specific fragility factors in order to better take them into account in the project design and implementation. The 2018 assessment of the country's fragility and resilience concluded that the factors that account for fragility are political, security, institutional, economic, social, environmental and regional. The identified major fragility factors related to the project are listed below:

<b>Fragility Factors</b>	<b>Analysis</b>	<b>Consideration of fragility factors in the Burundi-Rwanda Power Grid Interconnection Project</b>
A. Political and Institutional Factors	Since the country's independence in 1962, the political situation has been marked mainly by political assassinations, military coups, recurrent inter-ethnic violence, and a deadly civil war. Burundi, with its political problems, has contributed to further destabilizing the Great Lakes region.	Efforts by the international community to restore inter-Burundian dialogue are certainly going to address the political situation.  Technical cooperation between the electricity sectors of the Great Lakes Region countries and the East African Region countries will also contribute to project management, operation of the

	<p>The fragility of institutions is reflected in their weak capacity to impose institutional constraints, which has led to mistrust of the Government, the failure to apply the rules, corruption sustained by uncompetitive working conditions, and the inability of elites to reform and transform the society.</p> <p>Given its institutional weakness, Burundi has weak institutional capacity, particularly for the management of large-scale operations such as the Burundi-Rwanda Power Grids Interconnection Project.</p>	<p>interconnected grids, and knowledge acquisition.</p> <p>REGIDESO's capacity will be reinforced by recruiting: (i) an International Technical Assistant to assist in the management of all energy projects; (ii) an International Procurement Consultant to assist in procurements for energy projects; and (iii) a Health and Safety Expert to implement the ESMP. REGIDESO's financial situation will be improved to enable it to operate and maintain the energy infrastructure.</p> <p>In addition, PIU staff will be trained in the Bank's procurement, financial management and disbursement procedures to improve the implementation of the operation. PIU's capacity will be built through training on different topics.</p>
<p>B. Economic Factors (energy constraint)</p>	<p>In Burundi, the economy is dominated by the public sector, thereby hampering private sector development. The existing economic potential is not adequately tapped. The agricultural sector, which employs more than 90% of the population, has low productivity and its contribution to GDP has fallen to 1% compared to the predominant service sector. In addition, the political and security crisis has exposed</p>	<p>The project will help to improve the living conditions of the population, as well as the quality of the economic and social development framework by increasing the supply of affordable electric power.</p>

	<p>more than 33% of the population to food insecurity and malnutrition.</p> <p>There is potential in the mining sector, but its development carries constraints and threats to health and the environment due to the use of toxic products.</p> <p>The country also has significant potential for hydropower.</p> <p>The energy sector is one of the key sectors of Burundi's economy, access to electricity concerns only about 2% of the population, and 95% of the electricity is consumed in the capital town, Bujumbura. Gitega and Bujumbura are the only two towns in Burundi that have municipal electricity services. The average national electricity consumption per capita is only about 20 kWh per year. The country's electricity access rate is low, at about 10%, due to insufficient energy production.</p> <p>Burundi has abundant untapped energy sources, including renewable and non-renewable energy sources.</p>	
C. Social Factors: Poverty and Inequality	<p>Burundi is one of the poorest countries in the world, with more than 67% of the population living below the poverty line and nearly 30% in extreme poverty. In addition, the country has a high unemployment rate, estimated at over 50%, which particularly affects young</p>	<p>The project will create 120 temporary jobs and 5 permanent jobs, as well as provide internships to 20 young people, 50% of whom are girls, in construction companies. The project will enable women to improve their access to electricity and gradually diversify their activities.</p>

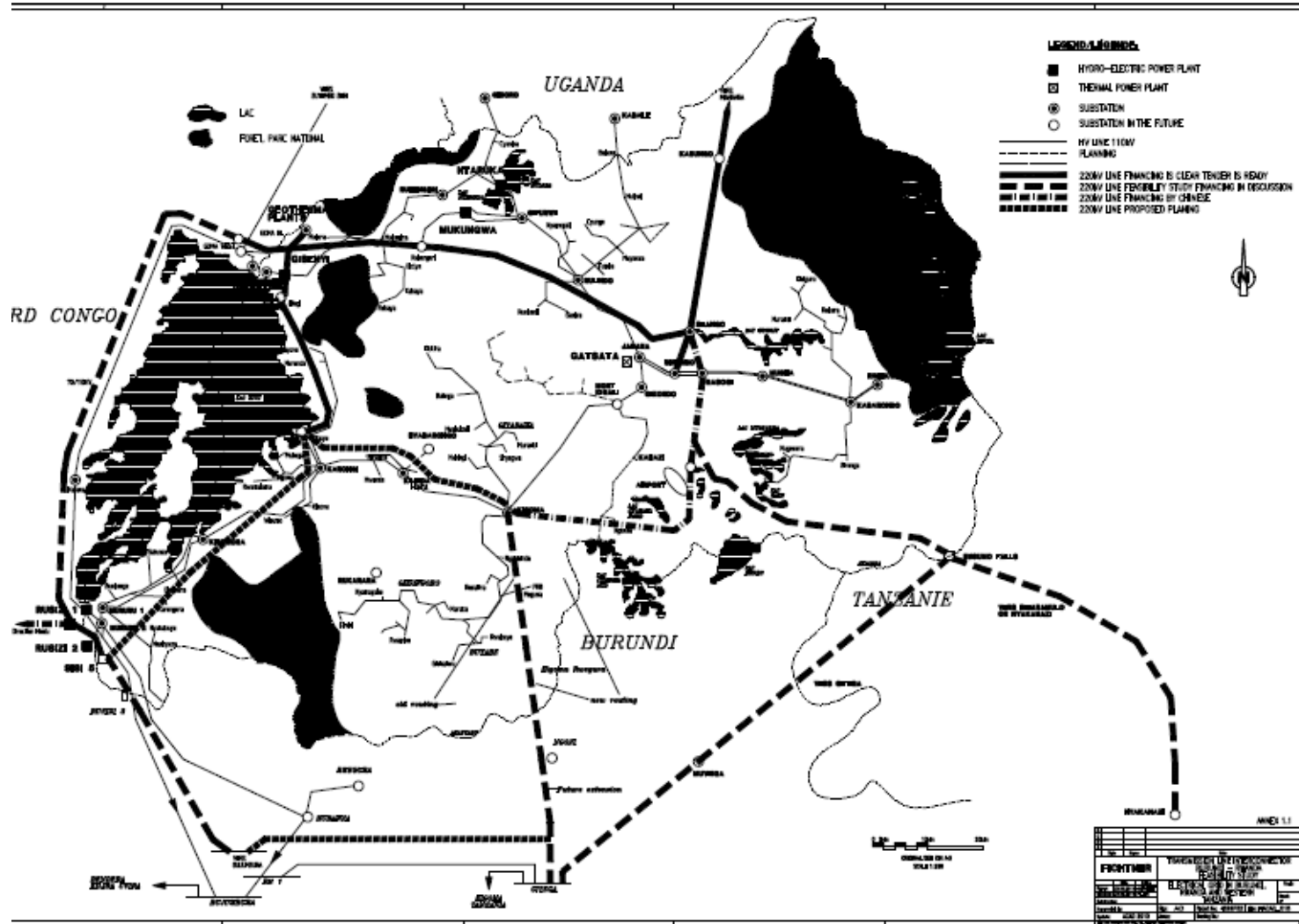
	<p>people who can be easily taken over by violent movements with a negative impact on social cohesion in communities.</p> <p>In addition, the country has witnessed a significant reduction of more than 33% in external aid since 2010, which has been further exacerbated between 2015 and 2018 by the low level of basic social services: -29.8% for education, -54% for health and AIDS control, -13.7% for agriculture and livestock, and -85.4% for water, environment, urban planning and land use planning.</p> <p>On the other hand, the country has an improved gender situation where gender equality is observed in women's education, health and political participation. This is an important source of resilience for the future.</p>	<p>In addition, by enabling women to be employed in the construction sector, they will be able to increase their income, strengthen the financing capacity of their income-generating activities, and significantly reduce the volatility of their income.</p> <p>On the whole, the project will have a very strong social impact not only in terms of access to electricity for poor households, but also in terms of reducing costs for households. Even households affected by the project will receive basic commercial training to ensure that they understand that the cash compensation must be used to restore lost property and must be kept safely.</p>
D. Environmental Factors	<p>Burundi's high population density of over 410 inhabitants/km<sup>2</sup>, one of the highest in Africa, poses a threat to the environment. Indeed, demographic pressure, traditional farming methods and poor capacity for sustainable natural resource management are the main sources of environmental degradation, exposure to natural disaster risks and climate change the negative impacts of which affect the country's</p>	<p>An Environmental and Social Impact Assessment (ESIA), along with an Environmental and Social Management Plan (ESMP) and a Full Resettlement Plan (FRP) were, therefore, prepared in 2012 and updated in 2018.</p> <p>Establish a climate-smart agriculture.</p>

	<p>environmental security. Soil degradation or loss of fertility reduces the arable land, production and productivity, which are compensated by forest clearing, marsh drainage, and cultivation of marginal land or even steeply sloping land, a factor of secondary degradation downstream.</p> <p>Deforestation is the second major environmental challenge. 50% of the forest cover has been destroyed. The pollution of water, soil and air affects fishing areas and fishery resources, contaminates land and marine protected areas and species, and exposes the population to highly toxic substances. The situation is worsened by the effects of climate change.</p>	<p>Promote practices and techniques accessible to the most vulnerable people with the support of agricultural research.</p>
<p>E. Regional Factors</p>	<p>Burundi is a transition country between Central and East Africa and, as such, is exposed to situations of internal and external fragility (instability, insecurity, movements of armed groups and terrorism) that cross these countries (DRC, CAR, Cameroon, Kenya and Uganda) to become accelerators of transnational and regional fragility (armed conflicts, uncontrolled movements of armed groups, attacks against civilian populations and theft of livestock and various production factors,</p>	<p>The project will strengthen the integration of the regional electricity market. The project falls within the Multinational Power Grids Interconnection Project for the Nile Equatorial Lakes Countries approved on 27 November 2008.</p>

	<p>wars between central authorities and armed opposition fronts). These situations fuel human and humanitarian tragedies, as well as health and environmental disasters. In addition to these tragedies, there is terrorism, which makes it a breeding ground for its expansion. A spectrum of interests and acquired rights has been created, and is being consolidated on these fragilities.</p>	
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## Annex VI: Map of Project Area



**AFRICAN DEVELOPMENT FUND**

**BOARD OF DIRECTORS**

**Resolution N° F/[●]/2018/[●]**

Adopted by the Board of Directors on a lapse-of-time basis, on [●] 2018

**Multinational: Grant to the Republic of Burundi to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAP**

**THE BOARD OF DIRECTORS,**

**HAVING REGARD** to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations; and (vi) the appraisal report contained in document ADB/BD/WP/2018/285/Approval - ADF/BD/WP/2018/200/Approval (the “Appraisal Report”);

**NOTING** the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

**DECIDES** as follows:

1. To award to the Republic of Burundi (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Two Million, Five Hundred Ten Thousand Units of Account (UA 2,510,000) (the “Grant”) to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAP;
2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and
4. This Resolution shall become effective on the date above-mentioned.

## BOARDS OF DIRECTORS

**Resolution N° B/[●]/2018/[●] - F/[●]/2018/[●]**

Adopted by the Boards of Directors of the Bank and the Fund, on a lapse-of-time basis, on [●] 2018

**Multinational: Grant to the Republic of Burundi, from the resources of the Transition Support Facility, to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAP**

**THE BOARDS OF DIRECTORS,**

**HAVING REGARD** to: (i) Articles 1, 2, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Articles 1, 2, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (iii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations; (vi) the Operational Guidelines for the Implementation of the Strategy for addressing Fragility and building Resilience in Africa and for the Transition Support Facility (the “TSF Operational Guidelines”); and (vii) the appraisal report contained in document ADB/BD/WP/2018/285/Approval - ADF/BD/WP/2018/200/Approval (the “Appraisal Report”);

**RECALLING:**

- (i) Resolution N° B/BD/2008/05 - F/BD/2008/03 approved by the Boards of Directors of the Bank and the Fund on 28 March 2008 establishing a Fragile States Facility;
- (ii) Document ADB/BD/WP/2014/46/Rev.2 - ADF/BD/WP/2014/30/Rev.2 entitled “Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014 – 2019”; and
- (iii) Document ADB/BD/WP/2017/175 - ADF/BD/WP/2017/123 as well as its corrigendum entitled “Fourth Cycle Assessment of Eligibility for Countries to the Transition Support Facility (TSF) Supplemental Support Funding (Pillar I) Resources” which confirmed, *inter alia*, the eligibility of the Republic of Burundi to receive financing from the TSF Supplemental Support Window (Pillar I);

**DECIDE** as follows:

1. To award to the Republic of Burundi (the “Recipient”), from the resources of the TSF Supplemental Support Window (Pillar I), a grant of an amount not exceeding the equivalent of Three Million, One Hundred Seventy Thousand Units of Account (UA 3,170,000) (the “Grant”) to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAP;

2. To authorize the President to conclude a protocol of agreement amongst the Bank, the Fund and the Recipient (the “Protocol of Agreement”), on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund, the TSF Operational Guidelines and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by these Boards; and
4. This Resolution shall become effective on the date above-mentioned.

## BOARDS OF DIRECTORS

**Resolution N° B/[●]/2018/[●] - F/[●]/2018/[●]**

Adopted by the Boards of Directors of the Bank and the Fund, on a lapse-of-time basis, on [●] 2018

**Multinational: Grant to the Republic of Burundi, from the Resources Committed by the Tenth European Development Fund under the European Union Pillar Assessed Grant or Delegation Agreement (PAGoDA), to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAF**

**THE BOARDS OF DIRECTORS,**

**HAVING REGARD** to: (i) Articles 1, 2, 12, 13, 14, 15, 16, 17, 18, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Articles 1, 2, 11, 12, 13, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund”); (iii) the Guidelines for the Financing of Multinational Operations; (iv) the Strategic and Operational Framework for Regional Operations; and (v) the appraisal report contained in document ADB/BD/WP/2018/285/Approval - ADF/BD/WP/2018/200/Approval (the “Appraisal Report”);

**RECALLING:**

- (i) Resolution N° B/BD/2017/16 – F/BD/2017/08 adopted by these Boards on 12 July 2017, approving the European Commission and African Development Bank Group: Pillar Assessed Grant or Delegation Agreement (PAGoDA) contained in Document ADB/BD/WP/2017/124 - ADF/BD/WP/2017/87; and
- (ii) The Framework Arrangement between the European Commission (EC) and the African Development Bank Group on Actions administered by the African Development Bank Group and funded or co-funded by the European Union (EU) (the “Framework Arrangement”) signed on 25 September 2017, pursuant to which, the Bank is eligible to receive grant financing directly from various funds of the EC including the European Development Fund (EDF), to be utilized to bridge the funding gap of public sector programmes in view of promoting and facilitating economic growth and the achievement of greater development outcomes for Regional Member Countries;

**HAVING CONSIDERED** that the European Commission has committed a grant of an amount of Fifteen Million Euros (EUR 15,000,000) out of the resources of the tenth (10<sup>th</sup>) European Development Fund (EDF) to the Republic of Burundi to finance part of the costs of the Burundi-Rwanda Power Grid Interconnection Project for NELSAF (the “Project”);

**DECIDE** as follows:

1. To award to the Republic of Burundi (the “Recipient”), from the resources committed by the European Commission out of the 10<sup>th</sup> EDF under the PAGoDA, a grant of an amount not exceeding Fifteen Million Euros (EUR 15,000,000) (the “Grant”) to finance part of the Project;

2. That procurement of goods, works and services that are financed by the proceeds of the Grant shall be open to all countries including those that are not member states of the Bank;
3. To authorize the President to conclude a delegation agreement between the Bank and EU (the “Delegation Agreement”) and a grant agreement between the Bank and the Recipient (the “Grant Agreement”), on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund, the Framework Arrangement, the PAGoDA and the Appraisal Report;
4. That the President may cancel the Grant if the Delegation Agreement and the Grant Agreement are not signed within ninety (90) days from the date of approval of the Grant by these Boards; and
5. That this Resolution shall become effective on the date above-mentioned.