1. Key development issues and rationale for Bank involvement

Development in Burundi has been set back by several years of recurring internal conflict. Burundi is a small, landlocked country that straddles Central and East Africa, with a total land area of 27,834 km², and approximately 8.5 million inhabitants, about 10.6 percent of whom live in urban areas. Burundi has emerged from a cycle of political-ethnic conflicts that lasted more than 13 years and claimed the lives of about 300,000 people while displacing about 1,200,000 people, or about 16 percent of the population. The 13 years of recurring conflict has had a devastating effect on Burundi’s economy. Burundi’s per capita income fell by about 40 percent, from US$180 in 1993 to US$110 in 2007. Currently, Burundi’s Gross Domestic Product (GDP) per capita stands at US$111 in 2009 making Burundi the second poorest country in the world just ahead of the Democratic Republic of Congo. A simple estimate of the cost of the war indicates that without the conflict Burundi’s GDP per capita would be about double its current level.  

Burundi is not likely to meet many of the Millennium Development Goals (MDGs) by 2015. Nearly all social indicators have sharply deteriorated as a result of the civil war. By most measures of health and human capital, Burundi lags behind the world and other countries in the region. Among children less than five years old, undernourishment reached 57 percent in 2000, but has improved in recent years. An estimated 67 percent of the population lives below the national poverty line and the country ranked towards the bottom of the Human Development Index in 2008.

Burundi was affected by a severe electricity crisis in the summer of 2009, in which REGIDESO lost 40% of its generation and supply capacity in the Bujumbura capital area was curtailed for a

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1 Burundi Country Economic Memorandum, World Bank, December 2009. The CEM draws on a large number of country-specific background studies prepared by the Government of Burundi, the World Bank, other donors and academics. The CEM provides a synthesis of various recommendations, including the prioritization and sequencing of key actions for Burundi to raise its growth path in the next few years.

2 Burundi’s domestic electricity generation capacity is 37.7 MW. REGIDESO reported an energy production of 208 GWh during 2009 of which 95% is stemming from national and regional hydro power plants.
period of four months. Power shortages affected adversely basic services, including drinking water supply, hospitals, and public services. There is a substantial risk of major power supply breakdowns that, in the worst scenario, could result in nearly complete lack of electricity supply for a prolonged period, thus resulting in a deterioration of the fragile security situation and adversely affecting water supply and health services in Bujumbura.

The proposed Project would help finance the costs associated with the GoB’s efforts to reduce the risks of severe power supply interruptions due to heavily dilapidated electricity equipment and infrastructure resulting from destruction and lack of investments in the past 13 years of civil war and alleviate some of the immediate effects of the global financial crisis on the country's fragile post conflict economic growth. Burundi’s infrastructure and especially its electricity services, remain as one of the key obstacles to the country turning the corner towards long term stability and growth. The ongoing energy crisis is due to two main factors: (i) the return of refugees and increasing investments in the capital area has rapidly exhausted the country’s limited power supply so that its power utility REGIDESO (Régie de Production et de Distribution d’Eau et d’Electricité) sheds over 40% of its load during a normal dry season; and (ii) the transmission and distribution system is so heavily dilapidated that major system breakdowns with disastrous effects on the economy as well as severe safety threats to staff and customers could occur at any moment.

The proposed operation will reduce the risk of such a crisis reoccurring by addressing some of the main risks of power system failure and lack of supply diversification. The World Bank’s response is adapted in form and scope to the particular circumstances of the emergency experienced by the power sector in Burundi and will provide visible benefits in terms of reduced load shedding, increased supply reliability and improved service quality to the population of Bujumbura after 12 months of implementation.

2. Proposed Objectives

The project’s development objectives (PDO) are to improve the capacity and reliability of electricity generation, transmission, and distribution.

3. Preliminary description

An emergency electricity infrastructure investment program has been identified under the Project to quickly address, over the next 12 months, main risks of power system failure and lack of supply diversification. The project components are dictated by the nature of the emergency affecting the power system as well as by considerations of sustainability and equilibrium, i.e. bringing demand and available supply into closer balance. The project design and financing have been closely coordinated with the GoB and its development partners. The project design has been kept simple and proportionate with the local implementation capacity. The project consists of the following five emergency electricity infrastructure components:

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3 Pumping and water treatment plants are all depending on REGIDESO’s electricity supply.
- **Component 1 - Extension of the Bujumbura thermal generation plant (US$5 million):** Increasing REGIDESO’s thermal generation capacity and improving fuel management in the Project Implementing Entity’s existing diesel-fueled 5.5MW thermal generation plant in Bujumbura, through the supply and installation of high speed diesel engines (1500 rpm) (representing additional 5MW of thermal generating capacity) as well as associated electromechanical equipments and critical spare parts, and the installation of an accurate fuel metering system.

- **Component 2 - Rehabilitation of Hydro Power Plants (US$3.0 million):** Supporting the upgrading, renovation, modernization and operation of the REGIDESO’s hydropower plants in Rwegura and Nyemanga, through: (i) the replacement or refurbishment of mechanical equipment including, *inter alia*, turbines, cooling system, gating system and associated equipments; (ii) the replacement or refurbishing of electrical equipments including, *inter alia*, alternators, control and regulation system, protection system, medium voltage equipments; and (iii) the availability of spare parts.

- **Component 3 - Rehabilitation of electricity transmission and distribution network (US$1.25 million):** Improving the quality of supply in the Bujumbura area through the rehabilitation and expansion of REGIDESO’s medium voltage transmission and distribution system including, *inter alia*, the upgrade of the distribution voltage level from 6kV to 10 kV, and the replacement of the transformer and associated equipments to rehabilitate and expand sub-transmission substations in the Bujumbura area.

- **Component 4 – Pre-payment meters (US$ 1.55 million):** Improve the management of billing, arrears and payments by REGIDESO and of electricity consumption by its customers, through the supply and installation of payment meters

- **Component 5 - Support to project management and fuel procurement for Thermal Generation of Electricity (US$3.75 million):** Support: (i) the Project Implementing Entity’s gradual adaptation to increased production costs and its implementation of tariff adjustments over two years; and (ii) the Project Implementing Entity’s institutional strengthening in management, procurement and execution of contracts.

The expected project outcomes include: (i) increased electricity generation capacity; (ii) improved transmission and distribution reliability; and (iii) improved revenue recovery of REGIDESO.

The proposed project will be aligned and complimentary to the IDA financed Multi-Sectoral Water and Electricity Infrastructure Program (MSWEIP), under implementation since 2008, that finances investments in the electricity and water supply and distribution systems as well as a comprehensive capacity building program for REGIDESO and the Ministry of Water, Energy and Mines (MWEM). The proposed project will, in addition to the five emergency electricity infrastructure components, allocate US$0.25 million to strengthen the implementation capacity of the Project Implementation Unit (PIU) at REGIDESO. The PIU is already operational and builds on experienced staff, including: a project coordinator, a hydraulic engineer, an electrical engineer, a financial management specialist and certified accountant, a procurement specialist, a social and environmental safeguards specialist and an administrative assistant.

4. Safeguard Policies that apply
Two safeguards policies apply: Environmental Assessment (OP/BP 4.01) and Involuntary Resettlement (OP/BP 4.12).

5. Tentative Financing

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<td><strong>Total</strong></td>
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6. Contact point

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