DSIF Investment Proposal Danida Programme Committee

Bobo-Dioulasso Water and Sanitation Project Burkina Faso

Date: 25<sup>th</sup> March, 2022



**UDENRIGSMINISTERIET** Danida

### **Udenrigsministeriet / GDK**

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# Danida Sustainable Infrastructure Finance

As of 1. September 2017, Danida Sustainable Infrastructure Finance (DSIF, previously known as Danida Business Finance) has been managed by the Investment Fund for Developing Countries (IFU).

The policy responsibility and approval of DSIF projects remains with the Minister for Development Cooperation, and follows standard appropriation processes according to the Aid Management Guidelines (November 2020), whereas specific guidelines apply to DSIF in terms of project preparation and implementation.

In addition to the main grant facility, DSIF has a separate Project Development Facility that finances preparation of projects (feasibility studies, appraisal etc.). Given the size and complexity of DSIF projects, and the corresponding high costs of feasibility studies, the projects are presented to the Programme Committee for advice and guidance prior to committing funding from the Project Development Facility.

The DSIF concept notes differ from the standard templates presented to the Programme Committee, reflecting the early stage of the project, the DSIF financing model as well as alignment to IFU's documentation and processes.



# **Project summary**

This concept note follows a formal request (dated 1<sup>st</sup> March 2021) submitted by the Ministry of Economy, Finance and Development in Burkina Faso (MINEFED) for financing of projects within the water and sanitation sector; and is informed by an Assessment Report (delivered July 2021) resulting from a visit made to Burkina Faso (16<sup>th</sup> – 21<sup>st</sup> May) by a team of independent consultants commissioned by DSIF to discuss and visit the projects of highest priority for the Government of Burkina Faso (GoBF) that are potentially eligible for DSIF financing.

The Assessment Report found the proposed project to provide potable water from the Samendéni Dam to Bobo-Dioulasso and selected urban centres along the pipeline and to construct a Faecal Sludge Treatment Plant (FSTP) at the outskirts of Bobo-Dioulasso ("Bobo-Dioulasso WSP" or "the Project") to be relevant for both GoBF, the National Water and Sanitation Company (ONEA) and DSIF. In addition to recommending that DSIF bring the Project forward, the Assessment Report outlined the main points to be included in a detailed Feasibility Study.

In line with the recommendation made in the consultants' Assessment Report and based on the information and justification laid out in this document, DSIF seeks approval from the Danida Programme Committee for the continuation of preparation and appraisal of the Project.

The overall objective is to improve the quality of life, health and livelihoods of people in Bobo-Dioulasso by improving access to water (estimated 850,000 people) and reducing volume of faecal sludge dumped into the environment. The Project area is located in one of the three regions with the lowest levels of access to drinking water in the country.

On 24<sup>th</sup> January 2022, the democratically elected government of Burkina Faso was toppled in a coup d'État. This event and actions announced in response by the African Union and the Economic Community of West African States (ECOWAS) may imply the future imposition of sanctions on Burkina Faso or otherwise impact the Project. It should therefore be noted that the *approval sought at this time is in order undertake a detailed Feasibility Study and independent Appraisal, as opposed to for financing of the project itself*. These activities are anticipated to take place during the second half of 2022, but confirmation of Denmark's continued engagement in the water supply and sanitation sector as well as the likelihood of democratic elections taking place in Burkina Faso will be key considerations for contracting the Feasibility Study.



# **Abbreviations**

Danida	Danish International Development Assistance	GNI
DKK	Danish Kroner	IDP
DSIF	Danida Sustainable Infrastructure Finance	IWR
	(formerly known as Danida Business Finance / "DBF")	m³/e
ECOWAS	the Economic Community of West African States	
ESIA	Evironmental and Social Impact Assessement	
EUR	European single currency	ME
	(exchange rate applied: 1 EUR = DKK 7.438)	MIN
FCFA	Franc de la communauté financière d'Afrique	081
	(exchange rate applied: 1 EUR = FCFA 650)	ONI
FIDIC	International Federation of Consulting Engineers	SDO
FS	Feasibility Study	ТА
FSTP	Faecal Sludge Treatment Plant	ToR
GDP	Gross Domestic Product	031
GoBF	Government of Burkina Faso	

GNI	Gross National Income
IDPs	Internally displaced persons
IWRM	Integrated Water Resources Management
m³/d	Cubic metre per day
	(normally calculated as 22 hours/day)
MEA	Ministère de l'Eau et de l'Assainissement
MINEFED	Ministère de l'Économie, des Finances et du Développement
O&M	Operation and maintenance
ONEA	Office National de l'Eau et de l'Assainissement
SDG	Sustainable Development Goals
ТА	Technical Assistance
ToR	Terms of Reference
USD	United States Dollars
	(exchange rate applied: 1 USD = DKK 6.539)
WTP	Water Treatment Plant

# 1. KEY DATA



#### Project name

Bobo-Dioulasso Water and Sanitation Project

### Country

**Burkina Faso** 

Gross National Income (GNI) per capita: USD 790 (World Bank, Atlas Method, 2020)

### Product

- Water Treatment Plant (66,000 m<sup>3</sup>/day) including water intake; transmission main to Bobo-Dioulasso (56 km) and strengthening of water distribution network
- Faecal Sludge Treatment Plant (400 m<sup>3</sup>/day) located near Bobo-Dioulasso

### Implementing partner

National Water and Sanitation Company (ONEA)

Implementing period

### 36 months

Sustainable development goals to be targeted

Primary: SDGs 3 and 6; Secondary: SDGs 8, 11 & 17

Investment budget (Preliminary Cost Estimate)

DKK 872 million (EUR 116.4 million)

**ODA budget** (Preliminary Cost Estimate)

DKK 504.9 million

Type of financing

Concessional loan (50% concessionality)

**Financial net IRR** 

Financially nonviable without subsidy



# 2. PROJECT CONTEXT



#### **Country Context**

- Burkina Faso is a low-income country (GNI per capita at USD 790 in 2020, Human Development Index Ranking: 182/189) in the Sahel region (West Africa) with limited natural resources including freshwater (total renewable water resource per capita at 683.5 m3 in 2018, compared to 1,043 m3 for Denmark). Its economy is largely based on agriculture, which employs 80% of the workforce, although gold mining activities continue to increase. At present, electricity in Burkina Faso is 90% based on fossil fuels, and relatively expensive.
- According to the African Development Bank's economic outlook, Burkina Faso's real GDP (which contracted by an estimated 0.2% in 2020, following growth of 5.7% in 2019) is projected to grow by 5.1% in 2021 and 5.2% in 2022.
- Despite notable progress made, Burkina Faso continues to face significant development challenges and over 41% of its population lives below the national poverty line (2018). Furthermore, deteriorating security conditions caused by conflict and violent extremism in Northern and Eastern parts of the country have led to high rates of internal displacement from rural areas and increasing pressure on the availability of natural resources and delivery of basic services (including drinking water) in urban centres such as Bobo-Dioulasso. There are an estimated 1.48 million internally displaced people (IDPs) and 25,000 refugees in the country.
- Burkina Faso is ranked as having extremely high vulnerability and low levels of readiness to adapt to climate change (ND-GAIN 2021 country index ranking: 159/181). Climate change has been identified as a "threat multiplier" which contributes negatively to conflict drivers in Burkina Faso, such as strong competition over rights and access to natural resources including water. Projected changes in temperature are substantially higher than the global average.
- Presidential and legislative elections were jointly held in November 2020 where the incumbent candidate, President Roch Marc Christian Kaboré, was re-elected in the first round (garnering 57.7% of the votes) and the ruling People's Movement for Progress party and its allies secured a comfortable majority in the National Assembly. On 24th January 2022, the democratically elected government was toppled by a coup d'État, and the current political situation is somewhat uncertain. DSIF will continue to monitor ongoing developments in the country and remain informed by the Embassy in Ouagadougou – and confirmation that democratic elections are due to take place in the country will be a key consideration in timing the project preparation activities.

#### **Documentation**

- The World We Share: Denmark's Strategy for Development Cooperation', Ministry of Foreign Affairs of Denmark / Danida, Aug. 2021.
- 'Udenrigs- og sikkerhedspolitisk strategi', Ministry of Foreign Affairs of Denmark, Jan. 2022.
- 'Burkina Faso: Strategic Framework 2021-2025' (F2: 2020-9770), Ministry of Foreign Affairs of Denmark, Mar. 2021.
- 'Programme National d'Approvisionnement en Eau Potable 2016-2030', Version actualisée, mai 2016. MEA.
- 'Programme National d'Assainissement des Eaux Usées et Excreta (PN– AEUE) 2016-2030. Document de programme.' 14 juin 2016).
- 'Rapport d'activités. Grand Public. 2019', ONEA 2020
- 'Renforcement et de sécurisation de l'AEP de Bobo-Dioulasso a partir du barrage se Samendéni'. Fiche de projet AEP N° 02 / 2021 / DMO/ ONEA. Mai 2021.
- 'Bobo-Dioulasso Water and Sanitation Project. Assessment Report'. PEMconsult, June 2021.
- African Economic Outlook 2021 From Debt Resolution to Growth: The Road Ahead for Africa', African Development Bank Group 2021
- 'Country Level Climate Fact Sheet: Burkina Faso', RCCC-ICRC, 2021.
- 'Burkina Faso Operational Update November 2021', UNHCR, 2021.



#### Institutional and Sector Context

- There is a comprehensive and well-defined legal and institutional framework governing water supply, sanitation, and integrated water resources management (IWRM) in Burkina Faso – under which the Ministry of Water and Sanitation (MEA) is generally responsible for determining priorities, policies and standards, and The National Water and Sanitation Company (ONEA) is responsible for the provision of water supply, on-site sanitation, and sewerage services in 59 urban centres in Burkina Faso. In rural areas, municipalities are responsible for planning, developing, and delivering water supply and sanitation services.
- Due to successful reforms and capital investments within the urban drinking water supply and sanitation sector (undertaken since 1990), access to improved water in urban areas has increased significantly from 37% in 1990 to 91% in 2016. However, the urban water sector faces a major sustainability challenge associated with increasing water demand, primarily driven by strong urban population growth due to both natural growth and rural-to-urban migration driven by conflict. In Bobo Dioulasso – the country's second largest city with close to 1 million inhabitants – there is already a deficit and a system of rationing in place with service levels of ca. 8 hours per day.
- ONEA has a differentiated tariff structure according to consumption, with a low price for low-consumption households (lifeline tariff) and higher prices for high-consumption households. The average water tariff in 2019 was 0.67 EUR/m3, and ONEA currently charges sludge tankers 300 FCFA (EUR 0.47) per m<sup>3</sup> sludge discharged at the Faecal Sludge Treatment Plants (FSTP). There are no immediate plans to revise these tariff levels. According to ONEA, only operations in Ouagadougou and Bobo-Dioulasso are profitable, which implies cross-subsidisation of all other (57) ONEA centres running deficits.

### Institutional and Sector Context (continued)

- ONEA is widely acknowledged as a well-performing utility, with 2.8 staff per 1,000 connections and 18% of non-revenue water (compared to regional median values of 11.0 and 35% respectively). In the last few years ONEA has been able to cover operation and maintenance (O&M) costs, debt service, and a partial contribution to capital expenditures.
- Currently all water supply to Bobo-Dioulasso is sourced from the nearby Nasso well-field (ca. 17 km from the city). Despite current and planned expansions of these groundwater sources (including with support from Agence Française de Développement / "AFD"), there is a strong need to increase and diversify the supply of water into the city due to uncertainty around the expected output from Nasso in relation to demand and projected deficits (in any case) by 2025 due to population growth.
- Wastewater collection and treatment remain poorly developed in Burkina Faso. Only the urban centres of Ouagadougou and Bobo-Dioulasso are partly covered by a piped sewerage system (less than 10% coverage in Bobo-Dioulasso) and the expansion of such systems is not clearly prioritised in national development plans.
- There is one existing Faecal Sludge Treatment Plant (FSTP) in Bobo-Dioulasso (at Dodonga, with 185 m3/d capacity) which is presently being used beyond its capacity, leading to unsatisfactory treatment. The capacity at Dodonga is at about 30% of the total daily sludge production, meaning that about 70% of the faecal sludge collected from on-site sanitation systems (septic tanks) is discharged untreated into the urban and peri-urban environment, posing great risks to water resources and to public health. ONEA has planned three future FSTPs in Bobo-Dioulasso, one of which is proposed in the Project.
- Several development cooperation agencies are active within the water supply and sanitation sector, including the World Bank, African Development Bank, European Investment Bank, KfW (Germany) and AFD (France). Danida supports water and sanitation as part of its bilateral, grant-based Country Programme, with a focus on Rural Water and Sanitation and IWRM.

## 2. INVESTMENT CASE: Preliminary Theory of Change



#### Outputs

#### Core to Project:

**Output 1**: Energy efficient Water Treatment Plant (WTP) including intake at Samendéni Dam (capacity: 66,000 m<sup>3</sup>/d)

**Output 2**: Treated water transmission pipeline from WTP to Bobo-Dioulasso (length: 56km)

**Output 3**: Energy efficient Faecal Sludge Treatment Plant (FSTP) near Bobo-Dioulasso (capacity: 400 m<sup>3</sup>/day).

#### To be scoped under FS:

**Output 4**: Treated water transmission pipelines from WTP to additional villages near Samendéni or along the main transmission pipeline to Bobo-Dioulasso (length TBD)

**Output 5**: Expanded or improved coverage and increased pumping capacity within primary and secondary water supply network (240 public standposts and 20,000 household connection kits TBC)

#### Outcomes

#### Core to Project:

**Outcome 1:** New or improved access to clean and affordable drinking water in Bobo-Dioulasso (number: 850,000 people)

**Outcome 2:** Reduction in volume of faecal sludge dumped into the environment (120,000 m<sup>3</sup> per year)

**Outcome 3**: Short-term job creation in the construction period, including for women and youth (number TBD)

#### To be scoped under FS:

**Outcome 4:** New or improved access to clean and affordable drinking water to communities outside of Bobo-Dioulasso (number TBD)

**Outcome 5:** Reduction in consumption of energy from fossil fuels due to introduction of efficiency measures and renewable energy generation (TBD)

**Outcome 6**: Long-term job creation during the operations period, including for women and youth (TBD)

#### Impact

#### Primary:



SDG 3: Ensure healthy lives and promote well-being for all at all ages

SDG 6: Ensure availability and sustainable management of water and sanitation for all SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all (energy efficiency)

#### Secondary:



SDG 8: Decent jobs and economic growth SDG 11: Sustainable Cities and Communities SDG17: Partnerships for the goals

# **3. INVESTMENT CASE**



#### **Project Description**

- The Project will increase and diversify the provision of potable water to inhabitants of the city of Bobo-Dioulasso by drawing and treating water from the existing Samendéni Dam, which is located ca. 56 km North-West of the city and is abundant in terms of supply. The close to 1 million inhabitants of the city are already experiencing a water deficit and rationing (8 hours service per day), and the expansion capacity of the current, single source of water at Nasso is uncertain.
- The Project aims to cover demand for a 10-year horizon up to 2035, and so may constitute the first phase of water supply from the dam, with a second phase (financed separately) to cover the demand in Bobo-Dioulasso up to 2045.
- The Project will strengthen and expand the overall water distribution network, including through pumping stations, household connections (20,000) and public standposts (240) in Bobo-Dioulasso. The Project may also provide water to selected communities along the transmission line.
- The Project will increase capacity to provide sanitation services by constructing an additional FSTP (400 m3/d) near the outskirts of the city.
- The next step in terms of project development is to prepare a detailed feasibility study (FS), which will further confirm the project scope and potential for development impact – including in terms of dimensioning, ensuring last-mile connectivity and consideration of additional connections along the transmission line, introduction of renewable energy or other energy-efficiency solutions, and opportunities to advance gender equality and youth employment.
- If the FS recommends financing of the Project, and the political situation allows, the Project will be presented to the Council for Development Policy for financing by DSIF.

#### Justification

- The Project supports the Government of Burkina Faso's commitments to improve access to clean drinking water and sanitation within the context of the SDGs, which is a high priority in national development plans and strategies.
- Access to clean water is a basic human right that contributes to good health, gender equality and poverty reduction. Women and girls often benefit particularly from improved access to water given the roles and responsibilities they carry as primary water collectors, users, and managers within their households.
- The Project meets DSIF's eligibility criteria and is well aligned with Denmark's development priorities as outlined in the Strategy for Development Corporation "The World We Share" (Aug. 2021), Foreign Policy and Security Strategy (Jan. 2022), and Strategic Framework for engagement in Burkina Faso (2021-2025 period) – particularly in addressing the specific challenges identified and commitments made around securing access to new and improved drinking water and sanitation in the Sahel region.
- The Project is well aligned to Denmark's engagement through the Strategic Framework for 2021-2025. Denmark has long experience in the water sector in Burkina Faso, where the two main engagements currently consist of support to establishing rural infrastructure and strengthening Integrated Water Resources Management (IWRM).
- The Project addresses the consequences of climate change in the context of Burkina Faso (including water scarcity, desertification and related conflicts over limited resources) and will positively contribute to the resilience of communities and adaptation to increased pressures on the supply of basic infrastructure services. The Project will be designed in such a way as to maximise substantial contributions to climate mitigation and adaptation as well as to ensure no significant harm.
- Danish companies have the technical expertise to design, develop and construct the Project, and are internationally competitive in providing energy efficient treatment works with low life cycle costs. The project is also well aligned with the new Danish Export Strategy for Water (November 2021).

# 4. SUSTAINABILITY



#### **Development impact**

- SDG 3: The Project will contribute to good health and well-being by increasing, diversifying and improving the supply of clean water and improving the capacity to provide sanitation in Bobo-Dioulasso (ca. 1 million inhabitants).
- SDG 6: The Project will contribute to clean water and sanitation by providing 66,000 m<sup>3</sup> drinking water per day (66,000 m<sup>3</sup>/d; average consumption of 850,000 people) and capacity to treat faecal sludge (400 m<sup>3</sup>/d) that would otherwise be dumped into the environment.
- SDG 8: The Project will contribute to decent work and economic growth by creating employment during both the construction and operation of the water and sanitation facilities, with a focus on youth and gender equality.

#### **Corporate Governance**

- IFU/DSIF's anti corruption measures will be put in place, e.g. close monitoring of the tender processes, use of an independent Construction Supervision Consultant, buyer/borrower's and exporter's declaration where DSIF may require support repaid in case of misuse.
- ONEA is a 100% State Owned Enterprise with a well-defined corporate governance setup. It is generally considered to be a capable and well-run company.

#### Environmental and social risks

- An Environmental and Social Impact Assessment (ESIA) will be carried out as part of the feasibility study.
- The Project is not expected to generate significant negative impacts (apart from nuisances resulting from the construction phase). The Water Treatment Plant will be constructed in an area adjacent to the dam, which is already owned by the Government. The land for the FSTP has already been acquired in the outskirts of Bobo-Dioulasso.
- The Samendéni dam is an abundant source of raw water (storage capacity of 1 billion m<sup>3</sup>) and the WTP will only use a small fraction of this water capacity (the dam has been established for the primary purpose of providing water for irrigation).
- There may people whose land or livelihoods are affected by the transmission main, (minor) reservoirs and pumping stations. It is not expected that there will be any need for the resettlement of people, but land compensation is foreseen.
- According to DSIF and Danida regulations, compensations are paid according to IFC Performance Standards, and a Resettlement and Livelihood Restoration Action Plan will be made during the detailed design and implemented by ONEA with support from the Contractor. The Construction Supervision Consultant will be tasked with monitoring the implementation of the ESIA.

#### Management of environmental and social risks

- The feasibility study will propose measures to mitigate any possible negative impacts if necessary.
- It is a precondition for the DSIF loan that the compensations and any possible resettlements follow IFC Performance Standard 5.
- IFC performance standards and the UN Guiding Principles for Business and Human Rights (UNGPs) will be applied during design and construction of the works to ensure appropriate labour and working conditions, resource efficiency and pollution prevention.

# DANIDA SUSTAINABLE

# 5. BUDGET

	DKK Million				
	Loan and grant*	Own financing	Total		
Total Investment					
<b>Output 1:</b> Increased Water Production Capacity (incl. intake, raw water mains, WTP, pumping stations)	217.19	-	217.19		
<b>Output 2:</b> Transmission Mains to Bobo- Dioulassou	386.78	-	386.78		
Output 3: Construction of FSTP	55.79	-	55.79		
<b>Outputs 4 - 5:</b> Strengthening of Distribution System	74.38	-	74.38		
Compensation / Land Acquisition (if needed)	-	5.00	5.00		
Supervision (FIDIC Engineer - 3%)	21.57	-	21.57		
Contingencies (15%)	110.08	0.75	110.83		
	865.78	5.75	871.53		

\* DSIF covers the EKF premium on behalf of borrower on the loan guarantee required by lending bank. DSIF only releases the payment in case of actual default. The fee is therefore not paid out and not included in the appropriation.

\*\* The budget margin only becomes effective if the project during tender turns out to be more expensive

Budget for DSIF Grant				
	DKK Million			
Cash grant element of loan	321.71			
Interest subsidy	55.43			
Margin to Danish lending bank	7.32			
EKF premium (Export loan guarantee fee)*	77.15			
Technical Assistance	4.00			
Budget margin (25%)**	116.40			
DSIF Total Grant	582.01			
DSIF Grant excl. budget margin	465.61			
<b>DSIF appropriation</b> (DSIF Total Grant excl. EKF premium)	504.86			

Pre-Investment Budget				
Financed by DSIF Project Development Facility	DKK million			
Feasibility Study + ESIA	5.50			
Appraisal	1.00			
Budget Margin (20%)	0.98			
Total Estimated Cost (incl. Budget Margin)	7.48			

## 6. OVERALL ASSESSMENT

### DANIDA SUSTAINABLE INFRASTRUCTURE FINANCE

#### Investment attractiveness/concluding remarks

- The Project is strongly aligned with Danida development policy, as it will:
  - Increase and diversify the supply of clean water (66,000 m3/d) as well as increase the capacity to treat faecal sludge (400 m3/d) for the population of Bobo-Dioulasso (ca. 1m), thereby contributing significantly to SDG 3 'Good health and well-being' and SDG 6 'Clean Water and Sanitation';
  - Meaningfully support the Government of Burkina Faso in implementing its policy and plans for urban water supply and sanitation (including its objective of reaching 100% water supply in urban areas); and
  - Maximise significant contributions to climate change mitigation and adaptation as well as ensuring to do no significant harm.
- Burkina Faso is a priority country for Danish development cooperation, and the Project will complement existing Danida grant support to the water and sanitation sector (which currently has a more rural focus).
- The Project will both benefit from and contribute to the strong presence and active engagement of the Danish Embassy in Burkina Faso, which has established a close cooperation with the Ministry of Water and Sanitation and ONEA.
- The Project is expected to benefit from the decades long experience of Danish consultancy firms and contractors working within the water supply and sanitation sector in Burkina Faso.

#### Major risks and development challenges

- The main contextual risk is related to the overall security situation in the country, which shows no signs of improving. While Bobo-Dioulasso is located in a relatively secure part of the country, this may not necessarily continue to be the case. Possible impacts are that companies bidding for the Project may place a high price on the security risk, leading to a more costly project, or that implementation may be delayed by security events.
- There is a contextual risk related to the current political situation in the country following the coup d'État on 24th January 2022. The approval sought at this stage is for commencement of project preparation and development activities (FS and Appraisal) as opposed to for financing of the Project itself, and updates to the political situation (including confirmation of democratic elections taking place) will be a key consideration for the timing or initiation of those activities.
- The Project is in itself relatively straightforward as the water source is known and abundant, and the water quality is reported to be good. The complexities associated with the significant piping component are addressed through use of a FIDIC Engineer and detailed design.
- Institutional risks related to possible corruption during tender and implementation, and to insufficient compensation paid to people affected by the projected are both considered minor.
- For more details, see enclosure C.

#### Recommendation

- Clearance in Principle for continuation of preparation and appraisal with due respect to anticipated comments and recommendations from the IFU Investment Committee as well as the Danida Programme Committee and related public hearing.
- Approval for the release of funds from the Project Development Facility to continue preparation of the Project, including Feasibility Study and Environmental and Social Impact Assessment and subsequent Appraisal of the Project Document (estimated budget DKK 7.5 million incl. 20% margin).



# **ENCLOSURES**

## A: Overall Process Action Plan (subject to political risks and Covid-19)



Action	By date	Responsible	Comments
Presentation to IFU Investment Committee & Danida Programme Committee	March 2022	DSIF	
DSIF contracts Feasibility Study Team	May 2022 - July 2022	DSIF	The updated political situation and timeframe for democratic elections in Burkina Faso will be a key consideration for the timing of FS contracting
Feasibility Study and Project Document	July 2022 - December 2022	FS Consultant / DSIF	
Independent Danida Appraisal	January 2023 - March 2023	Danida / Appraisal Consultant	
Project Approval / Appropriation by Minister [of Develoment Cooperation]	May 2023	Danida (UPR)	
Tender for "Design, Tender and Supervision Consultant" (FIDIC Engineer)	May 2023 - August 2023	ONEA / DSIF	(As above)
Prequalification of Contractors and Tender for Construction	September 2023 - February 2024	ONEA / FIDIC Engineer	
Contract Negotiations and Signing of Contract	March 2024	ONEA / EPC Contractor	
Loan Agreement and Conditions Precedent	April 2024	DSIF / GoBF / DK Bank	
Construction	May 2024 - April 2027	EPC Contractor	
Project Liability Period	May 2027 - April 2028	EPC Contractor	

### **B. ASSESSMENT OF PARTNER**



Partner name	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
What is the name of the partner?	What is the main business, interest and goal of the partner?	How important is the project for the partner's activity- level (Low, medium high)?	How much influence does the partner have over the project (low, medium, high)?	What will be the partner's main contribution?	What are the main issues emerging from the assessment of the partner's capacity?	What is the strategy for exiting the partnership?
National Water and Sanitation Office (Office National de l'Eau et de l'Assainissement), ONEA	ONEA is a 100 % state-owned company, which is managing water supply and sanitation in Ouagadougou, Bobo- Dioulasso and 57 other urban centres.	Medium. ONEA manages a large number of projects within urban infrastructure, mostly with support from development partners (AFD, World Bank, African Development Bank, European Investment Bank, Danida, etc.) The project is, however, high priority as Bobo-Dioulasso is the second largest city in Burkina Faso.	Medium during the project implementation, where the ONEA Project Implementation Unit will manage the project with support from the International Supervision Consultant. High after commissioning, where ONEA will be responsible for operation.	ONEA will be responsible for securing permits, land acquisition (if needed) and compensation. ONEA will ensure negotiation and communication with the affected persons/parties. ONEA will be assisted by the International Supervision Consultant. ONEA will be responsible for O&M of the facilities when taking over from EPC contractor.	ONEA is generally recognised as a competent operator of urban water and sanitation. It currently operates the water supply and sanitation in 59 urban centres. ONEA has longstanding experience in the implementation of larger infrastructure projects with different international cooperation agencies (AFD, World Bank, EIB, AfDB, KfW, Danida etc.). The physical and operational state of the facilities operated by ONEA demonstrate a relatively good capacity for O&M, even if under financial capacity constraints.	The project is limited to the period of construction, commissioning and (potential, limited) O&M support. There is no further commitment. A review five years post- completion to follow-up on outcomes will be carried out.



#### **Contextual risks**

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The main contextual risk is related to the overall security situation in the country, which shows no sign of improving and may lead to a more costly project.	High	High	A mitigating factor is that Danish engagement with Burkina Faso and the bilateral development (country) programme supports Burkina Faso in close cooperation with a host of other multilateral and bilateral development, with an emphasis on strengthening the capacity of the central and local governments to stabilise the situation. The Project is situated in Bobo- Dioulasso, Hauts-Bassins – a relatively safe and secure part of the country.	High	The efforts from the GoBF and its international partners, including within the security sector, has produced mixed results, and there is a high risk that the security situation continues to deteriorate. The high risk is the condition for working in Burkina Faso and will have to be accepted.
There is a separate contextual risk related to the current political situation in the country, following the toppling of the democratically elected government in a coup d'État on 24 <sup>th</sup> January 2022.	High	High	Developments to the political situation will be closely monitored and a positive update (including confirmation and timeline for democratic elections that is acceptable to e.g. ECOWAS and the African Union) will be a key consideration to the decision and timeframe for contracting the FS. Approval sought at this time is in order to continue project preparation as opposed to for financing of the Project itself.	Medium	On 24 <sup>th</sup> January 2022, the democratically elected government of Burkina Faso was toppled in a coup d'État. In response, certain actions were announced by the African Union on 24 <sup>th</sup> January 2022 and the Economic Community of West African States (ECOWAS) on 28 <sup>th</sup> January 2022 which may imply the future imposition of sanctions on Burkina Faso or otherwise impact the Project.



Project risks					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The interest among Danish companies to bid for the project may be insufficient leading to lack of competition and hence higher prices.	Medium	High	DSIF will take a proactive role in promoting the project among potential contractors. Alternatively, untying the loan could be considered.	Medium	The security situation may deter Danish firms from bidding, leading to limited competition.
The capacity of ONEA to implement the project may be insufficient.	Medium	Medium	An international "Tender, Design and Supervision Consultant", charged with providing technical assistance to ONEA to strengthen its capacity to implement the project, will be included in the DSIF financing.	Low	With the governing tariff scheme and a progressive increase to reflect the cost of the service, ONEA will be in better position to pay back the loan over 15 years.
ONEA could turn out not to have the capacity to operate the new facilities adequately.	Low	High	The technology to be used is expected to be similar to what ONEA is already managing.	Low	ONEA has a strong track record of delivering O&M for similar facilities. However, the possible inclusion of biogas generators at the FSTP should be analysed as part of the Feasibility Study, and the mixed ONEA experience from the Kossodo FSTP should be taken into account.



### Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Land owners that are affected by the passing of the water transmission pipeline or the construction of reservoirs and pumping stations are not properly compensated.	Medium	Medium	The elaboration of a detailed ESIA as part of the feasibility study, and the elaboration and implementation of a Resettlement and Livelihood Restoration Plan (to which DSIF should give a non- objection). The monitoring of the implementation of these plans should be part of the scope of work of the Construction Supervision Consultant.	Low	Land acquisitions are expected to be very limited, as the land for the Inlet, the WTP and the main pumping stations are already part of the Samendéni Dam, and the land for the FSTP has already been acquired (three plots of around 10 hectares). The impact is therefore not expected to be high.
Possible Corruption during tender and implementation	High	High	DSIF and ONEA will be supported by a "Design, Tender, and Supervision Consultant" (FIDIC Engineer) during tendering, and DSIF will be required to provide non-objections to tender documents, the evaluation and the final contract. During implementation the FIDIC Engineer will be required to approve invoices from the contractor before onward transmission to the client.	Low	The funds will be transferred directly from the Danish lending bank to the contractor once invoices have been approved by the client, and so there will be no flow of funds within Burkina Faso.



The Feasibility Study ("FS") is to information and analysis necessa for a 20-year period. The feasibili particular, the following should be	ensure that all relevant options are analysed and presented to ONEA and DSIF for decision making. It should include all available ary for appraisal and approval of the project by DSIF/Danida and to form the basis for a tender. The FS should be based on projections ty should cover all the normal issues normally included in this type of studies (following Aid Management GuideIines, AMG). In analysed:
Project design	<ul> <li>The extent to which demand projections made by ONEA and supply projections from the Nasso well-field are robust and defensible.</li> <li>Whether the transmission main from Samendéni to Bobo-Dioulasso should be dimensioned for the first phase (covered by the DSIF project) only or cater for future phases of demand (i.e. up to 2045).</li> <li>The cost of connecting additional communities along (but at some distance from) the transmission main to Bobo-Dioulasso,</li> </ul>
	compared to other (localised) solutions available.
Climate change, sustainability criteria & Life Cycle Cost approach	<ul> <li>Water shed- and resource management issues, both current and expected, accounting for climate risk and effects of climate change.</li> <li>Options to reduce the use of electricity for the Water Treatment Plant and the pumping stations by use of energy efficient technology, and to reduce use of grid-tied (thermal) electricity by introducing renewable (solar) energy generation to the project.</li> <li>Options for a FSTP which include the complete sludge cycle, including the final disposal, which is in accordance with good international standards and practice and local regulations.</li> <li>Options to lower the operational costs of the FSTP, which may include biogas generation, or solar energy. The complexity of the operation of the biogas option should be assessed taking ONEA's experience from the Kossodo FSTP into account.</li> <li>Potential for twinning and operation and maintenance (O&amp;M) contract to address life cycle costs and ensure ONEA has the technical skills to benefit fully from the energy efficient technology.</li> </ul>
Environmental & social, governance	<ul> <li>The context analysis should consider political economy; stakeholder engagement and risk management; project beneficiaries and related conflict and fragility sensitivity.</li> <li>The Environmental and Social Impact Assessment should include the elaboration of an Environmental and Social Action Plan, including associated costing.</li> <li>An analysis of the financial and economic profitability of the project should be undertaken to confirm alignment with the OECD Consensus Agreement on tied aid.</li> </ul>