

CONGO-KINSHASA

Hitch for dam plan

The Inga III dam on the Congo River has a few more obstacles to overcome following a new World Bank report

The approval of a US\$73.1 million grant by the World Bank's Board of Directors on 20 March would suggest that all is well with Congo-Kinshasa's 4,000-megawatt Inga III hydropower project (AC Vol 54 No 13). The funds, together with \$33.4 mn. from the African Development Bank approved late last year, will finance the environmental and social assessments of the dam, and set up an independent Inga Development Authority. Yet the Bank's 101-page report, obtained by *Africa Confidential* before the Board meeting, reveals that the project is beset by problems.

In January, Prime Minister Augustin Matata Ponyo confirmed that the government intended to select a private bidder to develop the project. Three consortia from China, South Korea-Canada and Spain pre-qualified in 2011. The World Bank report reveals that only two of the three have paid the \$1 mn. deposit required by Kinshasa to cover payment of its advisors. More damning, and buried in a footnote on page 36, is the revelation that a ten-year cross-debarment sanction (i.e. a sanction mutually agreed by several financial institutions) was made against a member of the South Korea-Canada consortium, SNC-Lavalin, because of bribery allegations (AC Vol 54 No 15). One of the two members of the Chinese consortium, Sinohydro Corporation, has also been temporarily suspended over allegations of wrongdoing.

Kinshasa will have to tread carefully if it wants to avoid delays on further funding. The report sets out a schedule

for future annual disbursements but the World Bank has yet to commit to financing the development and associated transmission lines, for which it estimates construction costs at \$11 billion and finance costs at up to \$14 bn. This support is essential. 'The level of investment is so high that neither the public sector nor the private sector alone could bear the full cost of development of the project,' says the Bank's project appraisal report.

Bidding documents for construction will not be made available to the Bank until 2016, when Congo-Kinshasa's next presidential campaign begins. Those documents need to be compliant with environmental and social safeguards, says the report. However, even if they are the bidding process itself could cause difficulty. That was put on hold after it became clear that the information and selection criteria in the original Memorandum of Information 'were not sufficient to allow a transparent and objective selection, leading to a balanced partnership in terms of allocation of benefits and risks between the DRC and the selected consortium,' says the report. It says Congo-K's and the Bank's procurement guidelines differ only slightly but that development financial institutions have 'communicated clearly that the ongoing selection process does not confirm to the procurement guidelines'.

TICKING THE BOXES

The report is not entirely critical. It notes that the project does not require any waiver of World Bank policies and that it meets the 'regional criteria for

readiness and implementation'. However, it warns that if preparations according to international good practice face delays, there is a risk that some in Kinshasa will argue to prioritise speed over quality. This could include breaking off the competitive selection process and entering into direct negotiation with one of the consortia or another actor that might offer a turnkey arrangement. As a result, it 'might be constructed at a higher cost and/or the rent associated with the site captured by the investor developer'. It is improbable, however, that Kinshasa could raise enough finance without the Bank and it would insist on competitive tendering.

For Congo-Kinshasa, the stakes are high: Inga III is seen as the next step in increasing electricity for the economy, in particular its power-hungry mining industry. However, says the report, given the 'dismal financial situation' of the supplier, the *Société nationale d'électricité*, 'the development is only bankable with a large proportion of the energy produced being sold to credible off-takers such as South Africa's integrated power utility, Eskom, and anchor mining customers.'

The countries of the Southern African Power Pool are the natural market. Congo-Kinshasa is already connected to the SAPP grid linking Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe. South Africa has shown an especial interest in the energy that Inga could produce (AC Vol 54 No 13). During President Jacob Zuma's state visit to Kinshasa last October, the two Presidents signed an agreement on Inga governing the electricity trade between their countries. The World Bank's regional Vice-President and Senegalese ex-Finance Minister, Makhtar Diop, told the press that 'by being involved in the development of Inga III from an early stage we can help ensure that its development is done right so it can be a game-changer by providing electricity to millions of people and powering commerce and industry.' ●