

Ethiopia and Kenya -- Eastern Electricity Highway Project (APL1)

July 12, 2012

U.S. Position

Despite significant potential for energy generation from various sources such as wind, hydropower and geothermal, the East African countries still have the lowest rates of household electricity access and per capita electricity consumption in Africa. Less than 25 and 15 percent of the respective populations of Kenya and Ethiopia have access to electricity, and the access rate for the region as a whole is even lower. Therefore, the United States supports efforts to help address these challenges through well-planned, transformative projects that will foster greater regional integration. The World Bank has a comparative advantage in financing and supporting such projects.

The proposed transmission line, alongside the planned subsequent interconnections, will play a critical role in developing the East Africa Power Pool (EAPP). As a regional public good it has the potential to generate major economic and environmental benefits to the two countries and beyond. The project has a number of direct and indirect benefits, some of which are more challenging to quantify. These include inter alia increased volume and security of supply, cleaner energy generation compared to alternatives, risk management benefits, and greater and more affordable access for households and the private sector.

In light of these benefits to the long term development for the whole region, the United States supports the Eastern Electricity Highway Project.

The United States encourages the Governments of Kenya and Ethiopia to work together effectively to ensure the potential benefits are maximized, including optimising utilisation of the total installed capacity of the line. The United States also urges Management to continue to work with the two governments to help ensure that their respective power utilities implement appropriate and timely reforms that will help secure long-term financial viability for this and related projects. The United States looks forward to updates from Management on progress in this area, beginning with the first annual review of the Ethiopian Electric Power Corporation's (EEPCo) financing plan due in May 2013 as well as progress by the Kenya Electricity Transmission Company (KETRACO) in building its own financial and technical management capacity.

Given the complexity and range of environmental, social and cultural issues connected to this project, it is important that there are clear commitments from the Ethiopian and Kenyan authorities to fully apply safeguards. It is critical that, during implementation, the Bank applies its expertise and oversight to ensure adherence to the highest standards, and the United States urges Management to prioritise this. The United States would have welcomed greater explanation in the loan document on steps to ensure sufficient consultation with civil society and project-affected persons and steps to strengthen social accountability.

The United States is also cognisant of concerns that have been raised by a range of external stakeholders claiming negative cross-border social and environment impacts on communities directly affected by the Gibe III dam. In addition, these stakeholders highlighted the potential association of this project to Gibe III, as it will contribute to the Ethiopian electricity grid that will serve the transmission line. The United States notes the assessment by Staff that the transmission line is viable in the absence of Gibe III, and therefore Gibe III is not deemed an associated facility to this project. The United States calls upon the Bank to develop, clearer guidelines for Staff on what constitutes an associated project or facility. This will help determine the necessary coverage of impact assessments.

The United States expects the Bank to use its expertise and role as co-financier of the transmission line project to support a responsible approach to safeguard issues. Furthermore the United States would expect this approach to extend to any Bank involvement in the power sector as the EAPP progresses. Strong governance and sound social accountability should be core principles in developing the EAPP.

The Bank's role in this emerging regional electricity market is an issue that we expect to discuss further in future projects, as well as the forthcoming Country Assistance Strategies (CASs) in the Africa Region. The United States also suggests that management give the Board an update on the development of the power sector and the Bank's support to it in the Africa region, as the African power sector is an increasingly large and complex portfolio.

With these comments, the United States wishes Management, Staff, as well as the Governments of Kenya and Ethiopia successful implementation of the project.