

**World Bank Inga 3 Bass Chute (BC) and Midsized Hydropower Development
Technical Assistance (TA) Project
March 20, 2014
U.S. Position**

Greater access to power is urgently needed in the Democratic Republic of Congo (DRC) and throughout Africa. Inga 3 could offer tremendous benefits, including significant power generation, economic growth and employment, expanded access to electricity, support to poverty reduction, and the potential to offset significant amounts of climate-harmful carbon emissions in the region. If implemented successfully, Inga 3 could help drive economic growth throughout the region.

Notwithstanding the project's potential, there are significant governance and environmental risks that need to be effectively managed for such a large, complex project to succeed. So far, rehabilitation of Inga 1 and 2 (a much simpler project than construction of Inga 3) has been disappointing and efforts to reform the state utility, Société nationale d'électricité (SNEL), have been unsuccessful. Showing greater progress on Inga 1 and 2 before embarking on the preparation of Inga 3 would build greater confidence in the Government's capacity to undertake what is a much more ambitious project. The United States urges the Government to redouble its efforts to fulfill these prior commitments. In light of this track record, we would like to see rigorous and time-bound benchmarks for progress in the development of Inga 3.

On the proposed technical assistance (TA) package for Inga 3, the United States welcomes the Government of DRC's commitment to create the Inga Development and Promotion Authority (ADEPI) to manage the project. However, the timeline to establish ADEPI as an effective entity seems ambitious, especially in the context of capacity constraints in the DRC.

The United States also would have liked to see a plan to manage the project's revenue, given the size of Inga 3. In this regard, the United States would have preferred details on how the Government would collect and account for its share of revenues from the project. Looking forward, the United States will want to see clear evidence that these revenues are being invested to improve the lives of the Congolese people.

Along similar fiduciary lines, the United States is concerned that at least one of the three pre-qualified consortia includes a company that is debarred from participating in World Bank projects. The United States welcomes assurances that the existing consortia can be reconfigured so that any debarred firms are not part of the winning consortium. The United States hopes that this would be done under an open and transparent process.

The United States also believes that the Bank could have taken a more prudent approach to characterizing and mitigating environmental risks. The United States appreciates that the Bank flagged this TA package as high-risk given the nature of the project it will develop. Nevertheless, the United States is concerned about the sequencing of the environmental and social impact assessment (ESIA) and the Request for Proposals (RFP) for the selection of the private developer. Environmental impacts can be mitigated best when they are identified as early as possible during the project development cycle. The United States understands that

public consultations will take place on the intermediate ESIA, and that outcomes from consultations will be incorporated into the RFP. Nevertheless, the United States would have preferred to have the final ESIA's findings to be reflected in development of the bidding specifications for common infrastructure and the RFP.

The United States also believes that the scope of the Terms of Reference (TOR) for the ESIA could have been more comprehensive. An ESIA should consider fully the impact of all facilities associated with the project. The United States understands that not all associated facilities are known at this point, and that the TOR for the ESIA provides that such facilities will be assessed as associated impacts in line with the Bank's safeguards policies. While this may be the intent, the United States is not comfortable providing approval to this TA package without additional assurances on what the scope of the ESIA will include.

The United States recognizes some key positive elements on the social and environmental front. We are pleased with the Bank's commitment to address legacy resettlement issues. As work gets underway for identifying the social impact, we urge the Bank to prioritize proper consultation with the affected communities upstream and downstream of the project zone prior to the construction, and to provide proper compensation for project impacts. The United States also appreciates the requirement that the South African-funded transmission lines outside the DRC must meet sound environmental and social safeguards, subject to World Bank approval.

In addition, the United States would like to commend the Bank for including the mid-sized hydropower component in the scope of the TA. The United States recognizes the potential benefits of mid-sized projects in the region, especially for extending electricity access to rural areas. The United States notes, however, that this component could have built confidence in the DRC's capacity to implement and regulate sustainable hydropower projects if it had been proposed as a stand-alone project or as a first step before Inga 3.

In conclusion, the United States appreciates the work that the Bank has undertaken to mitigate the risks inherent in the TA package for this complex project. However, the United States believes that given the enormous challenges associated with Inga 3, the governance and environmental risks required further mitigation as part of this TA proposal. Therefore, the United States wishes to be recorded as abstaining. Going forward, we urge Bank management to keep the Board apprised as implementation proceeds.