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Report No: 77420-ZR

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 47.7 MILLION
(US\$ 73.1 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR AN

INGA 3 BASSE CHUTE AND MID-SIZE HYDROPOWER DEVELOPMENT
TECHNICAL ASSISTANCE PROJECT

March 5, 2014

Energy Practice 2 (West and Central Africa), AFTG2
Sustainable Development Department
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2013)

Currency Unit = United States Dollar
US\$ 1.53521 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADEPI	<i>Agence pour le Développement et la Promotion d’Inga</i> (Inga Development Authority)
ADF	African Development Fund
AFD	<i>Agence Française pour le Développement</i> (French Development Agency)
AfDB	African Development Bank
APL	Adaptable Program Loan
BC	<i>Basse Chute</i> (Low Head)
CAPP	Central African Power Pool
CAS	Country Assistance Strategy
CDM	Clean Development Mechanism
CFI	<i>Comité de facilitation d’Inga</i> (Inga Inter-ministerial Facilitation Committee)
CGI3	<i>Cellule Technique Inga 3</i> (Inga 3 Technical Cell, within the MRHE)
CICOS	<i>Commission Internationale du bassin Congo – Oubangui - Sangha</i> (Congo River Basin Organisation)
CODESI	<i>Commission pour le Développement du Site d’Inga</i> (Commission for the Development of the Inga site)
COPIREP	<i>Comité de Pilotage de la Réforme des Entreprises Publiques</i> (Steering Committee for Public Enterprise Reform)
CPI	<i>Comité de Pilotage du développement du site d’Inga</i> (Inga Development Steering Committee)
CQS	Selection based on Consultant Qualifications
CHMF	Cultural Heritage Management Framework
CSO	Civil Society Organization
DA	Designated Account
DBSA	Development Bank of Southern Africa
DFIs	Development Finance Institutions
DRC	Democratic Republic of Congo
EAPP	Eastern African Power Pool
	EDIRA Etude du Développement d’Inga
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
EITI	Extractive Industries Transparency Initiative
EPC	Engineering, Procurement and Construction
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment

ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial Management
FSF	Fragile State Facility
GEEC	<i>Groupe d'Etudes Environnementales du Congo</i> (DRC's Environmental Studies Group)
GDP	Gross Domestic Product
GoDRC	Government of DRC
HC	<i>Haute Chute</i> (High Head)
HIPC	Heavily Indebted Poor Countries
HVAC	High Voltage Alternating Current
HVDC	High voltage Direct Current
ICB	International Competitive Bidding
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IMF	International Monetary Fund
Inga 1 & 2	The two existing power plants located at the Inga site
Inga 3 BC	The proposed new hydroelectric plant at the Inga site
IPP	Independent Power Producer
IPPF	Indigenous Peoples Planning Framework
ISP	Implementation Support Plan
kWh	kilowatt hours
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
MRHE	Ministry of Hydraulic Resources and Electricity of the DRC
MW	Megawatt
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NPV	Net Present Value
O&M	Operations and Maintenance
PAD	Project Appraisal Document
PDO	Project Development Objective
PASEL	Inga Site Development and Electricity Access Support Project
PEPUR	<i>Projet d'Electrification Périurbaine et Rurale</i> (Rural and Peri-urban Electrification Project)
PER	Public expenditure Review
PIM	Project Implementation Manual
PM	Prime Minister
PMEDE	Regional and Domestic Power Market Development Project
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
RAP	Resettlement Action Plan
RFP	Request for Proposal
RPF	Resettlement Policy Framework

RSA	Republic of South Africa
SADC	Southern African Development Community
SAPMP	Southern African Power Market Project
SAPP	Southern African Power Pool
SDR	Special Drawing Rights
SNEL	<i>Société Nationale d'Electricité</i> (DRC's National Electricity Company)
SPV	Special Purpose Vehicle
SSA	Sub Saharan Africa
SSS	Single Source Selection
TA	Technical Assistance
WBG	World Bank Group

Regional Vice President:	Makhtar Diop
Country Director:	Eustache Ouayoro
Sector Director:	Jamal Saghir
Sector Manager:	Meike van Ginneken
Task Team Leader:	Jean-Christophe Carret

DEMOCRATIC REPUBLIC OF CONGO
Inga 3 Basse Chute and Mid-Size Hydropower Development Technical Assistance Project

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PAD DATA SHEET

Democratic Republic of Congo

Inga 3 Basse Chute and Mid-Size Hydropower Development Technical Assistance Project (P131027)

PROJECT APPRAISAL DOCUMENT

Africa Region

Energy Practice 2 (West and Central Africa), AFTG2

Report No.: PAD536

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P131027	Investment Project Financing	A - Full Assessment	Jean-Christophe Carret
Project Implementation Start Date		Project Implementation End Date	
20 March 2014		31-Dec-2018	
Expected Effectiveness Date		Expected Closing Date	
1 June 2014		30-Jun-2019	
Joint IFC			
No			
Sector Manager	Sector Director	Country Director	Regional Vice President
Meike van Ginneken	Jamal Saghir	Eustache Ouayoro	Makhtar Diop
Borrower: Democratic Republic of Congo			
Project Financing Data(US\$M)			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		
For Loans/Credits/Others			
Total Project Cost (US\$M):	106.50		
Total Bank Financing (US\$M):	73.10		
Financing Source			Amount(US\$M)
IDA Grant			73.10
African Development Bank			33.40

Total							106.50		
Expected Disbursements of new IDA Grant (in US\$ Million)									
Fiscal Year	2014	2015	2016	2017	2018	2019			
Annual	2.60	8.70	20.20	21.70	12.70	7.20			
Cumulative	2.60	11.30	31.50	53.20	65.90	73.10			
Project Development Objective(s)									
The proposed Project Development Objective (PDO) is to contribute to the sustainable development of Inga 3 Basse Chute (BC) and selected mid-size hydropower projects.									
Components									
Component Name					Cost (US\$ Millions)				
A. Support to Inga 3 BC development					80.90 (of which IDA 47.50)				
B. Support to mid-size hydropower development					25.60 (of which IDA 25.60)				
Compliance									
Policy									
Does the project depart from the CAS in content or in other significant respects?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the project require any waivers of Bank policies?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Have these been approved by Bank management?						Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Is approval for any policy waiver sought from the Board?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the project meet the Regional criteria for readiness for implementation?						Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Safeguard Policies Triggered by the Project				Yes		No			
Environmental Assessment OP/BP 4.01				X					
Natural Habitats OP/BP 4.04				X					
Forests OP/BP 4.36				X					
Pest Management OP 4.09						X			
Physical Cultural Resources OP/BP 4.11				X					
Indigenous Peoples OP/BP 4.10				X					
Involuntary Resettlement OP/BP 4.12				X					
Safety of Dams OP/BP 4.37				X					

Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60			X
Legal: Effectiveness Conditions; Covenants; Remedies			
Effectiveness Conditions			
Name	Recurrent	Due Date	Frequency
<i>Accounting software</i>	No	By effectiveness	NA
Description of Covenant			
The Recipient has installed in and for CGI3 accounting software acceptable to the Association and also established in and for CGI3 an accounting system acceptable to the Association.			
Name	Recurrent	Due Date	Frequency
<i>Project Implementation Manual</i>	No	By effectiveness	NA
Description of Covenant			
The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
<i>CGI3 is operational</i>	No	By effectiveness	NA
Description of Covenant			
The Recipient has recruited for CGI3 (i) a financial management specialist, and (ii) a procurement specialist, each with terms of reference, experience and qualifications acceptable to the Association.			
Name	Recurrent	Due Date	Frequency
<i>ADEPI structuring study</i>	No	By effectiveness	NA
Description of Covenant			
The Recipient has recruited for CGI3 a consulting firm, with terms of reference, experience and qualifications acceptable to the Association, for the purposes of conducting a structuring study for the establishment of ADEPI.			
Covenants			
Name	Recurrent	Due Date	Frequency
<i>Co-financing effectiveness</i>	No	June 30, 2014	NA
Description of Covenant			
The Co-financing Deadline for the effectiveness of the Co-financing Agreement (and the right of the Recipient to make withdrawals thereunder) is June 30, 2014.			
Name	Recurrent	Due Date	Frequency
<i>Environmental and Social Expert Panel</i>	No	June 30, 2014	NA
Description of Covenant			
The Recipient shall establish, no later than by June 30, 2014, and thereafter maintain, at least through the implementation of			

the project, the Environmental and Social Experts Panel comprised of experts having terms of reference, qualifications and experience acceptable to the Association to provide advice and recommendations, inter alia, on all environmental and social aspects of the Project and Inga 3 BC.

Name	Recurrent	Due Date	Frequency
<i>Dam Safety Expert Panel</i>	No	June 30, 2014	NA

Description of Covenant

The Recipient shall establish, no later than by June 30, 2014, and thereafter maintain at least throughout project implementation, the Dam Safety Expert Panel comprised of experts having terms of reference, qualifications and experience acceptable to the Association to advise, inter alia on dam safety risks associated with Inga 3 BC.

Name	Recurrent	Due Date	Frequency
<i>Internal and external auditors</i>	No	Within 3 months of effectiveness	NA

Description of Covenant

No later than by the date being the third month anniversary of the Effectiveness Date, or such other date as the Association may agree in writing, the Recipient shall recruit for CGI3, (a) an international consultant in internal audit; and (b) an external auditor, in each case with terms of reference, qualifications and experience acceptable to the Association.

Name	Recurrent	Due Date	Frequency
<i>ADEPI establishment process</i>	No	September 30, 2014	NA

Description of Covenant

The Recipient shall, no later than September 30, 2014 (or such other date as the Association may agree), exchange views with the Association regarding the likelihood of the establishment of ADEPI by the date stipulated in Section I.A.11 of the Schedule 2 of the Financing Agreement. In the event that, following such exchange, or in the absence of such exchange for whatever reason, the Association considers it unlikely that ADEPI will be established by said date, then the Prime Minister's Office of the Recipient shall agree a written action plan with the Association by no later than by October 31, 2014, which shall be signed by the Recipient's Prime Minister, setting forth the corrective actions which the Recipient shall take or cause to be taken in order to ensure that ADEPI shall be established as soon as possible following such date, and the Recipient thereafter shall promptly take or cause to be taken all such actions.

Name	Recurrent	Due Date	Frequency
<i>Project Implementing Entity (ADEPI) established, staffed and operational</i>	No	December, 31, 2014	NA

Description of Covenant

The Recipient shall take all measures necessary or simply desirable in order to cause the Project Implementing Entity to: (a) be established, (b) recruit, among others, a project director, a procurement specialist and a financial management specialist, in each case with terms of reference, qualifications and experience acceptable to the Association, and (c) be fully operational, all no later than by December, 31, 2014, or such other date as the Association may agree in writing.

Name	Recurrent	Due Date	Frequency
<i>Signature of the Exclusive Collaboration Agreement</i>	No	Once ADEPI is established	NA

Description of Covenant

The Exclusive Collaboration Agreement shall only be signed following the establishment of the Project Implementing Entity

and shall be signed by the Chairman of the Board of Directors of ADEPI.			
Name	Recurrent	Due Date	Frequency
<i>PIM and E&S roadmap</i>	Ongoing	NA	NA
Description of Covenant			
The Recipient shall, throughout the implementation of the Project, carry out the Project in accordance with the Project Implementation Manual and the E&S Studies Roadmap; provided, however, that, in the event of any conflict between the provisions of the Project Implementation Manual or the E&S Studies Roadmap, on the one hand, and those of the Financing Agreement, on the other hand, the Agreement shall prevail.			
Name	Recurrent	Due Date	Frequency
<i>SAPP T-lines</i>	Ongoing	NA	NA
Description of Covenant			
The Recipient shall use its best effort to ensure that all terms of reference for any Safeguards Instrument prepared in connection with the SAPP Transmission Line are (i) consistent with, and pay due attention to, the Association's Environmental and Social Safeguards Policies; and (ii) submitted in draft form to the Association for prior review and comment.			
Remedies			
Name	Recurrent	Due Date	Frequency
<i>Policy letter</i>	Ongoing	NA	NA
Description of Covenant			
At any time prior to the expiration of the period set forth in Section 5.03 of this Agreement, the Recipient shall have, in the opinion of the Association, failed to act, or failed to cause other relevant parties to act, in a manner consistent with the terms or consistent with the achievement of the objectives expressed in the Policy Letter.			
Name	Recurrent	Due Date	Frequency
<i>Environmental and Social compliance of SAPP T-lines</i>	Ongoing	NA	NA
Description of Remedy			
At any time prior to the expiration of the period set forth in Section 5.03 of the Financing Agreement, the Association determines that sound environmental or social safeguards standards or practices have failed to be applied in the management or carrying out of activities for (or related to) infrastructure associated with the development of the Inga 3 BC development, including without limitation, the transmission infrastructure to be developed for the SA Transmission Line.			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Jean-Christophe Carret	Sector Leader	Team Lead	AFTSN
Philippe J-P. Durand	Program Coordinator	TTL till June 2013	AFTG2
Frederic Louis	Senior Hydropower Specialist	Hydropower	AFTG2
Alexis Madelain	Energy Specialist	Coordination	AFTG2

Mark Walker	Adviser	Legal	LEGSO		
Anthony Molle	Senior Counsel	Legal	LEGSO		
Nathalie Munzberg	Senior Counsel	Legal	LEGEN		
Rolande Pryce	Senior Operations Officer	Quality Assurance	AFTG2		
Jean Michel Devernay	Chief Technical Specialist	Hydropower	TWI		
Patrice Caporossi	Senior Finance Specialist	Project Finance	TWIFS		
Hocine Chalal	Lead Environmental Specialist	Environmental Safeguards	AFTN1		
Antoine V. Lema	Senior Social Development Specialist	Social Safeguards	AFTCS		
Abdoulaye Gadiere	Environmental specialist	Environmental Safeguards	BURKINA FASO		
Marie Paule Ngaleu	Program Assistant	Program Assistant	AFTG2		
Philippe Mahele Liwoke	Senior Procurement Specialist	Procurement	AFTPW		
Angelo Donou	Financial Management Specialist	Financial Management	AFTMW		
Aissatou Diallo	Senior Finance Officer	Disbursement	CTRLA		
Sarwat Hussain	Senior Communications Officer	Communications	AFRSC		
Louise Mekonda Engulu	Senior Communications Specialist	Communication	AFRSC		
Dan Petrescu	Communication specialist	Communication	COLOMBO		
Elvira Morella	Senior Energy specialist	Economic Analysis	AFTG2		
Mireille Kabasubabo	Program Assistant	Program Assistant	AFCC2		
Non Bank Staff					
Name	Title	Office Phone	City		
Ibrahima Konate	Senior Power Engineer		TUNISIA		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
DRC	Kinshasa	Kinshasa	X		
Institutional Data					
Sector Board					
Energy and Mining					
Sectors / Climate Change					
Sector					
Major Sector	Sector	%	Adaptation Co-benefits %		

Energy and mining	Hydropower	100	
Total		100	
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.			
Themes			
Theme			
Major theme	Theme		%
Trade and integration	Regional integration		70
Financial and private sector development	Infrastructure services for private sector development		30
Total			100

I. STRATEGIC CONTEXT

1. Sub Saharan Africa (SSA) is suffering from a sustained and chronic power crisis. Only 31 percent of the population has access to electricity, leaving nearly 600 million people without energy access. The combined power generation capacity of SSA, excluding South Africa, is only 28 GW. Moreover, a quarter of the installed capacity is not operational for various reasons, including aging plants and lack of maintenance. Power outages cause losses in forgone sales and damaged equipment for firms with an economic cost ranging between 1 and 4 percent of Gross Domestic Product (GDP). The average power tariff, at 0.12 US\$/kWh, is about twice the tariff in other developing countries. Yet, it only partially covers Africa's current average generation cost of 0.18 US\$/kWh. Actual average cost of power to consumers is drastically weighted by the reliance on costly backup generators, representing up to half of total installed capacity in some countries.

2. Yet, SSA is blessed with large hydropower resources, which can contribute to significantly increase cost effective and clean energy supply. Hydropower generation cost (around 0.05-0.07 US\$/kWh) compares very favorably with other technologies, including thermal, wind, and solar. Large scale hydropower development would displace thermal power plants that would otherwise be built, saving hundred millions of tons of carbon dioxide emissions per year. Hydropower resources are concentrated in a small number of countries (DRC, Ethiopia, Cameroon, Angola, Madagascar, Gabon, Mozambique and Nigeria), but have potential capacity well beyond what could either be consumed or financed domestically for the foreseeable future. Unleashing hydropower's transformative potential will require closer integration of Africa's power pools and transmission infrastructures needed to promote regional power trade.

3. DRC's hydropower can be a regional game changer and light up the African continent. DRC has an enormous hydropower potential estimated at 100 GW (equivalent to about 774 TWh per annum), the third largest country potential behind China and Russia. With 40 GW, Inga is the largest hydropower site in the world and one of the continent's most cost-effective power sources (estimated generation cost is 0.03 US\$/kWh). The countries of the Southern Africa Power Pool (SAPP) constitute a natural market for DRC hydropower as DRC is already interconnected with the SAPP grid. South Africa is a creditworthy off-taker which can increase the bankability of hydropower projects in DRC.

4. Inga 3 Basse Chute (BC) is the next phase of the Inga site development with a 4,800MW installed capacity (Inga 1 and Inga 2 were built in the 70s and 80s). The Inga 3 BC development consists of a diversion of part of the water of the Congo River into the Bundi tributary and a dam across the Bundi valley. It will not require the construction of a dam on the Congo River itself. The project has been selected by the Caucus of the African Governors in the Bretton Woods Institutions as one of the hydropower projects in Africa demanding particular attention from the World Bank. In the weak investment and governance environment of DRC, the proposed project provides technical assistance to contribute to the development of Inga 3 BC and mid-size hydropower projects in a manner that maximizes their impact on ending extreme poverty and promoting shared prosperity.

A. Country Context

5. DRC is the largest country in Sub-Saharan Africa, with an estimated population of about 71 million, vast natural resources, and massive agricultural potential. DRC's development trajectory will have a significant impact on the economic growth and political stability of the continent. DRC borders nine countries in Central and Southern Africa, and has complex economic, migration, and political relations with each of them.

6. The civil war from 1997 to 2003 led to a rapid descent from the relative prosperity of the period 1960–70. Poverty remains pervasive and poverty indicators are high even by regional standards. In 2012, annual GDP per capita was about US\$250. About 63 percent of the population lives on less than a dollar a day. Infrastructure collapsed during the long conflict, and today only six provincial capital cities can be reached by road from the national capital, Kinshasa. Furthermore, the conflict affected existing assets create serious service failures that are exacerbated by a lack of maintenance and investment.

7. During the post-civil war period, DRC saw a resumption of growth. The end of the war coincided with a recovery in mining prices on the international market. DRC experienced an average annual GDP growth of 6.6 percent during the 2002-2008 period, compared to an average annual GDP contraction by 5.2 percent over the 1991-2001 period. This period of growth was interrupted in late 2008 as a consequence of the changing international environment resulting from the financial crisis, but growth has now resumed at a solid pace, around 7-8 percent per year.

8. Weak governance has contributed to persistent poverty and poses threats to sustainable economic growth. Some governance issues were addressed in the context of HIPC debt relief in July 2010 including appropriate macroeconomic policies supported by an IMF program and the adoption and implementation of a new Public Procurement Code. An economic governance matrix and action plan was adopted to help increase State benefits from natural resource exploitation, and improve legal certainty of the business environment. The governance matrix has been updated and presented to the IDA Board of Directors together with the new Country Assistance Strategy (CAS) for DRC in May 2013. It focuses on: (i) strengthening accountability and transparency in concession and contract management in the mining, forestry, and oil sectors; (ii) ensuring that divestiture of assets of public enterprises is done in compliance with international best practices; and (iii) ensuring transparent and efficient use of public resources.

B. Sectoral and Institutional Context

9. Only 9 percent of households have access to electricity services. The few households and business that are connected to the grid, experience power outages averaging more than three hours in length more than 180 days per year. As a result, firms are forced to rely on expensive back-up generators. The economic cost of these outages can be conservatively estimated at 1.7 percent of GDP. One of the country's immediate infrastructure challenges therefore is to reform the power sector, restore the financial health and operational efficiency of the power utility, rehabilitate and invest in its power assets, and improve electricity access. A 2010 World Bank study on spatial development concluded that in DRC, investment in power gives the highest returns on investments compared to other infrastructure.

10. Current installed capacity is 2,442 MW, of which hydroelectric power plants represent 99 percent. Yet, the operational capacity is only 1,281 MW, as about half of the total installed capacity is currently not operational. Electricity demand/supply projections indicate that the DRC will require an additional firm capacity of 4,000 MW by 2020. This will require the development of DRC's abundant low cost hydropower. The Government intends to promote the development of both large and small hydropower sites, including the next phase of development at the Inga site.

Sector institutional framework and performance

11. The Ministry of Hydraulic Resources and Electricity (MRHE) is entrusted with energy and water sector policy and reform. The National Electricity Company (*Société Nationale d'Electricité* – SNEL) is the government-owned vertically integrated electricity utility, which was created in 1971, as result of nationalization of several sub-regional private utilities. SNEL was transformed into a limited liability company in December 2010. The Ministry of Portfolio is acting as representative of the State, sole owner of SNEL and drives the transformation and recovery of SNEL in coordination with the sector Ministry (MRHE).

12. An Electricity Bill has been passed by the National Assembly in May 2013 and by the Senate in January 2014. Once in force, the law will liberalize power generation, transmission, and distribution. Also, the Electricity Bill calls for the establishment of an electricity sector regulator, an electrification agency, and an electrification fund.

13. Achieving efficient energy services to DRC's population will depend on improving the corporate governance and performance of SNEL. SNEL recovers revenue for slightly over 1 kWh out of every 2 kWh produced due to very high technical and commercial losses and low collection rate. Together with a tariff that is below marginal cost, these inefficiencies absorb as much as 4 percent of GDP.

14. In recent years, SNEL has improved its operational and financial performance but it still has a long way to go. Between 2005 and 2012, SNEL managed to improve its revenue collected by 230 percent. In other words, revenue collection per kWh generated increased from 0.10 to 0.33 US\$ cents/kWh. This improvement was driven in part by a higher average electricity tariff. In particular, the tariff for high voltage industrial customers (mining companies) was increased from 0.35 to 0.55 US\$/kWh in 2012, which should further improve the revenues collected per kWh generated in 2013 and beyond, assuming collection ratios remain stable. The improvement was also driven by an increased collection rate. In 2012, the overall collection rate including mining, exports and residential consumers was approximately 70 percent. Low bill collection from the public sector remains a major burden for SNEL, with an 8.1 percent collection rate from government entities and a 37 percent collection rate from state-owned enterprises. SNEL is overstaffed, with a low ratio of 75 customers per employee in 2012. Staff costs doubled between 2006 and 2012 and currently absorb about one third of total SNEL revenues.

15. In 2011, the Government adopted a comprehensive five-year program for the financial and operational recovery of SNEL and to enhance SNEL's corporate governance. The program includes five main components: (i) a five year performance contract between the State and SNEL stipulating their respective roles and obligations, with audited performance targets; (ii) a corporate governance plan; (iii) institutional and financial restructuring of SNEL; (iv) a three

year services contract with an international firm; and (v) institutional and financing arrangements for appropriate operations and maintenance (O&M) of SNEL's transmission and hydropower facilities. Progress has been made on the implementation of the program: the performance contract was signed in February 2012, the selection of the service contractor is in its final stages (contractor will be in place mid 2014), and a 2013 O&M study has provided a basis for improved asset management.

Hydropower and the Inga development

16. Hydropower is the mainstay of DRC's energy future. DRC's hydropower is an abundant, cheap, and clean source of energy of which only 2.5 percent has been exploited. The seasonality of hydropower generation is much lower than elsewhere because the Congo basin covers areas in both hemispheres. 40 percent of DRC's hydropower potential is located at the Inga site on the Congo River with the remainder spread out over the country's rivers. An estimated 62 additional sites with a capacity above 10 MW have a combined total capacity of approximately 30 GW. In addition, there are over 500 smaller hydropower sites on DRC's many streams and rivers.

17. The Government of DRC (GoDRC) has decided to develop the hydropower potential using a Public Private Partnership (PPP) approach. Mobilizing private participation and investment in hydropower development will reduce the need for public investment, which faces debt capacity constraints. Private sector participation will also enhance project cost-effectiveness through efficiency, and innovation of the private partner.

18. The series of rapids on the Congo River at Inga in the province of Bas Congo have an estimated hydropower potential of 40,000 MW and have long attracted the imagination of power developers. The Inga 1 hydropower plant was commissioned in 1972 and Inga 2 was added in 1982. Inga 1 and Inga 2 have a combined installed generation capacity of 1,800 MW. The available operational capacity of both plants has dropped below 900 MW. Inga 1 and Inga 2 are currently under rehabilitation with IDA financing. A "Grand Inga" scheme was first studied in the 1970s and would require the construction of a large dam across the Congo. A new approach of a series of smaller hydropower developments was adopted in 2011. The staged development of the Inga site is more in step with local and regional energy demand growth, limits the needed upfront investment, and significantly reduces risks¹. Inga 3 BC is the next stage of the Inga site development, with a 4,800 MW installed capacity.

The role of DRC in regional power trade

19. There is momentum for DRC to become a power exporter, which could generate revenues for the GoDRC, and accelerate hydropower development, that could also serve households and business in DRC. DRC is a member of two power pools, the Central African Power Pool (CAPP) and the Southern Africa Power Pool (SAPP). The CAPP is dormant and only a few local interconnections exist between grids in its member countries. The SAPP connects the power systems of Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe, and DRC. Angola, Malawi and Tanzania have yet to construct transmission links to the regional grid. Demand growth in SAPP countries has been largely

¹ The staged development of the Inga Site is sometimes confusingly also referred to as "Grand Inga".

driven by the mining and manufacturing sectors. However, population growth, rural electrification, and economic growth have also resulted in a steady increase in residential demand. The electrification rate has increased from less than 20 percent in 1999 to nearly 31 percent in 2012. The total number of electricity customers of the combined national interconnected systems has reached 66 million. Total peak demand has reached 45,761 MW in 2010, with South Africa accounting for about 80% of the regional consumption.

20. SNEL has entered into power sales in recent years with Zambia, Zimbabwe, and Botswana. However, trade has largely stalled due to supply shortages in DRC and poor transmission capacity. The ongoing rehabilitation of the 500 MW Inga-Zambia transmission lines, under the Southern African Power Market Project (SAPMP) with IDA and European Investment Bank (EIB) financial support, will help to re-ignite power trade. The development of Inga 3 BC and its associated transmission lines is the next step to increase power exports.

21. Opportunity costs of power generation have significantly increased in SAPP countries over last years. This is especially true for South Africa, which faces strong demand growth which can only be met locally through expensive and polluting thermal generation. The maturity of the SAPP power pool, South Africa's low country risk, the solidity of South Africa's power sector and the creditworthiness of ESKOM - South Africa's integrated power utility - makes South Africa an attractive off taker. Other countries with significant demand, such as Nigeria, have lower opportunity costs due to abundance of natural gas and hydropower, and face higher country and sector risk than South Africa.

Rationale for World Bank Group involvement

22. Developing hydropower in DRC is investing in the future of the African continent. The rationale for World Bank Group (WBG) involvement in the development of Inga 3 BC and mid-size hydropower sites in DRC is two-fold. First, the transformative potential of DRC hydropower provides a cost effective means to provide energy services to households and businesses, which in turn is a key ingredient for ending extreme poverty and promoting shared prosperity. Second, the World Bank has a comparative advantage to support the GoDRC in hydropower development through its convening power and multidisciplinary expertise.

23. The series of Inga hydropower development can have a transformative impact on many of the region's economies and populations, particularly those relying on thermal or small generation systems. In the DRC, Inga 3 BC and other hydropower sites will make a significant contribution to least-cost rapid increase of electricity access. The Inga 3 BC project constitutes a litmus test for the development and implementation of a robust financing structure, which could also be applied to subsequent phases of Inga hydropower development. It will also establish a solid institutional and legal framework for protecting both public and private interests, which are essential to optimize Inga's development impact.

24. Given its complexity, required financing and policy issues, the involvement of World Bank Group in Inga 3 BC preparation will be critical in supporting the DRC to maximize the development impact of the project for the benefit of the country and its population. The GoDRC is seeking support from the Bank for its knowledge, expertise and experience in the design, development and financing of large hydropower development and associated institutional and regulatory frameworks, including private participation and investment. Other Development

Finance Institutions (DFIs) committed to support Inga 3 BC development have expressed the need for WB involvement in the process.

25. The proposed operation will combine support for the development of Inga 3 BC and the development of mid-size hydropower sites. This combination will help to ensure parallel increases in electricity services in urban and rural areas across the DRC and help to ensure economic growth is inclusive. Also, the development of several hydropower projects in parallel will spread the risk of potential delays in one or more projects.

C. Higher Level Objectives to which the Project Contributes

26. Hydropower development is central in the GoDRC's development strategy for sustaining growth rates and improving electricity access in the DRC. The series of Inga hydropower developments is one of the strategic infrastructure projects of the GoDRC. The 2011 DRC Second Poverty Reduction Strategy Paper (PRSP) indicates the need to develop public private partnerships in the infrastructure sectors as an important priority. The PRSP includes the development of the Inga 3 BC as one investment needed to improve access to electricity in DRC.

27. The proposed technical assistance (TA) project will pave the way for the development of Inga 3 BC and selected mid-size hydropower projects. It thus contributes to the World Bank Group goal to end extreme poverty within a generation and boost shared prosperity. The project will be a first step to provide new electricity access for seven million people in the Grand Kinshasa and two million people in the hinterland. The project will also generate revenues for the GoDRC, which in turn can be invested in improving human development. Inga 3 BC will also create jobs – directly at the construction site and more importantly indirectly through provide electricity to businesses.

28. The proposed project is aligned with the growth pillar of the World Bank's Africa Strategy by contributing to reliable supply of electricity for growth and private investment. The project is following the guiding principles included in the recently approved WBG paper "Toward a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector", in particular the commitment to the responsible development of hydropower projects as well as the search for market solutions to leverage financial resources and help governments to foster private sector participation and investments.

29. The project is included the 2013-2016 WBG Country Assistance Strategy (CAS) for DRC, specifically as part of Strategic Objective Two which addresses boosting competitiveness to accelerate private-sector-led growth and job creation.

30. The proposed TA operation is embedded in and is complementary to the current IDA program in DRC. The updated governance matrix, agreed between the Bank and the GoDRC in 2013, provides the canvas for the project. The matrix puts forward tangible actions to restore investors' confidence and improve transparency in natural resources management. The proposed project is complimentary to the Bank's ongoing support to public financial management in DRC, through a series of Public Expenditure and Financial Assessments to improve the management of public finance. A US\$22.1 million project with co-financing of DFID to strengthen Public Financial Management Accountability was approved in January 2014. It will enhance the credibility, transparency and accountability in the management and use of central government

and selected sub-national governments' finances. These supports will help to ensure the efficient use of any future revenues of the Inga 3 BC development.

31. Further, the proposed project is complementary to the ongoing IDA energy program. The proposed TA project will help to secure the production of cheaper electricity. Reinforcement of the transmission and distribution system and support to managerial strengthening of sector institutions under ongoing projects will improve the energy supply to clients and increase access to electricity. The Regional and Domestic Power Market Development (PMEDE) and SAPMP projects provide a combined US\$1.1 billion grant financing for the rehabilitation and expansion of SNEL's generation, transmission and distribution infrastructure. In addition, IDA is identifying support for the development of the Ruzizi 3 project within the context of the Great Lakes Initiative as well as support to rural electrification through a new agriculture and rural development project in Eastern Congo. IDA will finance a clean cook stove initiative in the Bandundu province through the Forest Investment Program.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

32. The proposed Project Development Objective (PDO) is to contribute to the sustainable development of Inga 3 BC and selected mid-size hydropower projects.

B. Project Beneficiaries

33. In the short term, the project will support DRC to maximize the development impact of the Inga 3 BC development and to protect its long term national interest, including ensuring a fair sharing of the rent generated by Inga to the benefit of the DRC and protecting future development of full hydro potential at Inga. Designing balanced contracts between public and private stakeholders and regional off takers and ensuring a transparent selection of a private developer is at the heart of this support.

34. Direct project beneficiaries of the TA project will thus include the GoDRC which will have an enhanced capacity to attract private financing for critical infrastructure development and its energy sector institutions which will get an increased capacity to sustainably and efficiently manage hydropower development.

35. Future indirect project beneficiaries include SNEL's existing and new customers, Katanga mining firms, and energy users in South Africa and other SAPP countries that will benefit from more reliable and affordable energy services. DRC will benefit from the future Inga-3 BC development through additional revenues. Local communities around Inga will benefit from fair compensation, local development and job creation.

C. PDO Level Results Indicators

36. Achievement of the PDO will be measured by (i) the establishment of the Inga Development Authority, (ii) the availability of the bidding documents for the Inga 3 BC development, and (iii) the availability of the bidding documents for the selection of developers for mid-size hydropower projects.

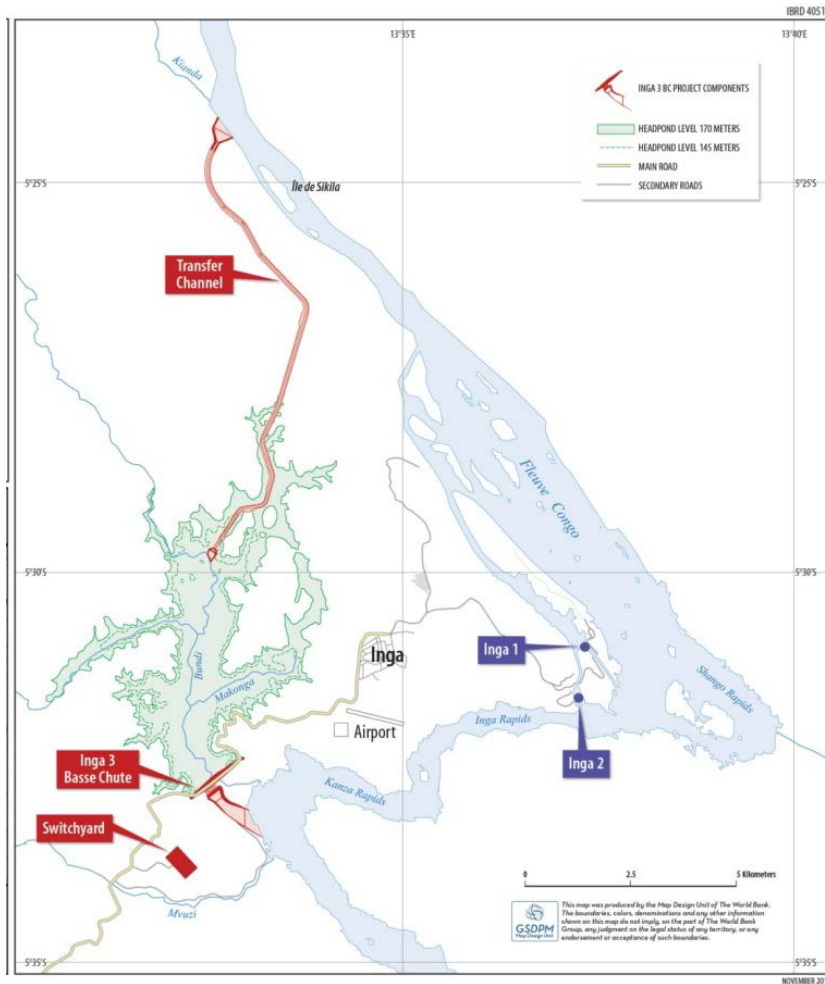
III. PROJECT DESCRIPTION

37. This section consists of two parts. Firstly, it describes Inga 3 BC development. It then presents the proposed technical assistance operation.

A. The Inga 3 BC development

38. The Inga 3 BC development consists of a diversion of part of the water of the Congo River into the Bundi tributary and a dam across the Bundi valley (see figure 1 below and annex 12). It will not require the construction of a dam on the Congo River itself. The Inga 3 BC development includes the following components: an intake on the Congo river and a 12 km transfer canal to bring the waters to the Bundi valley, a 100 m high roller-compacted concrete dam at the downstream end of the Bundi valley, and an hydropower station equipped with 11 units for a total installed capacity of 4,755 MW. In addition, the project includes transmission lines connecting the power station to Kinshasa and to DRC's border via Kolwezi (Katanga region) with a total length of 1850 km, and associated switchyards and converting stations.

Figure 1: Map of the Inga 3 BC site



39. 1,000 MW² of electricity produced by the Inga 3 BC development will be sold to the national utility SNEL, which in turn will sell it to households and small businesses in greater Kinshasa. The increase in power generation of Inga-3 BC combined with increased availability of power from Inga 1 and 2 (which are currently being rehabilitated) corresponds to the projected demand growth in Kinshasa from the current 425 MW to a forecasted demand of 2,000 MW in 2025 in the Inga feasibility study. The potential significant additional energy access for households and small businesses in Kinshasa through Inga-3 BC can realistically only be financed and developed by bundling it with electricity sales to credit-worthy anchor customers. Among these customers, it is proposed 1,300MW of power will be sold to mining companies in DRC's Katanga province -- the overall generation capacity for DRC will thus triple from the current level of operational capacity of only 1,281 MW. In addition, 2,500MW of power generation will be sold to ESKOM, the national utility of South Africa, which will enhance the bankability of the Inga-3 BC development. The proposed split of power sales will enable attracting private investments which have otherwise been elusive in power generation in the past decades.

40. The Republic of South Africa (RSA) has shown strong interest for the low-cost and clean energy that could be produced at Inga. On November 2011, the Ministers of Energy from DRC and RSA signed a Memorandum of Understanding on the phased development of Inga. During the October 2013 State visit of President Zuma to Kinshasa, the governments of South Africa and the DRC signed a treaty on Inga governing the electricity trade between the two countries. The power sold to ESKOM will be a low-carbon alternative to meet power demand growth compared to thermal generation. Without electricity imports, South Africa has few alternatives to construct new coal power plants.

Project management

41. The GoDRC is setting up a ring-fenced development authority (*Agence pour le Développement et la Promotion d'Inga – ADEPI*) to manage and monitor Inga development, and to help mobilize private participation and public financing. ADEPI will be set up by the end of 2014. The ADEPI will be created by law as an autonomous entity reporting to the Prime Minister's office with a Board of Directors that represents various Inga development stakeholders³. ADEPI is expected to start its operation before the end of 2014 with staffing gradually building up from approximately 15 staff to about 30 staff. In addition to staff, ADEPI will benefit from external strategic advisers. ADEPI annual budget would be in the range of US\$2-3 million, including external support. All ADEPI staff, including its director, will be recruited competitively with the help of a specialized recruitment firm. All contracts will be renewable based on performance assessments carried out by a specialized firm.

42. Interim institutional arrangements have been set up to continue the preparation of Inga 3 BC development until the ADEPI is in place, including the establishment of an Inter-ministerial Commission for Inga Development chaired by the Prime Minister (*Commission pour le Développement du Site d'Inga - CODESI*), an inter-ministerial technical committee (*Comité de*

² Include 600MW firm capacity and 400MW non-firm capacity.

³ The establishment of a high level committee with a membership of internationally recognized leaders to further help raise the profile and the credibility of the Inga 3 BC development is currently being discussed.

Facilitation d’Inga - CFI), and a technical unit in the MRHE (*Cellule technique Inga 3 - CGI3*). CODESI will oversee the implementation of the TA project. CFI will do the technical work for CODESI. CGI3 will implement the TA project.

Project structuring

43. The very large amount of financing needed for the Inga 3 BC development in the weak business environment of the DRC requires that special attention be paid to the institutional structuring of the project. The construction costs of Inga 3 BC development and associated transmission lines are estimated at approximately US\$ 11 billion (including the transmission lines beyond the DRC borders). The total cost including financing costs could reach US\$14 billion. 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. On the one hand, public financing reduces the project’s cost but it is limited by the DRC’s debt ceiling and concessional financing limits. On the other hand, private financing faces financial and country risks constraints. The private sector can also bring relevant technical and managerial capacities into Inga 3 BC development that would otherwise not be available within GoDRC.

44. The SAPP transmission lines will be developed by SAPP countries, under the leadership of the Republic of South Africa (RSA). Several options are still being considered to evacuate the power towards RSA, including : (i) the sole reinforcement of the existing SAPP system, and (ii) a mix between the reinforcement of the existing SAPP system and a new DC line transiting part of the energy directly to Witkop in South Africa.

45. The GoDRC has conducted a systematic review of an array of public/private options for the infrastructures within its territory (see figure below).

Figure 2: Institutional structuring options for the Inga 3 BC development

Components	Cost (\$bn)	Option 1	Option 1A	Option 2	Option 3	Option 4
Intake, Canal, Dam	2.6	Private SPV	Private SPV with minority shareholding by GoDRC	Public	Public	Private SPV
Power Station	3.6			Private SPV	Private SPV	
T-line DRC	2.3			Public	Public	
T-line SAPP	2.0	SAPP counties / RSA				

46. The GoDRC has expressed its preference for a project structuring option in which public financing for the Inga 3 BC development (likely to come from donors) would be used to finance the dam, the water intake, and the canal (“common infrastructure”). The GoDRC has also indicated that the option might be adjusted based on market tests. The preferred project structuring consists of two sub-developments: (a) the intake, canal and Bundi dam will be

developed and financed by a public entity contracting out works to one or several Engineering, Procurement and Construction (EPC) contractor(s), and (b) the power station and the transmission lines in DRC will be developed, designed, financed, constructed, and operated by a private consortium under a concession contract.

47. The GoDRC selected this option as its preferred one as it balances public and private financing needs and is one of the options that could protect the DRC sovereign rights over private and foreign interests on the Inga site subsequent developments. The next phase of the Inga site development, Inga 3 Haute Chute (HC), will involve the heightening of the Bundi dam. Hence, control of the Bundi dam should remain with DRC through ownership or as part of the developers' obligations in a PPP agreement. Given costs of the same order of magnitude as Inga 3 BC development, and its complexity, Inga 3 HC could reasonably not be developed earlier than ten years after Inga 3 BC development commissioning. The preferred option could be adjusted, based on study results and market testing, and taking into account that (a) DRC rights over private and foreign interests in the development of subsequent Inga phases need to be protected, (b) interface risk could be reduced by entrusting engineering and construction supervision of common infrastructure to the concessionaire under a project management contract or a minority cross shareholding, (c) tentatively committed public financing needs to be secured to reduce need for private financing.

Selection and Development Process

48. A competitive selection process for a private developer was initiated by GoDRC in 2010. Six candidate developers were prequalified in 2011. Two of them notified the Government that they were withdrawing from the bidding process, based on the project design at the time and a third candidate has dropped out. This leaves three remaining consortia⁴.

49. The GoDRC has decided to continue the process to select a developer for the powerhouse and transmission lines in the DRC. The project design has changed since the launch of the developer selection process. Therefore, the three prequalified consortia will be allowed to reconfigure including bringing new partners into their consortium during the selection period. In order to compete, firms will have to become members of one of the pre-qualified consortia. The GoDRC and its strategic advisors are currently developing the Request for Proposal (RFP) with the objective to launch it early 2015, to select a developer by mid-2015. The RFP will include a reference project design, information on the applicable fiscal regime, and preliminary results of the geological testing. The selection will be followed by a period of exclusive collaboration with the developer resulting in the attribution of concession for the power station and transmission lines in DRC to a Special Purpose Vehicle (SPV) by the end of 2016.

50. In the current structuring option, in parallel with the selection of the developer, the government will prepare the detailed design of the common infrastructure, and select the EPC contractor for the construction of the facilities. It is expected that the EPC contract for the common infrastructure will be awarded simultaneously with the concession for the power house and the transmission lines to the private developer.

⁴ One of the consortia includes a firm which is currently under a 10 year cross-debarment sanction by the WBG, another one includes a firm which has been temporarily suspended.

51. A timeline of the process till financial closure is included in Annex 2.1. The selection processes might need to be adjusted if the structuring option is readjusted or if the competitive process does not result in multiple bids of sufficient quality.

B. The proposed Technical Assistance (TA) project

52. The project will finance a flexible suite of technical assistance to support the GoDRC in the sustainable development of Inga 3 BC and several mid-size hydropower sites using a public-private partnership approach. TA activities include the provision of strategic advice and expertise to the GoDRC, complementary studies, capacity building, and institutional strengthening. All these activities will create the basic conditions to attract private financing, select private developers, mobilize public funding and negotiate PPAs.

53. Activities will be coordinated with support provided by other development partners. The proposed operation – with parallel co-financing from IDA and AfDB - will support the GoDRC to develop the Inga BC development on its territory. The GoDRC will benefit from a team that brings together expertise from across the World Bank Group. The preparation of the development of the transmission lines in the SAPP countries will be financed by the Development Bank of Southern Africa - DBSA- (outside of the scope of this operation).

C. Project Components

54. The TA project consists of two components: (a) Inga 3 BC development support, and (b) mid-size hydropower development support.

Component A – Inga 3 BC development support (total cost US\$80.6 million; of which IDA US\$47.5 million and AFDB US\$33.4 million)

55. This component will build on the feasibility study for the development of the Inga site and associated interconnections financed in 2010-13 by the African Development Bank (AfDB). It will finance complementary studies, transaction advice and procurement support, and institutional support and sector strengthening. The scope of activities that will be financed by the TA is flexible and can be amended to allow for adjustments of the allocation of activities and responsibilities between the public and private sector for the Inga-3 BC development

Sub-component A1: Studies (total cost US\$20.0 million; of which IDA US\$12.5 million)

56. This subcomponent will finance the preparation of complementary studies identified in the feasibility study. This includes: technical studies to complete the reference project design, social and environmental studies and panels, and economic studies, including power supply-demand analysis.

57. Technical studies will include geological and geotechnical investigations on site to confirm the foundation conditions for the Bundi dam, a study of the sedimentation in the canal, a study of the Congo River water intake to confirm the design and maximum capacities of the Inga 3 BC canal and water intake, and a study of the impact of Inga 3 BC development on the operation of Inga 1 and Inga 2, especially during the low river flows. Based on the various complementary studies, the feasibility study will be refined and transformed into a reference design that will form the basis for the selection of the concessionaire. The cost of the detailed

design studies for the power plant and transmission lines in DRC will likely be borne by the concessionaire.

58. The subcomponent will finance social and environmental (E&S) studies to update and complement the preliminary ESIA which was prepared as part of the feasibility study. These additional studies will include an ESIA of the Inga BC hydropower complex with a particular focus on collection and analysis of baseline data (particularly on biodiversity), a cultural resources management framework, as well as the Environmental and Social Impact Assessment and the associated Resettlement Action Plan (ESIA/RAP) for the transmission lines in DRC. The TA will also finance the definition of a community development plan that will address long unresolved environmental and social issues dating back several decades at the time of development of Inga 1 and Inga 2, and the preparation of a resettlement action plan for the Camp Kinshasa settlement. The sub-component will also finance two panels of experts. The Environmental and Social panel will consist of two members (an environmental and a social expert). The Dam Safety panel will have five members (a dam specialist, a geologist, a hydrologist, an expert in sedimentology and an expert in electro mechanics). These two panels will serve during the life of the proposed TA project but might be extended for the construction phase of the Inga-3 BC development. Finally, the subcomponent will include the preparation of a Strategic Environmental Assessment that will explore the strategic environmental and social linkages with the proposed investments including how climate change may affect Inga 3 BC development viability.

59. A number of economic studies will be financed to ensure that the additional generation capacity of Inga 3 BC development translates into better services for households and small and medium enterprises. For instance, a study of the productive demand in the Bas Congo will analyze the possibility of developing electricity consumptive activities in the vicinity of Inga. Other studies might include a master plan on generation, transmission, and distribution that will allow SNEL to prepare its development plan to accommodate the additional production coming from Inga 3 BC, and tariff studies for Inga 3 BC development, in particular a study of electricity market prices for generation in RSA and alternative power generation options.

Sub-component A2: Transaction advice and procurement support (total cost US\$39.5 million; of which IDA US\$19.0 million)

60. The second subcomponent includes technical, legal, and financial assistance for the structuring of the Inga 3 BC development. This includes support on the development of legislation, finalization of the structuring option, and transaction support for the selection of the concessionaire for the power house and the transmission lines, advice on power sales, and support for the bidding process of the common infrastructure.

61. This subcomponent will bring support and expertise to the GoDRC on the preparation of the law that will set the framework for the development of Inga 3 BC and subsequent phases. It will include support in designing the ADEPI mandate, and the fiscal regime – including water tariffs – applicable to the project stakeholders that will maximize the economic rent generated by the project captured by the State.

62. This subcomponent will provide the GoDRC with experienced strategic, financial, transaction, and procurement expertise for the financial/institutional structuring of the Inga 3 BC

development. This subcomponent will include support to market test solutions and will be flexible to allow for adjustments along the way responding to signals from the market. Special attention will be paid to interface risks. Mitigation measures that will be explored include (a) entrusting engineering and construction supervision of common infrastructure to the concessionaire under a project management contract (“Contrat de maîtrise d’oeuvre”) and (b) including the O&M for the common infrastructures (after construction) to the developer as part of its concession contract with an option for early termination of the O&M contract for the common infrastructures in case the Bundi dam is heightened before the end of the concession period.

63. The subcomponent will finance expertise to finalize the selection and contract award of the concessionaire for the power house and transmission lines. The subcomponent will finance advisory services to ADEPI on design of fair risk sharing conditions in the concession agreement. In addition, advisory services will support GoDRC negotiations in order to obtain the most appropriate conditions for GoDRC and negotiate public shareholding conditions, if any.

64. This subcomponent also will include the analytical work necessary to finalize the agreements associated with the Inga treaty signed between DRC and RSA on a number of aspects, such as tariff setting, interconnection arrangements, and the interface with SAPP. Advice on the sales arrangements of the power produced by the Inga 3 BC development will be included. This advice will be focused on the mobilization of anchor customers and the structuring of Power Purchase Agreements (PPAs).

65. In addition, the subcomponent will finance detailed design, bidding documents, assistance for procurement, and financing arrangements, for the common infrastructure (intake, canal, and dam).

Sub-component A3: Institutional support and sector strengthening (total cost US\$21.4 million; of which IDA US\$16.0 million)

66. This subcomponent will finance the establishment and operationalization of ADEPI. This includes preparatory activities to structure ADEPI, such as studies on organization and staffing, as well as assistance for staff recruitment. This subcomponent will also finance the cost of recruitment processes, contractual staff, office equipment, operational costs, the organization of workshops of ADEPI, and the development and the implementation of a consultation and communication strategy for the Inga 3 BC development.

67. The subcomponent will finance in-house consultants and individual advisors to enable ADEPI to efficiently fulfill its mandate to complement external advice provided by consultancy companies.

68. This subcomponent will also finance the design and establishment of the public management structure to supervise the construction of the common infrastructure.

COMPONENT B – Mid-size hydropower development support (total cost US\$25.6 million of which IDA US\$25.6 million)

69. The component aims to develop midsize hydropower projects (with capacity between 10-100 MW) by selecting potential projects, performing prefeasibility studies, accompanying bidding processes, and evaluating the possibilities for carbon finance. The component will result in feasibility studies and bidding documents, and support to GoDRC to select private developers and award concessions for three mid-size hydropower projects.

Sub-component B1: Mid-size hydro development (total cost US\$19.1 million; of which IDA US\$19.1 million)

70. The sub-component will finance analysis of the institutional, regulatory, and legal framework for the development of mid-size hydro projects and the preparation of the additional legal texts and regulations to accompany the electricity law to regulate participation of the private sector in the development of mid-size hydropower project.

71. This sub-component will support increasing the GoDRC's limited technical and economic information on mid-size hydropower sites. Producing appropriate technical and economic information on selected sites will improve the prospects of mobilizing public and private financing for the development of these sites.

72. Activities will start with the preparation of a short list of thirty projects that will be studied up to prefeasibility level. The thirty projects will be selected from a long list of sixty two projects already identified by the MRHE. In a second step, three projects will be selected for feasibility studies using a multi-criteria evaluation. The sub-component will support site investigations, feasibility, environmental and social studies and preparation of technical specifications and bidding documents for three hydropower sites. Other donors might support the feasibility phase of other hydropower sites based on the outcome of the multi-criteria evaluation (outside the scope of this operation). The third step is transaction advice to MRHE for the selection of and contract negotiations with private developers for the three sites resulting in the signature of concession agreements.

Sub-component B2: Carbon finance market development (total cost US\$1.0 million; of which IDA US\$1.0 million)

73. This sub-component will: (i) assess the eligibility for carbon finance for Inga 3 BC development and mid-size hydropower projects; and (ii) develop of CDM Program of Activities (PoA). The sub-component will finance advisors to the GoDRC on how carbon finance operations work in general and an assessment of prospects, options and requisites for carbon finance, and the implications on hydropower project design.

Sub-component B3: Institutional strengthening to CGI3 (total cost US\$5.5 million; of which IDA US\$5.5 million)

74. This subcomponent will support the operation of the CGI3. It includes consultants' costs, office equipment, operational fee, counselors, organization of workshops, and communication.

D. Project Financing

Lending Instrument

75. The proposed TA project will be an Investment Project Financing in the form of an IDA Grant in the amount of US\$73.1million.

Project Cost and Financing

76. Total estimated project cost is US\$106.5million. This project cost does not include the financing by the private developer for studies, engineering, EPC sub-contracting, due diligence and financing mobilization for the privately-financed part of the Inga 3 BC development.

77. The TA project will be financed through parallel financing from IDA and AfDB (US\$33.4 million). AfDB financing for its Inga Site Development and Electricity Access Support Project (PASEL) was approved on November 20, 2013 including US\$7.5 million from a Fragile States Facility (FSF) grant; and US\$59 million from an African Development Fund (ADF) credit⁵.

78. Donor financing will follow the procurement and financial management policies of the respective donor and no contracts will be financed by more than one donor.

79. Development Finance Institutions have established a close and inclusive coordination platform, with regular audio conferences held since November 2012, with participation of DRC counterparts since March 2013. DBSA will finance studies required for the transmission lines and substation expansion and electricity dispatch and imports modalities for the electricity produced by the Inga-3 BC development and sold to South Africa and SAPP countries. DBSA will use funds from the DBSA/AFD Convention and other DBSA funds (not included in this operation). USAID is considering providing technical assistance to ADEPI.

80. The IDA-financed TA project will benefit from the wide experience of all parts of the WBG in the structuring and financing of large hydropower projects and other infrastructure public private partnerships. The project is ambitious and complex and attracting public and private sector financing will be a challenge. WBG hands-on implementation support under the IDA TA project will be provided through a team that is led by IDA – which has the fiduciary oversight responsibility for the TA project – and will bring in expertise from other parts of the World Bank Group. Once the exclusive collaboration agreement has been signed, IFC may play a structuring and arranging role for the consortium that is selected.

81. Other donors and DFIs, including EIB and AFD, are part of the donor coordination platform as they are interested in the Inga 3 BC development and are considering financing of the project during the construction phase.

⁵ Out of the US\$66.5 million approved by AfDB on November 2013, only US\$33.4 million is presented as part of the proposed project, representing essential activities required to achieve the PDO.

Table 1: Project Costs and Financing Plan (in US\$ million)

Project Components		Project cost	IDA financing		AfDB financing
			US\$ million	%	
A	Inga 3 BC development support	80.9	47.5	59	33.4
A.1	Studies	20.0	12.5	63	7.5
A.2	Advice and procurement support	39.5	19.0	48	20.5
A.3	Institutional strengthening	21.4	16.0	75	5.4
B	Mid-size hydro development support	25.6	25.6	100	
B.1	Mid-size hydropower	19.1	19.1	100	
B.2	Carbone finance market development	1.0	1	100	
B.3	Institutional strengthening	5.5	5.5	100	
	Total Project Costs	106.5	73.1	69	33.4

E. Lessons Learned and Reflected in the Project Design

82. The design and development of this project has benefited from a rich menu of lessons learned from hydropower operations in Africa and beyond, as well as other completed and ongoing IDA-financed projects in the DRC. Lessons from analytical work on hydropower development carried out by the World Bank, other donors, NGOs, and the private sector are also relevant and have been taken into account. The following is a summary of the key lessons, and the design features of the project that addresses them.

83. Lessons learned from World Bank supported projects such as Nam Theun 2 in Laos, Bujagali in Uganda, Felou in Mali, and Lom Pangar in Cameroon have been incorporated in the project design. Lessons learned around the world show that the World Bank’s role in hydropower extends well beyond lending, to include technical assistance, knowledge sharing, policy dialogue, economic and sector work, and the range of support provided during project preparation⁶. Mirroring this global experience, alternatives and design options were considered during project development and could be adjusted over time as more information becomes available from various studies and market tests.

84. Hydropower is a natural resource, which similar to extractives, can serve as a potent driver of development. But experience in DRC and elsewhere has demonstrated that natural resources endowments, if not well managed, can disappoint. The Inga-3 BC development incorporates lessons learned from the extractive sector in DRC to introduce principles of competition, transparent contracts, and transparent disposal of revenues, and enhanced role of Civil Society Organizations (CSOs) on supporting demand side accountability platforms. It thus applies measures included in the Economic Governance Matrix agreed between the GoDRC and the World Bank.

85. The TA project will help DRC to better negotiate contracts with investors and power offtakers in order to capture the resource rent that is the difference between revenues and generation cost. The project will provide world class advice to the GoDRC for contract

⁶ World Bank Group (2009), Directions in Hydropower.

negotiations which would otherwise be characterized by asymmetric capacity and information between the parties. The presence of the World Bank and other donors will help balance the relative bargaining power between the GoDRC, investors, and offtakers. Additional revenues generated by Inga 3 BC will allow for increased GoDRC expenditure on energy access, social services, and public goods with the Bank's ongoing support to Public Financial Management in DRC (see para 30).

86. The TA project takes into account the lesson learned that governments in developing countries are by no means monolithic. It will help establish ADEPI, an enclave institution to create some functionality within a challenging governance environment and wider political economy dynamics. The experience of water/power development and management authorities worldwide has provided useful insights for the design of the proposed ADEPI. Strong organizations and individual leadership at higher level is needed for decisive action and to ensure initial success. Successful water and power management organizations are clearly and strongly protected by laws and regulations (treaties in the case of international entities or bi or multinational projects) that state their responsibilities, rights, accountabilities and domain of influence. The structure of the November 2013 Policy Letter (see Annex 8) takes into account experiences from the Nam Theun 2 Hydroelectric Project in Laos and the Lom Pangar Hydropower Project in Cameroon. In both cases, the Policy letter definition of clear commitments and related indicators by the government in greater detail than may have been possible in the financing agreements. These commitments formed the basis for IDA's engagement in the project and set out clearly what IDA should expect from the government during implementation. A Policy Letter has a lesser legal standing than an agreement. However, as in the case of Nam Theun 2, Lom Pangar, and other projects, the policy letter signed by a high government official signals the strong political commitment to the project. In the case of Inga-3 BC development, the Policy Letter was signed by the Prime Minister.

87. Experience with large hydropower shows the necessity of the allocation of sufficient resources and time for preparation of feasibility studies and associated safeguard instruments. It is extremely important to take an interdisciplinary approach while assessing the environmental and social impacts of natural resources projects. Experience teaches that taking short cuts to reach short term deadlines leads to delays in the medium term. The proposed operation will help avoid delays due to lack of proper financing for various studies and other preparatory activities. It will also help to build capacity in the GoDRC to manage the subsequent phases of hydropower developments at Inga.

88. Limited management capacity has hindered implementation of complex infrastructure projects in DRC in the past. To address this, the TA project includes extensive capacity building program on sustainable development of large-scale infrastructure projects. These lessons have been incorporated in the TA project through: (i) comprehensive technical assistance provided for project preparation supported by IDA and other donors; (ii) a result-based rather than an input-based approach to safeguards; (iii) an emphasis on field-based project preparation and supervision with support from a team of leading experts at headquarters; and (iv) a comprehensive communication strategy.

89. Experience on private sector participation in the energy sector in Africa points toward the importance of clear, transparent, and balanced contractual arrangements between Government,

the private sector, off-takers, and regional partners. Only with a strong contractual framework can the PPP arrangements lead to more efficient design, construction and operation arrangements than if developed purely by the public sector. The project also addresses the strong need for systematic development of human capacity and institutional strengthening, particularly within Government for managing both the sector as well as government interaction with specific investments and stakeholders.

90. Adequate coordination among stakeholders is a central building block of multisectoral projects involving many state and non-state actors. The Inga-3 BC development is a complex project, requiring attention of multiple departments of the GoDRC to ensure sustainable and timely implementation. A Steering Committee chaired by the Prime Minister's office has been established to provide general guidance and monitor implementation of project activities and to facilitate relations with ministerial departments and public agencies.

91. The importance of appropriate communication and consultation activities, highlighted by other hydropower projects, has been taken into consideration. Hydropower projects often attract considerable attention from international and local NGOs. Several consultations have already taken place to consult civil society to engage on their concerns. The TA project includes support to strategic communication and consultation to support the dialogue and information sharing with local, national, and international stakeholders.

92. For high risk projects such as the proposed TA project, experience recommends that donor preparation and supervision teams be adequately resourced and staffed, and include field-presence. Project preparation has involved strong cooperation between the various project donors, leveraging strengths and presence on the ground. This has not only helped mobilize adequate financial resources but has also assured the presence of a multi-disciplinary team with a dual perspective of integrated water resources management and energy development and expertise on private sector participation as well as a range of social, economic, and environmental issues. The same approach will continue going forward. All donors are committed to making available adequate resources and staffing to ensure adequate supervision and implementation support. On the IDA side, project supervision will continue to involve a large inter-disciplinary team of field- and headquarter-based experts.

93. Several alternatives were considered for the project design. This includes a series of studies over the past decade that examined alternatives to develop the hydropower potential at the Inga site – including Grand Inga, Inga 3 Tunnel, and Inga 3 BC. Secondly, various off-takers for the power generated at the site were considered. Alternative structuring options were evaluated using a set of objective criteria. Also, a number of alternatives for the selection of the developer were considered. Going forward, the TA project will help the GoDRC to evaluate alternative solutions for aspects of the Inga-3 BC development in an organized manner, starting with major decisions and moving to more detailed levels over time.

94. The project also incorporates lessons from the implementation of the SAPMP and PMEDE projects, which highlighted the need to enhance SNEL's corporate governance and operational and financial performance as one of the Inga 3 BC development off-takers, as well as the need to appropriately assess and account for governance and political economy considerations in electricity sector interventions in the DRC.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

95. The GoDRC is setting up a ring-fenced development authority (*Agence pour le Développement et la Promotion d'Inga – ADEPI*) to manage and monitor the series of hydropower developments at Inga, and to help mobilize private participation and public financing. The set-up of ADEPI will be completed by the end of 2014. Until then, interim arrangements include the establishment of an Inter-ministerial Commission for Inga Development (*Commission pour le Développement du Site d'Inga - CODESI*) that will lead the necessary development activities, with the technical support of the Inga Facilitation Committee (*Comité de facilitation d'Inga - CFI*). While, day to day project implementation will be carried out by a unit in the Ministry of Hydraulic Resources and Electricity (*Cellule Technique Inga 3 - CGI3*).

96. Implementation of the TA project will initially be overseen by CODESI. CODESI is chaired by the PM and decides on key steps of Inga site development, including developing a roadmap for Inga 3 BC development, raising financing for Inga 3 BC development, and defining the structure of ADEPI. Once ADEPI is created, the CODESI will cease to exist. Strategic oversight of component A will be henceforth carried out by the ADEPI's board of directors. Oversight of component B will be carried out by CFI, which is composed of technical staff from the same ministries as CODESI.

97. The CODESI will meet at least twice per year, in addition to convening in extraordinary sessions at the discretion of the Chair. It will be regularly informed on project progress. The main tools for reporting to the CODESI will be quarterly financial and narrative reports by the project implementation unit with help from their advisors.

98. The Inga 3 BC and mid-size hydropower development TA project will have two executing agencies – the MRHE and ADEPI. During the first phase of the project, MRHE will implement the entire project. ADEPI, once established, will take over as an implementing agency for component A (Inga 3 BC Development Support) while Component B (Mid-Size Hydropower Development Support) will continue to be implemented by MRHE for the entire project period.

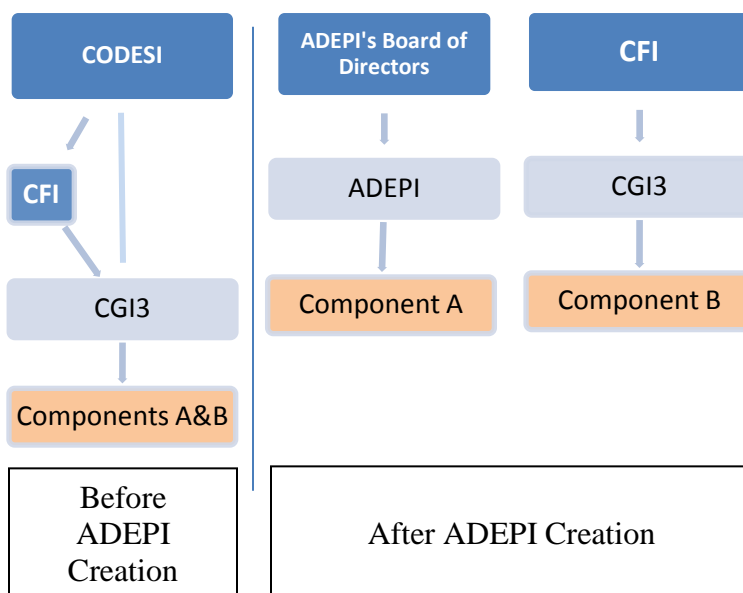
99. Given the lack of technical and managerial capacity in MRHE, the use of a small Project Implementation Unit (CGI3) is deemed appropriate. CGI3 will: (i) coordinate project activities; (ii) carry out financial management and procurement; (iii) prepare annual work plans and budgets; (iv) liaise with various government departments, (v) liaise with donors; (vi) ensure monitoring and evaluation (M&E) and reporting, and (vii) monitor and ensure safeguards compliance.

100. CGI3 is headed by a project coordinator which reports to the CODESI. The project coordinator has already been selected and is responsible for overseeing and coordinating day-to-day project implementation, including monitoring and reporting. After the establishment of ADEPI, the responsibility of the project coordinator for CGI3 will be taken over by the ADEPI director.

101. The PIU will be staffed by a small number of specialists, some of whom will be recruited using donor financing. At present, CGI3 staffs include a procurement specialist, a financial management specialist, and an environmental specialist. Six additional specialists will be contracted competitively in CGI3 and be financed through the TA project. The recruitment of procurement and financial management specialists is an effectiveness condition.

102. At the end of 2014, the ADEPI will take over the implementation responsibility of component A from CGI3. After ADEPI has been created, CGI3 will focus on the implementation of component B. Staff recruited during the first phase will be able to apply for positions in ADEPI or stay in CGI3 and focus on component B subject to a satisfactory assessment of their performance.

Figure 3: Inga 3 BC and Midsize Hydropower Development TA’s Institutional Arrangements



103. A Project Implementation Manual (PIM) will establish roles and responsibilities as well as on the technical, administrative, financial and accounting procedures, procurement arrangements, and the safeguard procedures. Finalization of the PIM is a condition of effectiveness. An environmental and social roadmap has been prepared which sets out the sequencing/timing of the various environmental and social safeguard instruments to be prepared in connection with the activities related to the development of the Inga 3 BC development and the future investment operation. The roadmap – together with the PIM – will guide project implementation and its monitoring will help to ensure the appropriate sequencing of various activities supported by the TA project.

B. Results Monitoring and Evaluation

104. The project-level M&E framework will track progress in implementation and measure intermediate outcomes. The results framework in Annex 1 outlines key performance indicators, data collection methods, a timetable for collection, and responsible agencies.

105. The CGI3 and the ADEPI will submit quarterly reports to the donors and the Ministry of Finance no later than forty five days after the end of each quarter. The quarterly reports would cover updates on procurement activities, financial management and disbursements, as well as implementation issues and associated action plan, progress on development indicators and targets, and status of financing covenants. Data collecting and reporting responsibilities will be described in the PIM. The main sources of information for this monitoring and evaluation will be reports from advisors and consultant.

C. Sustainability

106. The TA project will support the establishment and operations of the ADEPI, under an adequate corporate governance framework. A well-functioning ADEPI will contribute to the sustainability and transparency of Inga site development. It will ensure that O&M arrangements and financing arrangements (in the form of water royalties) are designed to sustain Inga 3 BC development and subsequent investments into Inga site development.

107. The project will contribute to the sustainability of mid-size hydropower development in the DRC by supporting the establishment of appropriate institutional, financial, and regulatory arrangements, as well as promoting private and local participation in the development and operations of related infrastructure.

108. The GoDRC has demonstrated its commitment (see policy letter in annex 8) to develop the Inga site under arrangements that will enhance project efficiency and cost-effectiveness and maximize project rent for the DRC as well as its regional benefits.

109. From an environmental and social point of view, Inga 3 BC development and the subsequent phases of Inga site development are expected to have limited environmental and social impacts compared to the amount of energy produced and the proposed project will finance the studies that will define comprehensive mitigation measures for all expected impacts.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Stakeholder Risk	H
Implementing Agency Risk	
- Capacity	H
- Governance	H
Overall Preparation Risk	H
Project Risk	
- Design	H
- Social and Environmental	S
- Program and Donor	L
- Delivery Monitoring and Sustainability	S
Overall Implementation Risk	H

B. Overall Risk Rating Explanation

110. The Inga 3 BC development is a complex project implemented in a fragile country and a difficult sector context. However, the potential benefits of the project outweigh its high risk.

111. The TA project intends to mitigate the risks associated with the Inga 3 BC development. Indeed, the quality of preparation is determinant of the success of such a large infrastructure project. The TA project's risk is rated high.

112. Risks associated with the Inga 3 BC development fall in two categories. Firstly, the project faces the technical, financial, political, environmental and social risks usually associated with large hydropower development in developing countries. Secondly, the project's risk profile is increased by the additional risks associated with the political fragility and the weak governance environment of the DRC.

113. The TA project will help to mitigate the environmental and social anticipated adverse impacts, anticipated geological and hydrological risks associated with the Inga-3 BC development:

- Dam safety aspects, environmental and social impacts of the dam and of the T-lines will be assessed thoroughly, following international standards, through studies financed by the TA project.
- Geological risks will also be assessed in addition to the assessment made as part of the feasibility study. A geological/geotechnical baseline report (the key document that defines the allocation of financial risk between the government and the private sector involved in the construction and operation with regard to subsurface conditions) will be developed by the TA project. It will contain baselines that describe geological and geotechnical conditions anticipated (or to be assumed) to be encountered during construction.
- The hydrological risk (*i.e.* the dam not producing the estimated amount of MW because of changing hydrology) will also be assessed through the TA project.
- A risk – which is not under the control of the GoDRC – is that the transmission lines from Katanga to South Africa are not prepared to good practice standards. This includes the risk of the routing of the T-lines not taking into account environmental or social concerns. The Financing Agreement includes suspension events that will allow the World Bank to suspend the project in the case international good practice is not followed by other actors in the development of the transmission lines outside DRC.

114. Mitigating the risks associated with the political fragility and the weak governance environment of the DRC is at the core of the TA project:

- The project includes several mitigation measures against the risk of rent capture by investors and off takers. The project will help establish ADEPI which will help increasing the professional and autonomous management of the development of the series of hydropower developments at Inga. It supports the GoDRC in implementing principles of competition and transparency. The project will support the design of balanced contracts between public and private stakeholders and regional off-takers and ensuring a transparent selection of a private developer. The provision of world class advisors to the GoDRC will help overcome the capacity and information asymmetry often seen between parties in large infrastructure and

natural resources transactions in Africa. The presence of the World Bank and other donors will help balance the relative bargaining power between the GoDRC, investors, and off-takers. It will facilitate CSOs to play the role of demand side watchdogs by bringing the development process of Inga-3 BC development into the open.

- There is a risk that the various transactions linked to the Inga-3 BC development will not come to financial closure. The amounts required are large and the country itself presents many risks including political risks. Public financing of technical, environmental, and social impact studies, geological and hydrological studies following international standards and transaction advice (also financed by the TA project) will reduce the risk of not reaching financial closing.

115. The risks associated with the TA project itself are mainly related to the risk of the GoDRC not following international good practice in the preparation of the Inga-3 BC development. This would not only mean that the project development objective would not be reached but also could expose the World Bank to considerable reputational risks. If the preparation of the project according to international good practice faces delays, there is a risk that some in the GoDRC will argue to prioritize speed over quality of preparation. As a result, Inga 3 BC development might be constructed at a higher cost and/or the rent associated with the site captured by the investor developer. Despite the legal and transaction advice financed by the TA project, political considerations might cause the GoDRC to agree on a low electricity price with South Africa.

116. Several measures are in place to mitigate the risk of diversion from international good practice. The early indication of various DFIs that public donor financing will be available to partly finance the infrastructure investments of the Inga-3 BC development reduces this risk. The Policy Letter sent by the Prime Minister to the President of the World Bank forms a “compact” between IDA and the GoDRC and outlines the conditions of engagement. The signature of the policy letter by the Prime Minister (PM) was an appraisal condition and the discontinued adherence to the content of the letter a suspension event in the financing agreement (see box below and Annex 8 for the Policy Letter). In addition, the financing agreement includes legal covenants regarding the timely set up of ADEPI.

Box 1: GoDRC Policy Letter on Inga 3 BC Development

The GoDRC Policy Letter sets out principles for developing Inga-3 BC: (a) timely set-up of the Inga Authority to manage Inga developments, (b) allocation of electricity, (c) the preferred PPP structuring option for the Inga 3 BC development (with public financing to common infrastructure), (d) adherence to a competitive tender process for developer using transparent quantitative criterion, (e) a commitment to define tax regime & water tariffs before RFP launch, and (f) commitment to international environmental and social standards.

117. Other risks associated with the TA project include fiduciary risks related to the financial management and procurement capacity of the two implementing agencies (CGI3 and ADEPI). Mitigation measures include the preparation of a PIM, the competitive recruitment of the FM and procurement teams in both CGI3 and ADEPI, the installation of accounting software in both implementing agencies and close and intensive supervision of the project, in particular on procurement and financial management aspects.

VI. APPRAISAL SUMMARY

A. Economic Analysis

118. Primary beneficiaries of the Inga BC 3 development and therefore of the proposed TA project will be households and enterprises in DRC, South Africa, and other countries in the Southern Africa region, who will gain access to less-expensive, more stable, and cleaner energy supply.

119. Technical assistance under the proposed Project is critical to help achieve and maximize the benefits associated to the development of DRC's large hydropower potential. The studies financed under sub-component A1 will contribute to improve the design of Inga 3 BC development and provide a solid knowledge basis on the site's ground conditions and project various technical aspects, reducing the risk of cost overruns during construction and supporting a more informed selection of potential contractors. Transaction advice and procurement support under sub-component A2 are expected to promote effective competition for the concession for the Inga 3 BC power plant and help the Government negotiate a concession agreement and PPAs that strike the right balance between development outcomes and return to investors. Institutional support and sector strengthening under sub-component A3 will help create a more sustainable business model and improve the investment climate for the development of Inga's next stages.

120. An economic evaluation of the Inga 3 BC development found it to be economically viable, with returns that are at least comparable to those of regional projects with similar size and complexity. The net present value (NPV) of economic benefits to an assumed 35-year life is US\$7.38 billion; the economic rate of return (EIRR) is 17.1 percent. The Inga 3 BC development remains economically viable with cost overruns of 10 percent (EIRR is 15.9 percent), a dispatch rate of the power plant reduced by 10 percent (EIRR is 15.7 percent) and a two years delays in construction (EIRR is 14.5 percent). The economic analysis uses a consumer surplus methodology to measure the benefits associated to the additional electricity consumption made available to the local market and for exports to South Africa. The economic value of electricity supply from the Inga 3 BC development is assessed for each class of beneficiaries, including SNEL customers, mining companies, and South African electricity customers.

121. The proposed TA project has an intrinsic rationale for public provision, because of its nature – technical assistance – and its scope. Strengthening Government's technical, institutional, regulatory and project implementation capacities is essential to ensure that hydropower resources are efficiently and sustainably used, with benefits equitably shared by the society at large.

122. The World Bank can bring significant added value to the proposed TA project in light of its experience in supporting large hydropower development, including through some of the larger and more critical projects in Africa and other developing regions. The Bank's institutional and regulatory support, transaction advice and/or risk mitigation can help raise project bankability and reach financial closure in a timely and efficient manner, especially in countries relatively new to PPPs and with low regulatory capacity. The Bank has also been at the forefront in supporting regional power integration in Africa and is well positioned to convene clients, the private sector and development partners to leverage consensus and investments for large-size regional projects.

B. Technical

123. The complexity of the Inga 3 BC development is mostly caused by financial and institutional factors. The proposed TA project is not overly complex from a technical point of view, as it mainly entails studies and advisory support. The feasibility studies and environmental and social assessments for mid-size hydropower do also not pose any major technical challenges.

124. The technical definition of the TA project is anchored in the findings and recommendations of the AfDB-financed Inga feasibility study. The task team has advised the GoDRC in the supervision of the consultants carrying out the feasibility study. The studies are technically appropriate and comply with international quality standards. A detailed option assessment was carried out on how to develop the hydropower potential at the Inga site. The alternative of a project with a tunnel (Inga 3 Tunnel) was studied in some detail and was found unviable given: (a) that the option does not optimize the use of the hydropower potential at Inga, and (b) the high geological risk of constructing extensive underground works in an area where no site investigation has been undertaken. The preliminary (prefeasibility level) designs retained for the construction of the Inga 3 BC powerhouse and the transmission line are technically sound.

125. Pending aspects (geological and geotechnical investigations, sedimentation studies) will be addressed during the TA project implementation, thereby reducing the construction risks. The requests for proposal for the developer of the power house and the transmission lines will include a reference project design that will be based on the feasibility study and incorporate the findings of the complementary studies. The TA project will also finance the feasibility and design studies for the common infrastructures (water intake, canal, and dam).

126. The task team has worked closely with the GoDRC on the definition of the public private structuring option for the project. It has found the retained option (public financing and management of the common infrastructure and a concession for the power house and transmission lines) appropriate in the circumstances and technically sound.

C. Governance and Anti-Corruption

127. The project supports the implementation of the Government's governance and decentralization agenda in the DRC. The project incorporates a set of inter-related activities spanning key public sector stakeholders. The size of the Inga 3 BC development coupled with the inherently weak governance and accountability mechanisms currently in place create substantial governance risks.

128. The task team has appraised the governance environment in which the project will be implemented and analyzed governance and corruption risks. The main findings of this appraisal include the risk of GoDRC not following international good practice in the preparation of the Inga 3 BC development and day-to-day fiduciary risks related to the financial management and procurement capacity of the two implementing agencies (CGI3 and ADEPI) and procurement risks. Project proceeds will mainly finance contracts for consultancy services and training. Extensive follow up will be needed to ensure that outputs are properly measured and to avoid procurement irregularities and lapses in internal control. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA and Grants" dated October 15, 2006 (the Anti-Corruption Guidelines) will apply to the project.

129. A set of governance and anti-corruption actions have been agreed with the GoDRC. The project has zero tolerance for corruption, collusion and fraud. Any suspicion of such practices shall warrant immediate investigation with severe penalties for any party found culpable of such practices. ADEPI and CGI3 staff will be selected based on merit and will be provided with training and supported by highly qualified technical consultants, particularly in fiduciary areas. The process of staff selection will be followed closely by the World Bank. During supervision, the Task Team will look out for inappropriate or suspicious practices. Enhanced supervision needs will be defined by the Task Team according to the practice identified. The enhanced supervision team will include the fiduciary team (Financial Management and Procurement Specialist) and whatever additional skill mix is warranted according to the alerts detected.

D. Financial Management

130. The overall financial management (FM) risk of the TA project is rated substantial. The proposed FM arrangements including the mitigation measures for the Project are considered adequate to meet the Bank's fiduciary requirements under Operations Policy 10.00. An assessment of the proposed FM arrangements and implementing agencies found a substantial residual FM risk after mitigation measures. FM arrangements are described in detail in Annex 3.

131. The CGI3 fiduciary team and, from 2014, the ADEPI fiduciary team will be in charge of fiduciary aspects for Component A of the project, whereas CGI3 will be in charge of fiduciary aspects of Component B throughout project implementation. The CGI3 FM team and later the ADEPI FM team will be each composed of qualified and experienced Financial Manager supported by one accountant/ treasurer, all selected on a competitive basis. The FM teams will be responsible for: (i) the design and establishment of the project's computerized financial management system; (ii) the approval of disbursements of funds to services providers, contractors and consultants; (iii) maintaining up-to-date accounting records and ledgers; (iv) the recording of financial transactions; (v) financial reporting; (vi) submission of audit reports; and (vii) ensuring that a proper internal control system is in place to achieve accountability at all levels.

132. The FM teams will be both further strengthened through the recruitment (on a competitive basis) of an Internal Auditor. The Internal Auditor will review the Financial Management Reports submitted by the Project's different stakeholders, and will carry out regular internal audit controls. This will include the verification of eligibility of expenditures ex-post as well as physical inspection of works and goods acquired by the Project.

133. The Project's internal control and appropriate segregation of duties and responsibilities will be defined in the administrative, accounting and financial chapter of the PIM. Accounting software with multi-projects, multi-sites, and multi-donors features will be procured.

E. Procurement

134. The procurement risk of the TA project is rated high, given the country risk and the complexity of the procurement of the project.

135. For Component A, procurement activities will be carried out by the MRHE through CGI3, and subsequently the ADEPI fiduciary teams. MRHE through CGI3 will be in charge of procurement activities for Component B of the project

136. By effectiveness, the Procurement Unit of CGI3 will be staffed with a procurement specialist recruited on a competitive basis. The procurement specialist will lead the procurement process, provide on-the-job training to other procurement staff (including any other staff assigned by the Ministry), and set up an acceptable procurement system. S/he will also: (i) reinforce the integrity and internal review of the procurement process; and (ii) develop and strengthen capacity within CGI3.

137. ADEPI will be staffed with specialized procurement specialists who will be recruited competitively.

F. Consultation, Communication and Outreach

138. A comprehensive consultation and communication strategy to support consultations, stakeholder engagement and outreach has been prepared. The communication strategy will be carried out by the GoDRC in close collaboration with development partners, including the World Bank. The communication strategy will focus on strengthening core communication capabilities of the MRHE and ADEPI with a view to expanding opportunities for consultations, strengthening stakeholder engagement, and promoting transparency and accountability.

139. The project supports the development of a large hydropower project in a weak governance environment. The consultations and communication strategy pays special attention to a number of contentious issues related to the Inga 3 BC development including country capacities, perceptions of corruption, choice of technology, resettlement, environmental and social considerations, and low investor confidence. As can be expected for a project of this size and importance, media interest by international, regional and local media outlets has been significant including from international civil society organizations. In the preparatory phases, stories about the project have appeared in a large number of international outlets.

140. A participatory process at local and provincial levels, including dialogue with private sector, civil society representatives, and development partners has validated the project scope. The consultative approach has established an ongoing, accessible dialogue with potentially affected populations and other stakeholders so that their views could be fed-forward in decision-making processes relating to the TA project. The results of the consultations confirm broad support for the TA project and the Inga 3 BC development.

141. The terms of reference prepared for safeguards studies have been disclosed and have been the subject of two public hearings in Kinshasa and Matadi. Participants included men and women from civil society (particularly churches and faith groups), local and international NGOs, academia, project affected persons at the Inga site, youth organizations, DRC environmental authorities at provincial and national levels, and other government's entities. Participants' contributions were recorded by the project unit, and relevant proposals/amendments will be made to the TORs.

142. Going forward, the communication strategy will take a proactive approach to consultations, continuing stakeholder engagement and strengthening capacities of DRC’s local institutions are key pillars of the strategy. Throughout project implementation, transparency will be emphasized.

G. Social and environmental (including Safeguards)

143. None of the activities financed by the TA project is expected to induce adverse, irreversible environmental and social impacts. The TA project is rated environmental category A because of the potential impacts that could be generated by the subsequent implementation of the Inga 3 BC development that is being prepared through the TA project.

144. The table below summarizes the eight safeguards policies triggered by the project.

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[x]	[]
Pest Management (OP 4.09)	[]	[x]
Indigenous Peoples (OP/BP 4.10)	[x]	[]
Physical Cultural Resources (OP/BP 4.11)	[x]	[]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Forests (OP/BP 4.36)	[x]	[]
Safety of Dams (OP/BP 4.37)	[x]	[]
Projects on International Waterways (OP/BP 7.50)	[x]	[]
Projects in Disputed Areas (OP/BP 7.60)	[]	[x]

145. Findings of an initial Environmental and Social Impact Assessment (ESIA) commissioned in 2012 by the GoDRC as part of the AfDB-financed feasibility study suggest that the Inga 3 BC development will induce adverse environmental and social impacts that are relatively limited in scope compared to the amount of energy to be generated. The implementation of the civil works of Inga 3 BC development will require the acquisition of 77 ha of land for the canal, and 15.5 km² for the creation of the Bundi reservoir (including 2.6 km² of forest and agricultural land). The reservoir itself will not have significant negative impacts on people or nature⁷.

146. **Environmental policies.** OP/BP 4.01(Environmental Assessment) is triggered as the construction of the intake, the canal, the power house, and the transmission lines within DRC and in SAPP countries as well as the mid-size hydropower developments will induce adverse environmental impacts. OP/BP 4.04 (Natural habitats) is triggered as areas concerned by civil works related to the Inga 3 BC development include natural habitats and the likelihood of negative impact may be significant. The AfDB-financed feasibility study found that no endangered mammals and fishes will be affected by the construction of the Inga 3 BC development. OP/BP 4.36 (Forests) is

⁷ Subsequent phases of the series of Inga hydropower developments are expected to have a larger footprint as the Bundi reservoir elevation is increased and a dam will be constructed across the Congo River. The reservoir that will be created over time by the Inga site subsequent phases will eventually cover about 40 km², and raise water levels as far as 180 km upstream.

triggered as the 2.6 km² in the Bundi valley where the dam and the canal will be constructed, is covered by forest. The transmission lines will also go through forested areas. The area to be cleared for the intra-DRC transmission line will be 100 meter wide and cross 1850 km of the country. OP/BP 4.37 (safety of dams) is triggered to ensure that safety aspects (mainly geotechnical aspect) are taken into account during the construction. OP/BP 4.11 (Physical Cultural Resources) is triggered as many studies show that DRC is a cultural rich country. As a result, the construction of the Inga 3 BC infrastructure may impact physical cultural resources. The ESIA will include a Cultural Heritage Management Framework (CHMF). Finally, the Congo River being an international waterway, OP/BP 7.50 (international waterways) is triggered. The twelve other riparian countries of the Congo River basin were notified about the project on November 4, 2013, in compliance with this policy. The notification requested that comments to the proposed activities be conveyed by December 6, 2013. No response was received, and the Bank determined to move ahead with the processing of this operation.

147. **Social policies.** OP/BP 4.12 (Involuntary Resettlement) is triggered as the development of Inga 3 BC hydropower complex and transmission lines in DRC will induce land acquisition. OP/BP 4.10 (Indigenous People) is triggered to cover potential impacts to be induced by the construction of the transmission line which may traverse areas inhabited by Indigenous People. An Indigenous Peoples Planning Framework (IPPF) will be prepared for the section of the transmission line within the DRC borders.

148. The TA project will finance a number of technical and E&S assessments as a sound basis to feed into the decision making process for the development of Inga 3 BC development and three mid-size hydropower projects. Environmental assessments planned include ESIA for the Inga 3 BC development (including a cumulative impact assessment of Inga 3 BC and Inga 3 HC developments), for the transmission lines in the DRC, and for the mid-size hydropower projects. The assessments will include substantial environmental and social baseline information on the Inga 3 BC development site.

149. An “E&S roadmap” has been agreed with the Government (see table 3 in Annex 3). This roadmap describes the coordination and sequencing of the safeguard documents and environmental and social studies to be financed under the project and the feasibility studies, design and bidding documents they relate to. The requirement to implement the Project in accordance with the E&S roadmap will be a legal covenant in the Financing Agreement.

150. Ten ToRs related to environmental and social safeguard policies for impacts within DRC were disclosed in-country and the Bank’s Info-shop on June 28, 2013⁸. All ToRs have been drafted in compliance with both World Bank safeguards policies and with the World Bank performance standards for projects involving private sector participation. The applicable safeguards regime for different components of the Inga 3 BC development (common

⁸ ToRs for the following studies have been disclosed: (1) ESIA for Inga 3 BC development hydropower complex, (2) ESIA for Inga 3 BC transmission line from Inga to the border with Zambia, (3) ESIA for mid-size hydropower projects, (4) Environmental and social expert panel, (5) Dam safety expert panel, (6) RAP for the Inga 3 BC hydropower complex, (7) RAP for the transmission line from Inga to the border with Zambia, (8) RPF for the mid-size hydropower projects, (9) IPPF for the transmission line in the DRC, and (10) Assessment Framework for Physical and Cultural Resources.

infrastructure, powerhouse, transmission lines) will be determined during the TA project. Public consultations were held on July 3, 2013 in Kinshasa and on September 3, 2013 in Matadi (Bas Congo province where the Inga 3 BC development will be located). The results of the consultations confirmed a broad support for the TA project and for Inga 3 BC development. ToRs will be re-disclosed to reflect comments received during the consultations and reflect the evolving project structuring.

151. Two additional studies (Community development plan for project affected persons and resettlement action plan for Camp Kinshasa) will be financed by the TA project. These studies will address historically pending E&S issues related to Inga 1 and Inga 2, built in the 1970s and 80s, without Bank funding. The ToRs for the studies have been disclosed to ensure transparency.

152. The GoDRC will use its best effort to ensure that TORs for ESIA, IPPF and RAPs for the transmission lines outside DRC will be shared in a timely manner with the Bank for review and input. Outside of DRC the transmission lines are considered associated facilities per the definition of the World Bank safeguards policies which requires that the Bank is satisfied with the quality and scope of the safeguards instruments prepared for these infrastructures.

153. The project preparation has emphasized the critical role of safeguards compliance. The Inga 3 BC developer will have to comply with the environmental and social safeguards requirements of the Inga 3 BC development project, including environment-related design, construction specifications, as well as environmental rules for civil works contractors. If any part of the dam or associated facilities were to be prepared without compliance with the above triggered Bank safeguards policies and agreed implementation arrangements, the Bank will not be able to participate in the possible future financing of the Inga 3 BC development .

Annex 1: Results Framework and Monitoring
DEMOCRATIC REPUBLIC OF CONGO
Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

Project Development Objective (PDO): The PDO is to contribute to the sustainable development of Inga 3 BC and selected mid-size hydropower projects.													
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)	
				2014	2015	2016	2017	2018					
Indicator one: Establishment of the Inga Development Authority		Y/N	N	N	Y	Y	Y	Y	quarterly	CGI3/ADEPI quarterly reports	Prime Ministry	The establishment of ADEPI includes the development of technical and fiduciary capacities and the provision of a budget for operating costs.	
Indicator two: Availability of the bidding documents for the Inga 3 BC development		Y/N	N	N	N	Y	Y	Y	quarterly	ADEPI quarterly reports	ADEPI	The bidding documents will have to be compliant with WB environmental and social safeguards and other sustainability consideration.	
Indicator three: Availability of the bidding documents for the selection of developers for mid-size hydropower projects		Number	0	0	0	1	2	3	quarterly	CGI3 quarterly and annual reports	MRHE/CFI	The bidding documents consist of a request for proposal, reference project, fiscal regime, and environmental and social specifications.	
INTERMEDIATE RESULTS													
Intermediate Result (Component A): Inga 3 BC development through a PPP is promoted													
Intermediate Result indicator one: Signature of the Exclusive Collaboration Agreement		Y/N	N	N	Y	Y	Y	Y	Once	ADEPI quarterly reports	ADEPI	The Exclusive Collaboration Agreement will be signed between ADEPI and the selected developer.	
Intermediate Result indicator two: Availability of finalized E&S studies for Inga3 BC		Number	0	0	5	9	12	12	Once	Consultant firms	CGI3	These include studies resulting from the 12 ToRs which have been disclosed in June 2013.	
Intermediate Result indicator Three: Power Purchase Agreements (PPAs) negotiated and publicly disclosed		Number	0	0	0	2	3	3	quarterly	Minutes of meetings	ADEPI	Three PPAs with SNEL, Mining companies and RSA, as approved by ADEPI.	
Intermediate Result (Component B): Medium size projects are promoted through PPP													
Intermediate Result indicator One: Availability of E&S studies for mid-size hydropower projects		Number	0	0	0	3	6	9	annual	Consultant firms	CGI3	One ESIA, RAP and ESMP per site for each of three mid-size hydropower sites	
Intermediate Result indicator Two: CDM Program of activities developed		Y/N	N	N	N	Y	Y	Y	annual	Consultant firms	MECNT	A CDM program of activity is a standardized document that describes a set of a measures and/or policies leading to anthropogenic GHG emission reductions through a number of CDM Program of Activities which are the specific measures through which emissions reductions are generated.	

Annex 2: Detailed Project Description
DEMOCRATIC REPUBLIC OF CONGO
Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

1. This annex consists of two parts. Firstly, it describes Inga 3 BC development. It then presents the proposed technical assistance operation.

Annex 2.1: The Inga 3 BC Development

A. Background

2. The interest in harnessing the hydropower potential of the Congo River at Inga goes back several decades. The total potential of the site has been estimated at about 40,000 MW which makes it the world's largest hydropower potential concentrated in one site. First stages have already been developed at Inga 1 in 1972 and at Inga 2 in 1982 (1,775 MW in total, currently under rehabilitation with IDA and AfDB financing).

3. The Grand Inga scheme was first studied at the prefeasibility level in 1974. Although the study looked at a staged development approach, the commissioning of the first units at Grand Inga would require the construction of a large dam across the Congo. The costs of the scheme were prohibitive. For this reason, the study proposed a preliminary phase before Grand Inga would be built, called Inga 3 Tunnel.

4. Inga 3 Tunnel would capture water from the Congo waters in the vicinity of Inga 1 and Inga 2 intake and carry it through large tunnels to a power station. There has been no consensus on the viability of the Inga 3 Tunnel option given the high geological risk of constructing extensive underground works in an area where no site investigation has been undertaken. Moreover, the Inga 3 Tunnel did not optimize the Inga site as it would push back the start of the Grand Inga project and the water flow used for Inga 3 Tunnel could generate more energy if used at Grand Inga, because of the significant head differential between the two sites.

5. Despite these open questions, the GoDRC launched a selection process for a private developer for the Inga 3 Tunnel project in October 2010. The selected private developer was to develop, invest, construct, and operate the project with BHP Billiton as a minority partner and main off-taker of the electricity generated. The bidding process thus envisaged a purely domestic project.

Shift to a phased approach

6. In 2010, SNEL commissioned a study for the development of the Inga site and associated interconnections (*Étude de développement du site hydroélectrique d'Inga et des interconnexions associées*) with AfDB financing. This feasibility study aimed at comparing options for the next phase of development of the Inga site. The consulting firms AECOM and EDF were selected to carry out the study.

7. The prefeasibility study proposed a phased approach to developing the Inga hydropower potential, consisting of a number of developments over time. The first phase was identified as Inga 3 Basse Chute (BC), consisting of a dam creating a reservoir in the Bundi valley fed by a

canal that draws water from the Congo river at Kianda, upstream of the Sikila island, and transfers the water in the Bundi valley through a canal.

8. The next stage following the Inga 3 BC development would be the Inga 3 HC development, involving the construction of a dam across the Congo River, the heightening of the Bundi dam and the construction of spillways and saddle dams along the waterway. The head would rise from 92-98 m to 127-152 m. The Inga 3 HC development would benefit from the raising of the head and would not involve the installation of new units, as the initial units would be designed to operate under two different head ranges. The heightened Bundi dam being an integral part of the pool of infrastructures creating the Inga 3 HC reservoir, its ownership and management should be controlled by the public sector from the outset.

9. Each subsequent project would represent an increment of 6 to 7,000 MW that could each be built in less than 7 years with a decreasing economic cost from US\$2.1 cents/kWh down to less than US\$1 cent/kWh allowing DRC to export electricity across the whole continent along new electricity highways. Each project would be developed under PPP mechanisms with manageable amounts of public and private financing requirements. Key donors agree that this is a realistic approach for the Inga dream to become a reality⁹.

10. The phased approach was adopted as the way forward at a workshop in October 2011 and served as a basis for the feasibility study. The feasibility study was completed in the fall of 2012. The official presentation took place in Kinshasa in September 2013. Official representatives from South Africa, Zambia, Nigeria, South Sudan, and Egypt attended the presentation. The scope of the feasibility study was to:

- analyze the projections of energy demand and supply in the DRC and the main interested power pools;
- carry out a prefeasibility study of the Grand Inga hydroelectric scheme;
- collect the feedback on existing developments (Inga 1 and 2);
- analyze the proposed Inga 3 BC development;
- make further progress in environmental assessments;
- reflect on the institutional and organizational framework required to carry out future development projects.

B. Inga 3 BC Development

11. The Inga 3 BC development will have a 4,800 MW installed capacity (and 4,000 MW firm capacity). The development includes a 12 km open-air intake canal, a 100m high dam on the Bundi River, and associated transmission lines to export 2,500 MW to South Africa and supply the balance to the Katanga mining industry and other domestic demand through the national utility SNEL. Total estimated project cost is US\$11billion without financing costs. The Inga 3 BC development will not require the building of a dam across the Congo River.

12. The feasibility study included a preliminary environmental and social assessment which concluded that the environmental and social negative impacts of the Inga 3 BC development

⁹ The staged development of the Inga Site is sometimes confusingly also referred to as “Grand Inga”.

were manageable and small relative to the amount of planned energy generation, due to the limited surface area of the reservoir to be created on the Bundi River.

13. The feasibility study did not investigate the geological and geotechnical aspects of the site. The Inga 3 BC development will require the construction of a canal and a dam in a complex geotechnical environment. The continuous movements observed at Shongo and Inga 2 dams are still being investigated and demonstrate the complexity of the geotechnical environment. It is essential for this transformative project to start with the best possible level of information and data to avoid subsequent implementation delays and undermining investors' confidence in the project. For this reason, the preparation of a Geological Baseline Report is required.

14. Sedimentation is an issue on the Inga 1 and Inga 2 schemes. Special attention will have to be paid in the design of the Inga 3 BC development on the sediment management techniques to be put in place in order to prevent sedimentation in the reservoir and in the canal and to flush sediments during high flows.

15. Transmission lines are another major component of the project. The current concept plans for a HVDC transmission line from the Inga site to Katanga and a HVAC transmission line connecting the converting station in Katanga to the SAPP system. The extent and nature of the extension/reinforcement of the SAPP system still need to be studied. The HVAC transmission line will allow an easier dispatch of electricity along the way to South Africa and other SAPP countries.

Project management

16. The GoDRC is setting up a ring-fenced development authority (*Agence pour le Développement et la Promotion d'Inga – ADEPI*) to manage and monitor Inga development, and to help mobilize private participation and public financing. The set-up of ADEPI will be completed by the end of 2014. Until then, interim institutional arrangements have been set up to continue the preparation of Inga-3 BC development, including the establishment of an Inter-ministerial Commission for Inga Development chaired by the Prime Minister (*Commission pour le Développement du Site d'Inga - CODESI*), an inter-ministerial technical committee (*Comité de Facilitation d'Inga - CFI*), and a technical unit in the MRHE (*Cellule technique Inga 3 - CGI3*).

17. The Inga Development and Promotion Authority (ADEPI) will be responsible for the implementation of the Inga 3 BC development and the subsequent hydropower developments at the Inga site. The ADEPI will be the authority that awards concession contracts.

18. The ADEPI will be created by law as an autonomous agency that is not subordinate to a sector ministry. It will employ high-level competitively recruited personnel. It will be run by a Board of Directors whose members are distinguished individuals from the government, civil society, and the private sector. Recognized firms and experts will periodically review the Agency's technical and financial performance. Review findings will be published. All members of the Agency's staff will be hired under short-term contracts that will be renewed depending on performance reviews carried out by a recognized human resource firm.

Institutional structuring

19. The GoDRC has decided to use a Public Private Partnership model to realize the Inga 3 BC development. Given DRC’s overall country risk, there are limits in the mobilization of both public and private financing. Public financing faces debt ceiling and concessional financing limits, and both public and private financings will face financial and country risk constraints. The main risk mitigation measures include the export of a considerable part of the generated power to a creditworthy entity, probably to South Africa, as well as the contractual terms of the concessions, and the guarantees which GoDRC will need to find to secure its obligations in the frame of the concession agreement. The allocation of revenues to secure both public and private financiers will need to be designed appropriately to reflect this.

20. A range of options for allocating the risks and respective roles of public and private parties in the financing and O&M of hydropower and transmission line investments for the Inga 3 BC development were defined (see figure below).

Figure 4: Institutional structuring options for the Inga 3 BC development

Components	Cost (\$bn)	Option 1	Option 1A	Option 2	Option 3	Option 4
Intake, Canal, Dam	2.6	Private SPV	Private SPV with minority shareholding by GoDRC	Public	Public	Private SPV
Power Station	3.6			Private SPV	Private SPV	
T-line DRC	2.3				Public	
T-line SAPP	2.0	SAPP counties / RSA				

21. The GoDRC – in consultation with its advisors, donor agencies, and candidate private developers – defined a number of criteria to select the preferred structuring option. An important criterion was the protection of the sovereign rights over private and foreign interests in the development of the whole Inga site (including during subsequent development stages of the site). Common infrastructures to be used throughout the series of Inga hydropower developments should therefore remain under DRC’s control, be it through ownership or as part of the developers’ obligations in the concession agreement. Other criteria that were considered in the selection of the structuring option include: (i) its financial feasibility, for both public and private financing; (ii) interface risks, especially the most critical one between the dam and the power plant; (iii) impact on the proposed price per kWh for various offtakers; and (iv) the implementation timeframe.

22. Following several working sessions organized with GoDRC, their advisors, and donors interested in the project, the number of institutional structuring options was progressively narrowed down to the preferred option. The retained option was the one recommended in feasibility study as the preferred choice, essentially on the basis of the need to preserve DRC’s strategic control over common infrastructures while finding a balance between public and private financing (option 2). This preferred option could be adjusted based on studies results and market testing.

23. In this option, the intake, canal and Bundi dam are developed and financed by a public entity while the power station and the transmission lines in DRC are developed, designed, financed, constructed and operated by a single Special Purpose Vehicle (SPV).
24. Common infrastructure will be publicly owned and financed. The detailed design and the bidding documents for the selection of the EPC contractor(s) for the construction of the common infrastructures will be handled by the public sector.
25. The developer in charge of the construction of the power station and the transmission lines only, will perform the detailed design of these facilities under the review of the GoDRC and prepare the construction of the power plant and the transmission lines. The GoDRC and main off-takers could be minority shareholders in this SPV.
26. Several measures are under consideration to reduce interface risks. One possibility would be to entrust the overall engineering and construction supervision to the private SPV under a project management contract (“Contrat de maîtrise d’oeuvre”). Another option is to include the O&M for the common infrastructures (after construction) to the private SPV as part of its concession contract with an option for early termination of the O&M contract for the common infrastructures in case the Bundi dam is heightened before the end of the concession period.

The process till financial closure

27. As outlined above, the GoDRC – in cooperation with BHP Billiton, launched an international call for Expressions of Interest for potential developers/investors in 2010 for the Inga 3 Tunnel project. The consortium Orrick-Rambaud-Martel/Lazard/Tractebel Engineering was engaged by the GoDRC to advise on the legal, technical, and financial aspects of the project, in particular those relating to the selection of a private developer and the implementation of the various steps leading to the creation and implementation of an SPV under Congolese law.
28. Six consortia were prequalified in June 2011. Three consortia from China, Korea/Canada and Spain presented proposals on October 15, 2011¹⁰. Two out of three prequalified consortia have paid the US\$1million deposit requested by the GoDRC to cover the remuneration of its advisors. Selection of the successful bidder was to be made on the basis of experience, financial capability and proposed strategy for project structuring and financing. However, as the feasibility study financed by the AfDB progressed, it became clear that the nature of the project had to change from the tunnel option to the current Inga 3 BC design. It also became clear that the information and selection criteria contained in the original Memorandum of Information underlying the process 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. The selection process was put on hold.
29. The GoDRC published in February 2012 an addendum to the project information memorandum for the potential developers/investors and expected the selection process to continue, under a form of competitive dialogue involving the three prequalified consortia, on the

¹⁰ One of the consortia includes a firm which is currently under a 10 year cross-debarment sanction by the WBG, another one includes a firm which has been temporarily suspended.

basis of more detailed information. In February 2012, BHP Billiton announced their withdrawal from the project. This has slowed the process but has not stopped it thanks to the fast pace of demand growth expected in the DRC and in neighboring countries.

30. The Prime Minister confirmed in January 2013 the intention of his government to continue adapting the ongoing process of selecting a private developer. The DFIs have communicated clearly that the ongoing selection process does not conform to the procurement guidelines and that DFIs public sector windows will not be able to finance the government equity in the SPV formed by the selected developer. They also have indicated that the selection of the developer should be on the basis of economy and efficiency criteria in order to allow access to DFI guarantees and/or private sector window financing.

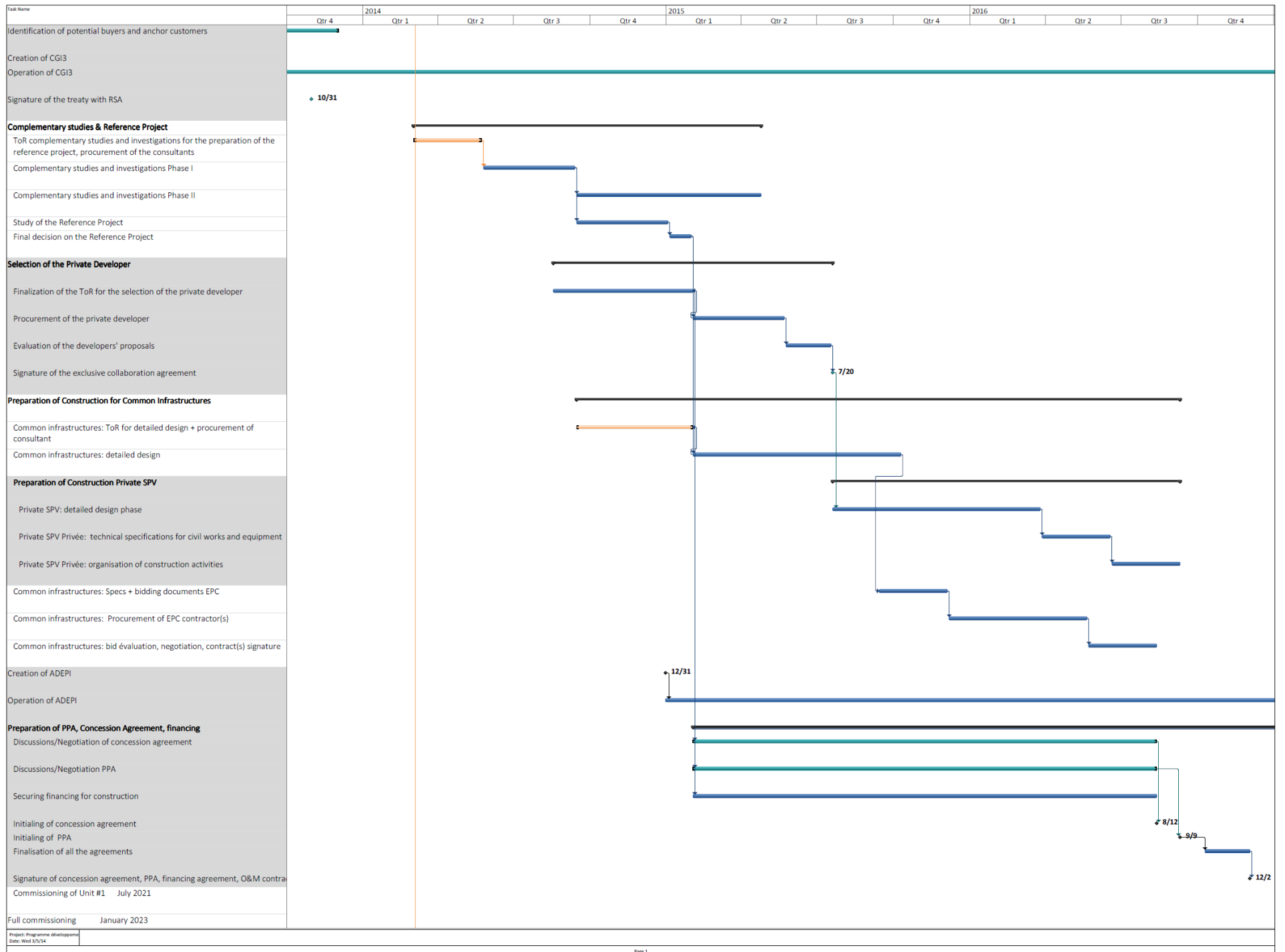
31. The process to financial closing will consist of several phases. Firstly, the structuring option will be validated through market testing and if necessary adjusted. Then a developer will be selected. The selected developer will sign an exclusive collaboration contract with the GoDRC by mid-2015. A period of exclusive collaboration with the selected developer will focus on the detailed design of the powerhouse and transmission line, preparation of the construction, preparation and negotiation of the concession agreement, preparation and negotiation of power purchase agreements, securing of financing, and the establishment of the SPV. The exclusive collaboration period will conclude with the award of a concession for the power station and transmission lines in DRC to the private SPV by the end of 2016. The private SPV will probably include minority shareholding by GoDRC, RSA and/or mining companies.

32. The GoDRC and its strategic advisors are developing the RFP for the selection of a private developer which is to be published early 2015. The RFP will include a reference project, the results of the geological baseline survey, and the fiscal regime applicable. In the case of data gaps, the RFP will also include formula for a transparent adjustment of the bid price once data will be available. The RFP will provide an opportunity to the three prequalified consortia to reconfigure, including integrating new partners to allow the developer to adapt to changes in the project design since prequalification. No new consortia will be pre-qualified, which means that, in order to compete, firms will have to become members of one of the already pre-qualified consortia.

33. In parallel with the selection of the developer, the GoDRC will prepare the detailed design of the common infrastructures, the preparation of the technical specifications and bidding documents, and conduct the selection of one or more Engineering Procurement and Construction contractor(s) for the construction of the facilities. It is expected that the EPC contracts for the common infrastructures will be signed at the same time the concession is awarded to the private developer.

34. A timeline of the process to financial closure is provided in the table below¹¹.

¹¹ In May 2013, the GoDRC announced its objective to have a groundbreaking ceremony for Inga 3 BC in October 2015 (during the 2016 presidential election campaign). Start of works will not be possible under any of the defined alternative structuring options and development processes by October 2015. In the following timeline, the commissioning of the first unit is expected by mid-2021, *i.e.* six months later than the date of commissioning stated in the policy letter (end of 2020) - See annex 7.



Annex 2.2: Detailed Technical Assistance Project Description

35. The project will finance a flexible suite of technical assistance to support the GoDRC in the sustainable development of Inga 3 BC and several mid-size hydropower sites using a public-private partnership approach. TA activities include the provision of strategic advice and expertise to the GoDRC, complementary studies, capacity building, and institutional strengthening. All these activities will create the basic conditions to attract private financing, select private developers, mobilize public funding and negotiate PPAs.

36. Activities will be coordinated with support provided by other development partners. The proposed operation – with parallel co-financing from IDA and AfDB - will support the GoDRC to develop the Inga BC development on its territory. The GoDRC will benefit from a team that brings together expertise from across the World Bank Group. The preparation of the development of the transmission lines in the SAPP countries will be financed by DBSA (outside of the scope of this operation).

Project Components

37. The TA project consists of two components: (a) Inga 3 BC development support, and (b) mid-size hydropower development support.

COMPONENT A – Inga 3 BC development support

38. This component will build on the feasibility study for the development of the Inga site and associated interconnections financed in 2010-13 by the AfDB. It will finance complementary studies, transaction advice and procurement support, and institutional support and sector strengthening. The scope of activities that will be financed by the TA is flexible and can be amended to allow for adjustments of the allocation of activities and responsibilities between the public and private sector for the Inga-3 BC development.

39. This component will include three subcomponents: (i) Studies, (ii) Transaction advice and procurement support, and (iii) Institutional support and sector strengthening.

SUB-COMPONENT A1: Studies

40. This subcomponent will finance the preparation of complementary studies identified in the feasibility study. These include technical studies to complete the reference project design, social and environmental studies and panels, and economic studies, including power supply-demand analysis.

41. **Technical studies:** Various studies have been identified in the feasibility study. These studies are needed in order to refine the knowledge of the ground conditions in the canal and at the dam site, approach more precisely the hydraulic and sediments issues linked to the water intake on the Congo River, and provide the input data necessary to complete the reference design. Studies to be financed include:

- ***Geological & geotechnical investigations*** on site to confirm the foundation condition for the Bundi dam. A full geological and geotechnical survey campaign was recommended by the consultant and will cover the entire area of the Bundi Dam and Inga 3 BC power plant. This new data will confirm the geological and geotechnical characteristics of the green schistose

rock and improve the design of the Inga 3 BC water intake, canal, dam, and power plant.

- ***Study of the sedimentation in the canal.*** Measurement is critical in the analysis and understanding of sediment phenomena. Installation of a continuous suspended particles measuring device to gather information on the nature of the sediments and their concentration has been recommended. A continuous measuring device for the concentration and for the particle size distribution of the sediments will be installed, coupled with regular sampling (physical and chemical analysis).
- ***Study of the Congo River water intake.*** This Numerical and Scale model will be used to confirm the design and maximum capacities of the Inga 3 BC canal and water intake on the Congo River. Additional bathymetric measurements and river velocity profile measurements will be conducted in the area of the future water intake for at least two significantly different river flows. These measurements will help to calibrate the models. The model will also serve as the basis for the design of an intake that limits the entry of sand into the Bundi Valley and for the two deflectors to be constructed in front of the Inga 3 BC water intake. These deflectors will serve to accelerate the speeds, put the sediment back into suspension and thereby facilitate their evacuation via the power plant.
- ***Study of the impact on the operation of Inga 1 and Inga 2,*** especially during the low flows on the river. The water intake for the Inga 3 BC development will have an impact on the water level in the Congo River that may affect the ability of Inga 1 and Inga 2 intake to operate during the low flow season. It will be necessary to refine the quantification of this impact, not only in terms of hydraulic regime but also in terms of the potential generation loss for Inga 1 and Inga 2, in order to decide between: (i) the implementation of a hydraulic release from the Inga 3 BC canal to Inga 1 and Inga 2, and (ii) the setting up of an energy or financial compensation mechanism between the two entities.
- ***Study of the transmission line Kolwezi to the border with Zambia.*** This is an update of the feasibility study as the new design has been changed from the original design that planned for a HVDC transmission line from Kolwezi to Witkop (RSA).
- ***Development of the reference project.*** This activity will refine the feasibility design based upon the results of the complementary studies and define a project description that will serve as a reference for the selection of the developer for the power house and the transmission line

42. **Social and Environmental studies.** These studies will review, update and complement the ESIA prepared as part of the feasibility study. It will also include the preparation of baseline data, a cultural resources management framework, and cover the ESIA/RAP T-lines DRC and the issues linked to historically pending environmental and social issues related to Inga 1 and Inga 2. In addition, the component will finance a Strategic Environmental Assessment that will explore the strategic environmental and social linkages with the proposed investments and in particular, the climate change dimension that may affect the viability of the said investments.

43. ***Panels of Experts (Environmental/Social and Dam Safety).*** In accordance with OP 4.37, two separate panels of experts will be recruited for the duration of the TA. The Environmental and Social Experts panel will have two members (one environmental and one social expert). The Dam Safety panel will have five members (one dam specialist, one geologist, one hydrologist, one expert in sedimentology and one expert in electro mechanics). A single Dam Safety panel for

Inga 1 and Inga 2 (for which a five-member panel has been operational since 2011) and for the Inga 3 BC development is being considered.

44. **Economic studies.** A number of sector studies will be financed to ensure that the additional generation capacity of the Inga 3 BC development translates into better services for households and small and medium enterprises. The studies will include:

- **Study of the productive demand in the Bas Congo**, in order to analyze the possibility of developing electricity consumptive activities in the vicinity of Inga.
- **Tariff studies**, including (i) in-depth analysis of the integrated resource plan for electricity of the RSA and identification of alternative generation options to the Inga 3 BC development for RSA; (ii) study of electricity market prices for generation in RSA and in particular of alternative power generation options (public and private projects - IPPs); and (iii) study of the rates paid by mining and domestic consumers for their supply of energy (whether connected to the grid or not).
- **Master plan / demand characterization for the Inga 3 BC development.** This activity will analyze the projected growth of power generation and national interconnected network (*Réseau National Interconnectée*) and simulate the existing network and growth prospects. The plan will also determine the energy expected from Inga in Katanga and in Bas-Congo / Grand Kinshasa.

SUB-COMPONENT A2: Transaction advice and procurement support

45. This sub-component will include technical, legal, and financial assistance for the structuring of the Inga 3 BC development. This subcomponent will include support to market test different features of the PPP structuring options and will be flexible to allow for adjustments along the way responding to signals from the market. This could include measures to reduce interface risk to be considered, include entrusting engineering and construction supervision of common infrastructure to the concessionaire under a project management contract (“contrat de maîtrise d’oeuvre”). Activities to be financed include:

- **Study of protocols and agreements associated to the Inga treaty.** The Inga treaty that has been signed between DRC and RSA will require separate protocols and agreements on a number of aspects, such as tariff setting, interconnection arrangements, interface with SAPP, etc. for which the project will finance support (consultant advisors and studies).
- **Support for the preparation of the law on Inga.** The GoDRC will need to prepare the law setting the framework for the development of Inga 3 BC and subsequent phases. It will include the definition water royalties and the tax regime applicable to the concessionaire (based on the outcome of the tariff studies financed under sub-component A1), with the objective of maximizing the economic rent of the project to the benefit of the GoDRC.
- **Support to developer selection process.** Experienced strategic, financial, transaction, and procurement expertise will be provided to GoDRC for the financial and institutional structuring of the Inga 3 BC development, through the process of finalizing the selection of the developer until award of the contract to the concessionaire.
- **Review of the developer’s technical activity during exclusive collaboration.** Technical expertise will be provided to GoDRC to monitor the progress made by the selected developer during the exclusive collaboration period, with a focus on detailed designs and the preparation of the construction.

- **Support to the preparation and negotiation of PPAs and concession contract.** Support will be provided to GoDRC in order to monitor negotiations of PPAs between the private SPV and the off-takers and ensure its compliance with the terms of the bilateral treaty on Inga. Advisory services will be focused on the structuring of PPAs and on the preparation and negotiation of the concession agreement, including the design and negotiation of risk sharing arrangements relating to, *inter alia*, tariffs, royalties and taxes regime and public shareholding.
- **Detailed design, bidding documents, assistance for procurement, financing arrangements.** The TA will finance these activities for the common infrastructures. The corresponding studies for the power plant and the transmission lines in DRC will likely be borne by the private developer. The corresponding studies for the transmission lines in the SAPP countries will be borne by the Republic of South Africa or other financiers (outside the scope of this operation).

SUB-COMPONENT A3: Institutional support and sector strengthening

46. This subcomponent will finance the establishment and operationalization of ADEPI. This includes:

- **Structuring ADEPI.** A study will be carried out to determine the appropriate structure for ADEPI and provide support for staff recruitment.
- **In-house consultants and individuals advisors.** Experienced advisors will provide to the ADEPI in-house expertise to efficiently fulfill its mandate, and to recruit and supervise the activities of consulting firms. The sub-component will cover the costs of seven individual international consultants¹², to be hired by ADEPI on a full-time basis for the duration of the project, as well as short term support provided by individual advisors.
- **Operation of ADEPI.** In addition to day to day operational costs, this sub-component also covers office equipment, operational fees, and the organization of workshops.
- **Consultation and communications.** The sub-component will finance implementation of the communication and consultation strategy for Inga 3 BC. This includes stakeholder consultation related to the various environmental and social safeguards instruments and other environmental and social matters to build trust between the GoDRC and other stakeholders, and capacity building for the Ministry and ADEPI to facilitate a transformative project of the scale of the series of hydropower developments at Inga. It will also build awareness of the hydropower potential at Inga and its social and economic benefits among key audiences.

47. This subcomponent will also finance the design and establishment of the public management structure to supervise the construction of the common infrastructures.

COMPONENT B – Mid-size hydropower development support

48. This component will include three subcomponents: Mid-size hydro development, carbon finance market development, and institutional strengthening of CGI3.

¹² The following positions have been identified: the Director, a Concession Specialist, a Procurement Specialist, a Financial Specialist, a Communication Specialist, an E&S Specialist and a Hydropower Engineer.

SUB-COMPONENT B1: Mid-size hydro development

49. The sub-component will finance analysis of the institutional, regulatory, and legal framework for the development of mid-size hydro projects and the preparation of the additional legal texts and regulations to accompany the electricity law to regulate participation of the private sector in the development of mid-size hydropower projects.

50. This sub-component will support increasing the GoDRC's limited technical and economic information on mid-size hydropower sites. Producing appropriate technical and economic information on selected sites will improve the prospects of mobilizing public and private financing for the development of these sites.

51. Activities will include the following:

- Analysis of the institutional, regulatory, and legal framework for the development of mid-size hydro projects.
- Review of the existing list of 62 projects with identification of potential additional sites, including collection of existing documentation, preliminary review, visit to the 62 sites, definition of screening criteria, and screening of the projects.
- Prepare a short list of 30 projects that will be studied up to prefeasibility level.
- Review of the existing studies for the 30 projects shortlisted and upgrade the design with the objective of bringing all 30 projects to a comparable level of study (prefeasibility level), including defining the need for site investigations and terms of reference for the next study stages
- Set-up of a multi criteria analysis and selection of the 3 that will be brought to a feasibility level.
- Site investigations, feasibility, environmental and social studies for the 3 selected sites, preparation of technical specifications and bidding documents for the selection of private developers.
- Assistance to GoDRC for the selection of the private developers for the 3 selected projects, supervision of the developers' activity during the exclusive collaboration phase and assistance for the preparation of the concession agreements.

52. Other donors might support the feasibility phase of other hydropower sites selected from the outcome of the multi-criteria evaluation (outside the scope of this operation).

SUB-COMPONENT B2: Carbon finance market development

53. The interconnection of Inga with South Africa and other Southern African countries has a considerable carbon emission reduction potential, through avoidance of thermal-based power generation (in particular coal-based generation in South Africa). This subcomponent will finance a study to adapt and use a methodology applicable to regional power trade (currently under development by the United Nations Framework Convention on Climate Change -UNFCCC) to assess future Inga hydropower developments. The study will assess the eligibility for carbon finance for the Inga 3 BC development and the mid-size hydropower sites; and develop of a Clean Development Mechanism (CDM) Program of Activities. Advice will be provided to the government on carbon finance operations assessment of prospects, options, and requisites for carbon finance.

54. The development of a CDM Program of Activities would facilitate the Government's registration of a CDM Program which would allow public or private project developers of individual hydropower sites to join the program and obtain carbon benefits. Carbon finance enhances the competitiveness and attractiveness of hydropower projects. A programmatic approach would facilitate the joining of several hydropower developments under a single carbon finance operation. The program will be eligible for generating compliance grade emission reductions in the European Market as DRC is classified as a Least Developed Country. Some of the hydropower developments could also potentially fit into the pipeline of Ci-Dev (Carbon Initiative for Development), a new World Bank carbon instrument.

SUB-COMPONENT B3: Institutional strengthening of CGI3

55. CGI3 is the operational entity in charge of the development of Inga 3 BC until the effective commissioning of ADEPI. In parallel, CGI3 will manage the activities linked to the development of mid-size hydro projects. Eventually, after the creation of ADEPI, CGI3 will remain with the mandate of implementing the studies for mid-size and rural electrification projects.

This activity covers the operation of the CGI3 for the development of mid-size hydropower projects. It includes the non-civil servant personnel costs, the office equipment, the operational fee, the counselors, the organization of workshops and communication.

Annex 3: Implementation Arrangements
DEMOCRATIC REPUBLIC OF CONGO
Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

Project Institutional and Implementation Arrangements

1. The GoDRC is setting up a ring-fenced development authority (*Agence pour le Développement et la Promotion d'Inga – ADEPI*) to manage and monitor the series of hydropower developments that form Grand Inga, and to help mobilize private participation and public financing. The set-up of ADEPI is likely to take twelve months. In the meantime, an Inter-ministerial Commission for Inga Development (*Commission pour le Développement du Site d'Inga - CODESI*) will lead the necessary development activities with the support of a technical unit in the Minister of Hydraulic Resources and Electricity (CGI3).
2. Implementation of the TA project will be initially overseen by CODESI. CODESI was established through a Prime Minister's Decree in June 2013 to guide and decide on key steps of Inga site development, including developing a roadmap for Inga 3 BC development, raising financing for the Inga 3 BC development and defining the structure of ADEPI. CODESI is chaired by the PM and comprises the Deputy PM, the Ministers of Finances, of Planning, of Economy, of Hydraulic Resources and Electricity (MRHE), of Environment and a presidential adviser. CODESI is supported by the Inga Facilitation Committee (*Comité de Facilitation d'Inga - CFI*), which is composed of technical staff from the same ministries as CODESI and chaired by a technical staff from MRHE. Once ADEPI is created, the CODESI will cease to exist. Strategic oversight of component A will be henceforth carried out by the ADEPI's board of directors. Oversight of component B will be carried out by CFI.
3. The CODESI will meet at least twice per year, in addition to convening in extraordinary sessions at the discretion of the Chair. It will be regularly informed on project progress. The main tools for reporting to the CODESI will be quarterly financial and narrative reports by the project implementation unit with help from their advisors.
4. The Inga 3 BC and mid-size hydropower development TA project will have two executing agencies – the MRHE and ADEPI. During the first phase of the project, MRHE will implement the entire project. Once the ADEPI is established, it will take over as an implementing agency for component A (Inga 3 BC Development Support) while Component B (Mid-Size Hydropower Development Support) will continue to be implemented by MRHE for the entire project period.
5. Given the lack of technical and managerial capacity in MRHE, the use of a small Project Implementation Unit is deemed appropriate. CGI3 is a technical cell in the MRHE which has been set up in July 2013 to conduct the preparation of the TA project until the establishment of ADEPI. During the first year of project implementation, CGI3 will be the project's sole implementing agency. CGI3 will: (i) coordinate project activities; (ii) carry out financial management and procurement; (iii) prepare annual work plans and budgets for submission to the

CODESI and IDA; (iv) liaise with various government departments, (v) liaise with donors; (vi) ensure M&E and reporting, and (vii) monitor and ensure safeguards compliance.

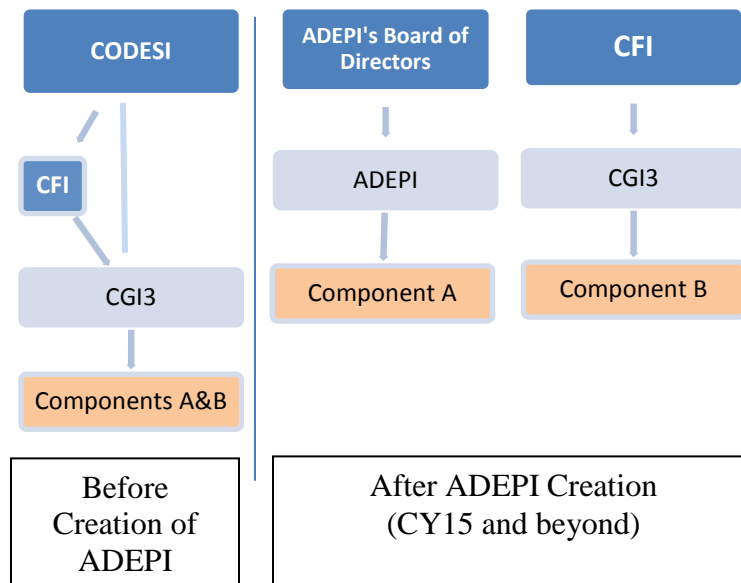
6. CGI3 is headed by a project coordinator which reports to the CODESI. A CGI3 coordinator has already been selected. The project coordinator is responsible for overseeing and coordinating day-to-day project implementation, including monitoring and reporting. After the establishment of ADEPI, the responsibility of the project coordinator for CGI3 will be taken over by the ADEPI director.

7. CGI3 will be staffed by a small number of specialists, some of whom will be recruited using donor financing. At present, CGI3 staffs include a procurement specialist, a financial management specialist and an environmental specialist. These fiduciary specialists have been seconded from the PМЕDE and SAPMP project implementation units (CDP-SNEL and UGES-SNEL). The fiduciary staffs are experienced in handling IDA-financed operations and have received training on all fiduciary and control systems and responsibilities, including the identification and mitigation of integrity risks. Seven additional specialists will be contracted competitively in CGI3 and be financed through the TA project (hydropower engineer, environmental specialist, social specialist, communication specialist, procurement specialist, financial management specialist, and accountant / treasurer). The recruitment of procurement and financial management specialists is an effectiveness condition.

8. At the end of 2014, the ADEPI will take over the implementation responsibility of component A from CGI3. The ADEPI will be created by law as an autonomous entity reporting to the Prime Minister's office with a Board of Directors that represents various Inga development stakeholders. The ADEPI Board of Directors will have a larger representativeness than CODESI, which is limited to Government representatives. ADEPI is expected to start its operation before the end of 2014 with staffing gradually building up from approximately 15 staff to about 30 staff. In addition to staff, ADEPI will benefit from external strategic advisers. ADEPI annual budget would be in the range of US\$2-3 million, including external support. All ADEPI staff, including its director, will be recruited competitively with the help of a specialized recruitment firm based on TORs and qualification acceptable to IDA. All contracts will be renewable based on performance assessments carried out by a specialized firm.

9. After ADEPI has been created, the project implementation unit in MRHE (CGI3) will focus on the implementation of component B. Staff recruited during the first phase will be able to apply for positions created in ADEPI or stay in CGI3 and focus on component B subject to a satisfactory assessment of their performance during the first phase.

Figure 5: Inga 3 BC and Midsize Hydropower Development TA’s Institutional Arrangements



10. Several ministries play a regulatory, supervisory, or supporting role for the project. These include: The Office of the Prime Minister which will be chairing CODESI, the Ministry of Finance who will be part of CODESI and will intervene in the design of the fiscal regime for the Inga 3 BC development, the Ministry of Planning and the Ministry of Economy who will be part of CODESI and will intervene in the choice of the three mid-size hydro projects, the Ministry of Environment who will be part of CODESI and oversee the preparation of the E&S studies and their implementation and last but not least the Ministry of Hydraulic Resources and Electricity (MRHE) who will be part of CODESI and will host CGI3.

11. A PIM is being prepared by international consultants. The PIM will provide guidance on roles and responsibilities as well as on the technical, administrative, financial and accounting procedures, procurement arrangements, and the safeguard procedures. Finalization of the PIM is a condition of effectiveness. Then during implementation, carrying out the project in accordance to the PIM and the E&S roadmap is a covenant.

Financial Management, Disbursements and Procurement

A. Financial Management and disbursements

12. The overall residual FM risk at preparation is considered substantial. The proposed financial management arrangements for this project are considered adequate to meet the Bank’s minimum fiduciary requirements under OP/BP10.00.

Country Public Financial Management situation and Use of Country System

13. The Country Financial Accountability Assessment, the Public Expenditures Review , and Public Expenditure and Financial Accountability (PEFA 2008 and 2012 have shown an unsatisfactory economic and financial control environment including weak budgeting

preparation and control, financial reporting, external audit and human resources. In-depth structural reforms are consequently required in the areas of economic governance, public expenditure management, financial sector and public enterprises to strengthen capacity in the public administration.

14. The overall country fiduciary risk is rated **High**. The Government of DRC, with the support of the donor community, has prepared an Economic Governance Matrix. Progress on the Matrix is discussed every month with the WB. Actions from the Matrix that have been implemented include series of Public Financial Management (PFM) reforms in budget preparation and execution, adhesion to Treasury forecasts, preparation of regular budget execution reports, and simplification of the national budget classification system. The first critical step of these PFM reforms is the adoption in July 2011 of a new PFM organic Law and the adoption of a new Procurement Law in December 2008. Additional decrees are being finalized to further clarify the organic Law.

15. The 2012 PEFA took stock of the areas of progress and revised the existing PFM strategy plan accordingly. This will pave the way for a new PFM Technical Assistance operation. In that vein, an assessment of the use of the country national PFM systems has been undertaken in April 2013 with the aim to identify areas in which these systems could be relied upon for the implementation of Bank-financed projects.

Risk Assessment and Mitigation Measures

16. The Bank’s principal concern is to ensure that project funds are used economically and efficiently for the intended purpose. The risk assessment (see table below) includes: (i) the risk associated with the project as a whole (inherent risk), and (ii) the risk linked to a weak control environment of the project implementation (control risk).

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures	Remarks
INHERENT RISK	H		S	
Country level Delay in the implementation of the different PFM reforms that might hamper the overall PFM environment. This risk is increased with the closure of the Bank –DFID Technical Assistance.	H	Finalize the preparation of the new PFM TA project to address the key new challenges the country is facing using current coordination unit in charge of PFM reforms.	H	The Bank last assessment (September 2012) of the implementation of the existing PFM strategy has shown an acceptable progress.
Entity level Lack of experience from CGI3 and ADEPI in the use of IDA FM system requirements.	H	- Establishment and use the IDA FM system requirements for both executing agencies; - Recruitment of an experienced consultant in Financial Management. - Establishment of procedures which clarify the roles and responsibilities of the various stakeholders. The PIM will provide defined implementation	S	This will strengthen the governance capacity of CGI3 and ADEPI

		procedures including adequate fiduciary requirements. Training sessions will also be provided.		
Project level The resources of the project may not reach all beneficiaries and used for the intended purposes.	H	Use of highly qualified and experienced FM team and robust FM arrangements.	S	
CONTROL RISK	H		S	
Budgeting Delays and weak budgetary preparation, execution and control leading to budget overruns and delay in the implementation of the project activities.	S	Annual work plan and budget prepared each year. The PIM will define the arrangements for budgeting and budgetary control.	S	
Accounting (i) Lack of reliable accounting system and (ii) Weak knowledge of the financial management procedures of IDA.	S	(i) Install accounting software and customized to generate the financial reports of the project. (ii) Implement training sessions on agreed accounting procedures.	M	
Internal Controls and Internal Audit Specific aspects of the new project may not be reflected in the FM procedures and procurement internal controls.	H	Preparation of the project's FM Procedures in the PIM with appropriate arrangements for internal controls.	S	
Funds Flow (i) Risk of misappropriation of funds, and use for non-eligible purposes (ii) Weak capacity in the disbursement procedures of IDA could affect the disbursement rate.	H	Organize frequent controls in order to help to prevent and mitigate the risk of diversion of funds. Ensure monthly submission of the withdrawal application.	S	
Financial Reporting Delay and difficulties in the submission of acceptable Interim Financial Reports (IFRs) to IDA due to weak capacity of the FM team.	M	(i) Purchase of adequate computerized accounting system.	M	
External Auditing Scope of the audit may not cover key issues; poor performance of the external auditor; or delays in submission of audit reports	M	Recruit independent external auditor based on agreed ToRs developed in line with International Accounting Standards.	M	
Fraud & Corruption Possibility of circumventing the internal control system with colluding practices as bribes, abuse of administrative positions, mis-	H	PIM will describe specific safety mechanisms that enable individual persons and NGOs to denounce abuses or irregularities will be prepared in addition to the robust FM arrangements designed to	H	

procurement.		mitigate the fiduciary risks. The TOR of the Internal Auditor will comprise a specific chapter on corruption auditing.		
Overall FM risk	S		S	

Financial Management Action Plan to reinforce the control environment for CGI3

Issue	Remedial action recommended	Responsible body	Completion
Staffing	Recruitment of the FM specialist for CGI3.	MRHE	By effectiveness
Information system accounting software	Installation of accounting software acceptable to IDA and establishment of an accounting system acceptable to IDA	MRHE	By effectiveness
Administrative, accounting, and financial procedures	Develop a chapter on administrative, financial, and accounting procedures as part of the PIM	MRHE	By effectiveness
Internal auditing	Recruitment of an international consultant in internal audit	MRHE	Within 3 months of effectiveness
External financial auditing	Recruitment of the external auditor acceptable to IDA	MRHE	Within 3 months of effectiveness

17. **Governance and anticorruption considerations.** The country is characterized by a weak governance and corruption environment. In the context of the project, the effective implementation of the fiduciary mitigation measures should contribute to strengthen the control environment. The establishment of representative oversight committees (such as CODESI, CFI and the Board of Directors ADEPI) and stakeholders' consultation will help address governance and corruption issues during project implementation.

18. **Staffing and Training:** CGI3 and ADEPI staffing will be adequate and commensurate with the extent of the activities under the project, including maintaining accounting records relating to project financed transactions and preparation of the project's financial reports. For both implementing entities, the FM function will be carried out by a team composed of (i) a qualified and experienced Financial Manager, in charge of the supervision of the overall FM activities of the project; (ii) an experienced Accountant; and (iii) a Treasurer. The team will have the overall FM responsibility over, budgeting, accounting, reporting, disbursement, internal control and auditing. CGI3 and ADEPI's accounting staff will have their capacity reinforced over the project implementation by the rolling out of the training plan, which includes among others, training on IDA disbursement procedures, training on OHADA accounting principles and its implication for a donor-financed operation, and training on IDA financial reporting arrangements.

19. **Budgeting:** The Project will prepare an annual work plan and budget for implementing project activities taking into account its objectives. The work plan and budgets will identify the activities to be undertaken and the role of respective parties in implementation. Annual work plans and the budgets will be consolidated into a single document with the support of the FM team, which will be submitted to CODESI during the first year and then to CFI and ADEPI's

board of Directors for approval, and thereafter to IDA for no objection no later than November 30 of each year proceeding the year the work plan should be implemented.

20. **Accounting Policies and Procedures:** The accounting systems and policies as well as the administrative and financial procedures will be documented in the PIM. It will be used by (i) the project staff as a reference manual, (ii) IDA to assess the acceptability of the project accounting, reporting, and control systems, and (iii) the auditors to assess project accounting systems and controls and to design specific project audit procedures. The PIM and accounting software should facilitate the project implementation and support the project's requests for funding and meet its reporting obligations to fund providers. The PIM will include the following: (i) segregation of duties, (ii) physical control of assets, (iii) authorization and approval, (iv) clear channels of command, (v) arithmetic and accounting accuracy, (vi) integrity and performance of staff at all levels, (vii) supervision. Specific procedures will be documented for each significant accounting function. They will be written to depict document and transaction flows and will cover the flow of funds, record keeping and maintenance, the chart of accounts, formats of records and books of account, authorization procedures for transactions, planning and budgeting, financial reports (including formats, linkages with chart of accounts and procedures for reviewing them).

21. **Internal Control and Internal Auditing:** The project entities will have an adequate number and mix of skilled and experienced staff while the internal control system will ensure the conduct of an orderly and efficient payment and procurement process, and proper recording and safeguarding of assets and resources. The internal control will be described in the PIM with appropriate segregation of duties and responsibilities. Internal audit functions will be carried out by an international consultant in Internal Audit recruited on a competitive basis. The internal auditors will report directly to their Coordinators and Steering Committees. They will undertake periodic assessments on the strengths and weaknesses of the internal control system at all levels. All control deficiencies or circumvented practices identified will be communicated in a timely manner to the senior management of CGI3 and ADEPI for immediate corrective action as appropriate. Deficiencies will also be communicated to the Bank.

22. IDA will supervise the design of arrangement for internal control during preparation of the project's Administrative, Accounting and Financial procedures and will closely monitor financial management activities to identify in advance potential delays in the preparation of the financial and audit reports and undertake corrective measures.

Funds Flow and Disbursement Arrangements

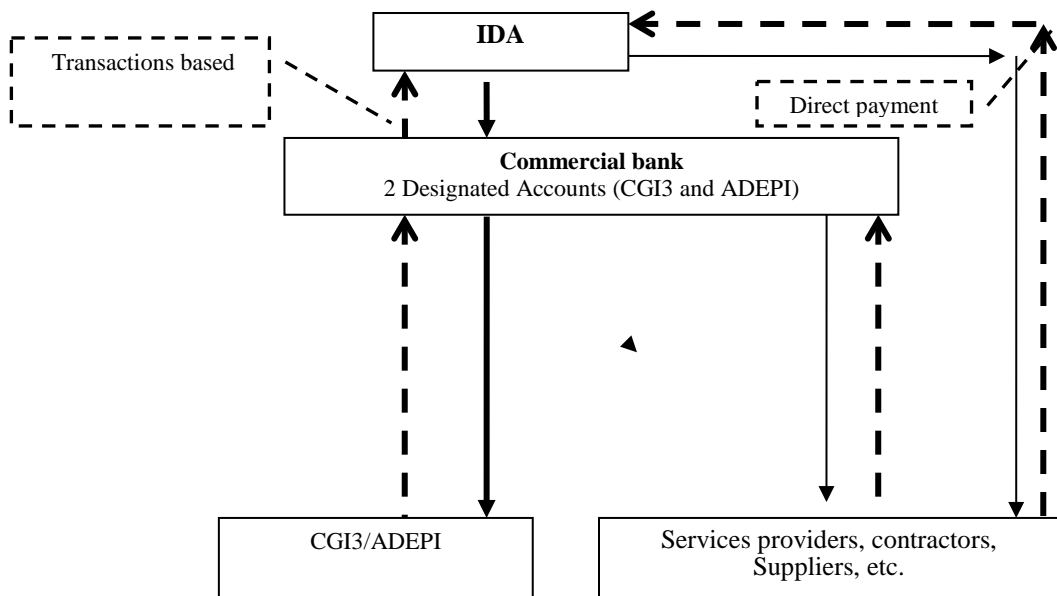
23. *Designated account:* Two new Designated Accounts (DAs), one for each component of the project, will be opened in a commercial bank on terms and conditions acceptable to IDA under the fiduciary responsibility of CGI3 and ADEPI. The ceiling has been set to USD 1.5 million for the first designated account ("DA-A") and to USD 0.850 million for the second account ("DA-B"). These DAs will pay project expenditures eligible for IDA financing.

24. The two Designated Accounts will be managed by CGI3, the project implementation unit in MNRE, during the first year of project implementation. After ADEPI ("Agence pour le Développement d'Inga") has been created for the implementation of component A, the responsibility for managing DA-A will be transferred to ADEPI while CGI3 will continue to

manage component B and DA-B. The Authorized Signatory Letter will be revised to reflect responsibilities for the withdrawal of financing proceeds under component A and component B.

Disbursement arrangements

25. *Disbursement method:* Upon Grant effectiveness, transaction-based disbursements will be used during the first months of project implementation. Thereafter, the option to disburse against submission of quarterly unaudited Interim Financial Report could be considered subject to the quality and timeliness of the IFRs submitted to the Bank and the overall financial management arrangements as assessed in due course. In the case of the use of the report-based disbursement, the DAs ceiling will be equal to the cash forecast for two quarters as provided in the quarterly unaudited Interim Financial Reports for each of the executing agencies. The electronic submission of Withdrawal Application (WA) will be used by the Project and WA will be prepared on a monthly basis. The other methods of disbursing the funds (reimbursement, direct payment and special commitment) will also be available to the project. Funds flows for the DAs are as follows:



Legend:

Transfers of funds

Flow of documents (invoices, good receipt notes, purchase order, contract)

Payment to suppliers



26. *Disbursement of funds to the stakeholders:* The Project will make disbursements to service providers and suppliers of goods and services in accordance with the payment modalities, as specified in the respective contracts/conventions. In addition to these supporting documents, the Project will consider the findings of the internal audit unit while approving the payments. The implementing agencies, with the support of their internal audit units, will reserve the right to

verify the expenditures ex-post, and refunds might be requested for non-respect of contractual clauses. Misappropriated activities could result in the suspension of financing for a given entity.

27. *Disbursement of Funds to others Service Providers and Suppliers:* The FM teams will make disbursements to service providers, contractors and suppliers of goods and services for specified activities. Payments will be made based on terms and conditions of each contract.

28. *Disbursements by category:* The grant will be disbursed 100 percent of eligible expenditures (inclusive of taxes) in line with Country Financing Parameters (CFP) for DRC. The proceeds of the grant have been allocated as follows:

Categories ¹³	IDA / Amount of the Financing Allocated (expressed in US\$ m)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs for Parts A.1.a(ii), (b), and (c), A.2(b), (c)(i), (c)(iii), (d) and (e), and A.3, except A.3(b)(i), of the Project	47.5	100 percent
(2) Goods, non-consulting services, consultants' services, Training and Operating Costs for Part B of the Project	25.6	100 percent
Total	73.1	

29. **Financial Reporting and Monitoring:** Financial reports will provide quality and timely information on Project performance to Project management, and relevant stakeholders. Formats of the various periodic IFRs to be generated from the financial management system have been developed using the World Bank's Financial Management Practices in WB-financed Investment Operations. The quarterly IFR includes (i) the statements of sources and used funds, and utilization of funds per category, (ii) the updated of the procurement plan, (iii) the physical progress, (iv) expenditure types and implementing agent, showing comparisons with budgets; (iv) Designated Account activity statements and explanation notes to the IFR; (v) and the summary of missions of internal audit as well as implementation status of the recommendations of internal or external audit and supervision missions. The IFR will be prepared and submitted to IDA, 45 days after the end of each quarter. In compliance with International Accounting Standards and IDA requirements, the Project will produce annual financial statements. These include: (i) a Balance Sheet that shows Assets and Liabilities; (ii) a Statement of Sources and Uses of Funds showing all the sources of Project funds, expenditures analyzed by Project component and category expenditures (iii) a Designated Account Activity Statement; (iv) an Implementation Report containing a narrative summary of the implementation progress of the Project; (v) a Summary of Withdrawals using Statement of Expenditures transactions-based disbursement), listing individual withdrawal applications by reference number, date and amount; and (vi) Notes related to significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements. The financial statements will be submitted for audit at the end of each year or other periods to be stated.

¹³ As stated in the financing agreement.

30. **External Auditing:** The accounts of the Project will be audited on annual basis by an independent auditor recruited under ToRs acceptable to IDA. The external audit reports will be submitted to IDA within six months after the end of each financial year. The project financial statements and internal control system will be subject to external annual audit by an independent external auditor which will be recruited on ToRs acceptable to IDA. The external auditor will give an opinion on the annual financial statements in accordance with auditing standards of IFAC. In addition to audit reports, external auditor will also produce a management letter on internal control to improve the accounting controls and compliance with financial covenants under the financing agreement. The project will be required to submit, no later than June 30 of each fiscal year, the annual audited financial statements. In line with the new access to information policy, the project will comply with the disclosure policy of the Bank of audit reports (for instance making available to the public without delay after receipt of all reports final financial audit, including audit reports qualified) and place the information on its official website within one month after acceptance of final report by IDA.

B. Procurement

General

31. Procurement for the project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 (Consultant Guidelines) and the provision stipulated in Financing Agreement. The various procurement actions under different expenditure categories are described in general below. For each contract to be financed under the Financing Agreement, the various procurement or consultant selection method, the need for pre-qualification, estimated costs, prior review requirements, and time frame have been agreed between the borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The implementing entities, as well as contractors, suppliers and consultants will observe the highest standard of ethics during procurement and execution of contracts financed under this project. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA and Grants" dated October 15, 2006 (the Anti-Corruption Guidelines) shall apply to the project.

Reference to the National Procurement Regulatory Framework

32. For all contracts which are not advertised internationally, the Bank may authorize the use of the national institutions and regulations that comprise the law including its texts of application, the institutions set up for the control and regulation and the institutions responsible for procurement activities implementation. The national competitive bidding procedures currently in force in the DRC deviate slightly from the World Bank Procurement Guidelines National Competitive Bidding (NCB) procedures for procurement of works, goods and services (other than consultants services). They have been already reviewed and appropriate modifications have been proposed to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I and paragraphs 3.3 and 3.4 of the Bank Procurement Guidelines.

Requirements for National Competitive Bidding

33. National Competitive Bidding may be used subject to using the open procedure (“*appel d’offres ouvert*”) set forth in the Recipient’s Public Procurement Law No 10/010 dated April 27, 2010 (the “PPL”) and the Manual of Procedures of the PPL as per Recipient’s Decree No 10/22 dated June 2, 2010 (the “Manual of Procedures”); provided however that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III of the Procurement Guidelines and the additional following modifications:

- a) **Standard Bidding Documents:** All standard bidding documents to be used for the Project under NCB shall be found acceptable to the World Bank before their use during the implementation of Project;
- b) **Eligibility:** Eligibility of bidders and acceptability of their goods and services shall not be based on their nationality and/or their origin; and association with a national firm shall not be a condition for participation in a bidding process;
- c) **Advertising and Bid Preparation Time:** Bidding opportunities shall be advertised in at least a national newspaper of wide circulation and on the website of the Recipient’s Procurement Regulator (*Autorité de Régulation des Marchés Publics*) and bidders should be given at least 30 days from the date of invitation to bid or the date of availability of the bidding documents, whichever is later;
- d) **Criteria for Qualification of Bidders:** Qualification criteria shall only concern the bidder’s capability and resources to perform the contract taking into account objective and measurable factors. Such criteria for qualification of bidders shall be clearly specified in the bidding documents;
- e) **Bid Evaluation and Contract Award:** A contract shall be awarded to the substantially responsive and lowest evaluated bidder provided that such bidder meets the qualification criteria specified in the bidding documents. No scoring system shall be allowed for the evaluation of bids, and no “blanket” limitation to the number of lots which can be awarded to a bidder shall apply. The criteria for bid evaluation and the contract award conditions shall be clearly specified in the bidding documents;
- f) **Preferences:** No preference shall be given to domestic/regional bidders; to domestically/regionally manufactured goods; and to bidders forming a joint venture with a national firm or proposing national sub-contractors or carrying out economic activities in the territory of the Recipient;
- g) **Publication of Contract Award:** Information on all contract awards shall be published in at least a national newspaper of wide circulation or in the Recipient’s Procurement Regulator (*Autorité de Régulation des Marchés Publics*) web-site;
- h) **Fraud and Corruption:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank’s policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines;

- i) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the bid submission and contract performance;
- j) **Requirement for administrative documents and/or tax clearance certificate:** The bidding documents shall not require foreign bidders to produce any administrative or tax related certificates prior to confirmation of awarding a contract;
- k) **Modifications of a Signed Contract:** Any change in the contract amount which, singly or combined with all previous changes, increases the original contract amount by 15% (fifteen percent) or more must be done through an amendment to the signed contract instead of signing a new contract.

34. **Procurement of Goods.** Goods procured under this project will include office equipment, vehicles and other equipment for the implementing entities, CGI3 and ADEPI. Procurement will be done under International Competitive Bidding (ICB) or NCB using the Bank's Standard Bidding Documents for all ICB and National Standard Bidding, or Documents agreed with or satisfactory to the Bank. Small value goods may be procured under shopping procedures. Direct contracting may be used where necessary if agreed in the procurement plan in accordance with the provisions of paragraph 3.7 to 3.8 of the Procurement Guidelines.

35. **Selection and Employment of Consultants.** Consultancy services would include studies, advisory services, and audits. The selection method will be Quality and Cost Based Selection (QCBS) method whenever possible. Contracts for specialized assignments estimated to cost less than US\$200,000 equivalent may be contracted through Consultant Qualification (CQ). The following additional methods may be used where appropriate: Quality Based Selection (QBS); Selection under a Fixed Budget (FB); and Least-Cost Selection (LCS); Short lists of consultants for services estimated to cost less than the equivalent of: (i) US\$200,000 per contract, for design, studies and contract supervision; and (ii) US\$100,000 for all other consultancy assignments may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. However, if foreign firms express interest, they will not be excluded from consideration.

36. **Single Source Selection (SSS)** may be employed with prior approval of the Bank and will be in accordance with paragraphs 3.8 to 3.11 of the Consultant Guidelines. All services of Individual Consultants (IC) will be procured under contracts in accordance with the provisions of paragraphs 5.1 to 5.6 of the Guidelines.

37. **Operating Costs:** Operating costs shall consist of operations and maintenance costs for vehicles, office supplies, communication charges, equipment, utility charges, travel expenses, per diem and travels costs, office rental, training costs, workshops and seminar and associated costs, among others. Operating costs will not include salaries of civil servants.

38. **Training and Workshops:** Training and workshops will be based on capacity needs assessment. Detailed training plans and workshops activities will be developed during project

implementation, and included in the annual work plan and budget for Bank’s review and approval.

Implementation arrangements for procurement and assessment of the agencies capacity to implement procurement

39. Guiding principles of the implementation of the procurement: Government has decided to mainstream the implementation of the project into the existing entities and structures such as line ministries. Implementation of the project will be framed by the following principles: (i) responsibility and accountability; (ii) equity and (iii) performance-based agreements. An assessment of the capacity of the ADEPI to conduct procurement activities under the TA project will be conducted after it is fully establishment. The assessments will review the organizational structure for implementing the project, functions, staff skills and experiences, adequacy for implementing the project, and the interaction between the project’s staff responsible for procurement and the other government’s relevant entities for administration and finance.

40. The overall unmitigated risk for procurement is high. Proposed corrective measures to mitigate the risk are summarized in the following table and will be updated and complemented as necessary at time of CGI3’s capacity assessment.

Procurement Risk Mitigation

Action Plan for Strengthening Procurement Capacity			
Ref.	Tasks	Responsibility	Due date
1	On the job training of identified procurement staff on Bank procurement procedures by the procurement experts	Procurement team of CGI3 and ADEPI	Ongoing
2	Training of staff (at least four) on World Bank procurement procedures in specialized institution (ISADE or CESAG) Dakar, Senegal or SETIM in Morocco. Program officers could be trained after project effectiveness.	Procurement team of CGI3 and ADEPI	Ongoing
3	Set up the project filing system in order to better keep procurement documents and reports and identify a staff responsible for this task. Train staff in data management.	Procurement team of CGI3 and ADEPI	ongoing
4	Prepare PIM in line with World Bank procurement procedures and Public Procurement Act.	CGI3	By effectiveness

Procurement Plan

41. The borrower has developed a Procurement Plan for the first 18 months of the project implementation which provides the basis for the procurement methods. This plan has been agreed between the borrower and the Bank during negotiations. It will be disclosed in the project’s database and on the Bank’s external website. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

42. See below a simplified procurement plan for the TA project.

Table 2: Simplified Procurement Plan

#	Description of the assignment	Procurement category	Contract signing	Contract completion date	Estimated amount
Component A : Inga 3 BC development support					47.5
Component A1 : Technical study and E&S studies					12.5
1	Geological & geotechnical investigations	Services	June-14	May-15	3.0
2	Inga 1 and Inga 2 historically unresolved issues and RAP Camp Kinshasa	Services	Feb-14	Jan-15	1.4
3	Strategic Environmental Assessment, Cultural resources management framework, Indigenous People Planning Framework	Services	Feb-14	Jan-15	2.4
4	ESIA/RAP Inga 3 BC hydropower complex, including the collection of E&S baseline data	Services	June-14	June-15	1.4
5	ESIA/RAP T-lines in DRC	Services	Sept-14	Feb-15	1.0
6	Panel of Experts (Environmental/Social)	Services	Apr-14	Mar-18	1.3
7	Panel of Experts (Dam safety)	Services	Apr-14	Mar-18	2.0
Component A2 : Advices and procurement support					19.0
8	Support to the preparation of the law on Inga (incl. study on rent allocation) and to the preparation and negotiation of PPAs	Services	Feb-14	Aug-16	4.0
9	Detailed design, bidding documents, assistance for procurement, financing arrangements for common infrastructure	Services	Oct-14	Jul-16	15.0
Component A3: Institutional strengthening to ADEPI					16.0
10	Study on ADEPI structuring and staff recruitment support	Services	Feb-14	Aug-14	2.0
11	Recruitment of individual consultants for ADEPI	Services	Jan-15	Dec-17	7.2
12	Office equipment for ADEPI	Goods	Jan-15	Feb-15	0.6
13	Operational costs for ADEPI	Operating costs	Jan-15	Dec-18	2.2
14	Organization of workshops and trainings for ADEPI	non-consulting services	Jan-15	Dec-16	0.5
15	Recruitment of a communication company	Services	Jan-15	Dec-16	1.5
16	Recruitment of consultants to structure and implement the public management arrangements for the Common Infrastructures	Services	Jan-16	Nov-18	2.0
Component B : Mid-size hydropower development support					25.6
Component B1 : Mid-size hydro					19.1
17	Analysis of the institutional, regulatory and legal framework for the development of mid-size hydro projects	Services	Apr-14	Oct-16	2.0
18	Review of 62 projects, pre-feasibility for 30 projects, multi-criteria evaluation, selection and preparation of ToR for three feasibility studies	Services	Apr-14	Mar-15	3.6
19	Detailed feasibility studies for 3 selected projects, and preparation of specs & bidding documents	Services	Jun-15	May-16	7.5
20	ESIA/RAP for 3 selected projects	Services	Jun-15	May-16	3.0
21	Support to the private investors' selection process for the 3 projects	Services	Nov-15	Dec-16	3.0
Component B2 :Carbon finance market development					1.0
22	Development of carbon finance mechanism	Services	Jun-15	May-16	1.0
Component B3 :Institutional strengthening to CGI3					5.5
23	Individual consultants for CGI3	Services	Feb-14	Dec-17	2.8

#	Description of the assignment	Procurement category	Contract signing	Contract completion date	Estimated amount
24	Office equipment for CGI3	Goods	Feb-14	Mar-14	0.4
25	Operational costs for CGI3	Operating costs	Feb-14	Dec-17	1.0
26	Organization of workshops and trainings for CGI3	non-consulting services	Feb-14	Dec-16	0.6
27	Development and implementation of the communication strategy	Services	Feb-14	Dec-16	0.7
TOTAL					73.1

Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ thousands)
2. Goods	1,000 or more	ICB	All
	below 1,000	NCB	Contracts above 500 and two First contract under NCB
	below 100	At least three quotations	None
	No threshold	Direct Contracting	All
3. Services Firms	No threshold	QCBS, LCS, FBS	All Engineering and Supervision contracts of 200 and more
	Less than 200	CQ, Other	None
	Less than 200 but above 100	QCBS, LCS, FBS	All consultancy assignments contracts
Individuals	100 or more	IC	All
	Less than 100	IC	None
	No threshold	Single Source Selection	All

All TORs regardless of the value of the contract are subject to prior review.

43. **Contract Management and Expenditure Reports.** As part of the Procurement Management Reports (PMR), the CGI3 and then the ADEPI will submit contract management and expenditure information in quarterly reports to the World Bank. The procurement management report will consist of information on procurement of goods, works and consultants' services and compliance with agreed procurement methods. The report will compare procurement performance against the plan agreed at negotiations and, as appropriate, update at the end of each quarter. The report will also provide any information on complaints by bidders, unsatisfactory performance by contractors and information on contractual disputes, if any.

Environmental and Social (including safeguards)

44. The project is rated environmental category A. Eight safeguards policies are triggered. The TA project will finance ten technical and environmental/social assessments as a sound basis to feed into the decision making process for the development of Inga 3 BC and the mid-size hydropower projects. Environmental assessments planned include Environmental and Social Impact Assessment (ESIAs) for the Inga 3 BC development (including review of cumulative impacts of Inga 3 BC and Inga 3 HC developments), for the transmission lines in the DRC, and for the mid-size hydropower projects. The ESIAs will include a Cultural Heritage Management Framework (CHMF).

45. In addition, and while this is not a safeguard requirement, the TA will finance two additional social assessments: a Community Development Plan for project affected persons and a RAP for Camp Kinshasa / villages. These studies will address historically pending environmental and social issues related to Inga 1&2, built in the 1970s, without Bank funding.

46. An “E&S roadmap” has been agreed with the Government and sets out the sequencing/timing of the various environmental and social safeguard instruments to be prepared in connection with the activities related to the Inga 3 BC development. The purpose of the roadmap is to detail the sequencing of all environmental and social studies and safeguards instruments, and the feasibility studies, engineering and design studies and bidding documents they feed into the roadmap is presented in Table 3 below.

47. The transmission lines outside of DRC that will be built as a direct result of the Inga 3 BC development will be considered associated facilities. GoDRC will use its best effort to ensure that all terms of reference for any safeguards instrument prepared in connection with the Transmission Line in SAPP are consistent with the Bank’s Environmental and Social Safeguards Policies and submitted for Bank’s prior review and comment.

Table 3: Environmental and Social Roadmap

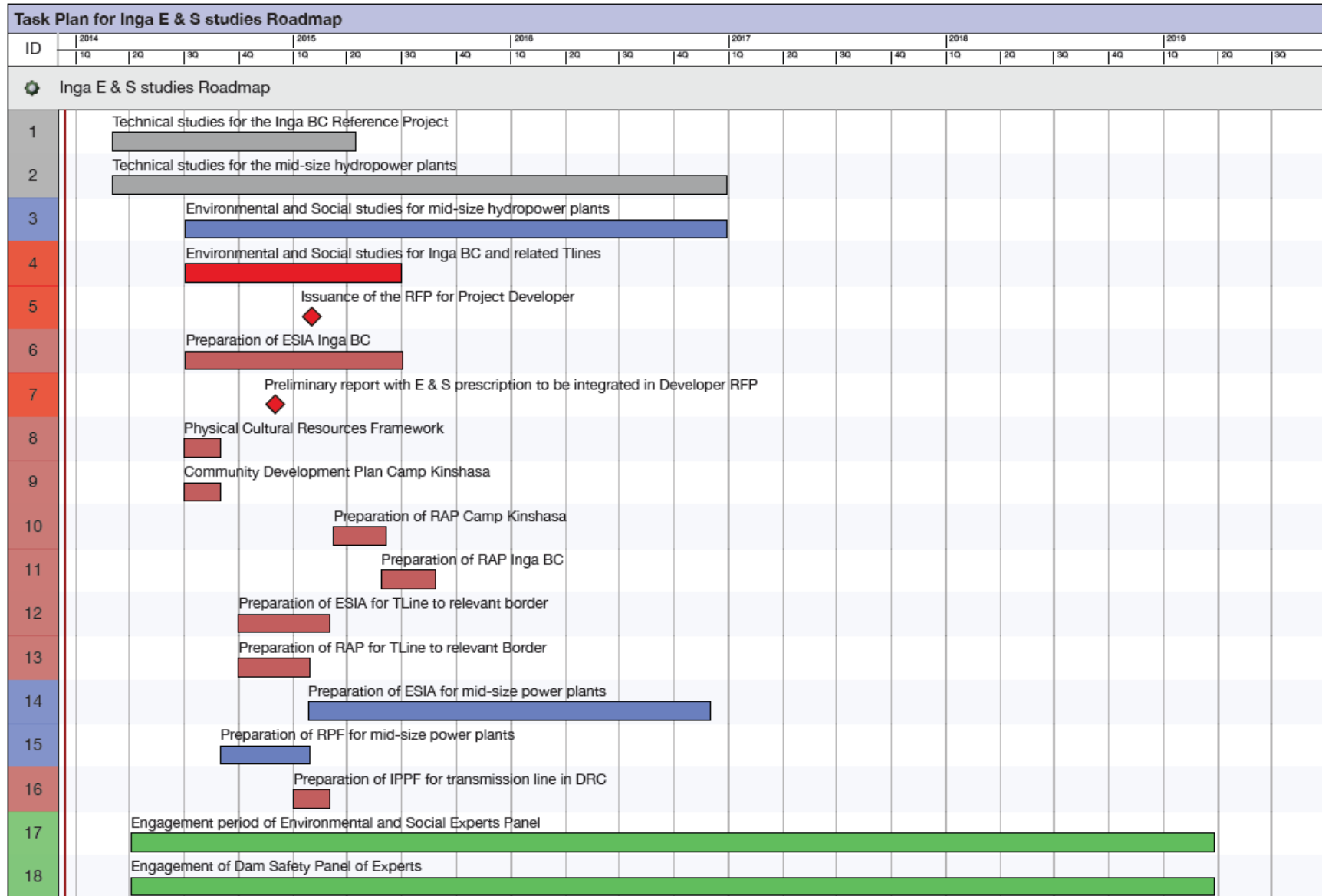


Table 4: Social policies triggered

Policy	Detailed Explanations
Indigenous Peoples OP/BP 4.10	<p>There are no indigenous people settlements at the Inga 3 BC development area or its immediate area of influence. The transmission lines may cross areas inhabited by indigenous people. An IPPF will be prepared and disclosed for the section of the transmission line within the DRC borders.</p> <p>The presence of indigenous people along the corridor of the associated transmission line beyond the DRC border will have to be confirmed. If this is the case an Indigenous People’s Framework (IPF) will have to be prepared (not financed by the TA project).</p>
Involuntary Resettlement OP/BP 4.12	<p>The TA project will finance a social impact assessment and a resettlement action plan focusing on the Inga 3 BC development site and on the transmission lines in DRC¹⁴. The ToR for the RAP of Inga 3 BC development will serve to update and complete the initial RAP prepared by AECOM-RSWI/EDF, which was commissioned by the GoDRC with African Development Bank (AfDB) financing.</p> <p>The likelihood of involuntary resettlement along the corridor of the associated transmission line beyond the DRC border will have to be confirmed. A Resettlement Action Plan (RAP) may have to be prepared. At this stage the details concerning the parties who will implement these associated facilities are not known.</p> <p>In addition, a social assessment and census and the possible resettlement of about 7,000 – 10,000 persons at Camp Kinshasa located within SNEL concession will be financed and E&S issues raised by communities affected by Inga 1 and Inga 2 construction will be assessed and addressed if confirmed(not a safeguard requirement but important studies).</p> <p>For Component B (feasibility studies for mid-size hydropower development) potential involuntary resettlements on the sites of the mid-size hydropower plants will be assessed and RAPs will be prepared. The corresponding ToRs were prepared and disclosed before appraisal.</p>

Table 5: Environmental policies triggered

Policy	Detailed Explanations
	<p>The TA will finance the ESIA for Inga 3 BC development hydropower complex (water intake, canal, dam, and power house) and the ESIA for Inga 3 BC transmission line from Inga to the border with Zambia. ToRs have been prepared and disclosed for studies to update and complete the initial ESIA prepared by AECOM-RSWI/EDF, which was commissioned by the GoDRC with African Development Bank (AfDB) financing. The ESIA will review all foreseeable potential adverse impacts and include an ESMP. The ESIA will also include a cumulative impact assessment of Inga 3 BC and Inga 3 HC developments¹⁵.</p>

¹⁴ According to the Feasibility Study (AECOM/EDF, October 2013), no resettlement is needed by the development of Inga 3 BC hydropower complex, whereas 84 households need to be resettled along the T-line within DRC. These figures will be confirmed by the ESIA’s financed by the proposed project.

¹⁵ The spatial and temporal dimensions of the cumulative impact assessment are based on what is known about the on-going and proposed development projects within the project area in the reasonably foreseeable future. The development of Inga 3 BC and Inga 3 HC will take well over a decade. The size, scope, and, nature of future

Policy	Detailed Explanations
Environmental Assessment OP/BP 4.01	<p>In addition, an environmental and social impact assessment (ESIA) of transmission lines within DRC will be carried out. These transmission lines will follow essentially the same corridor as the existing ones leading to the Zambian border.</p> <p>Moreover an Environmental and Social Impact Assessment (ESIA) will also need to be prepared for the transmission lines extending beyond the territory of DRC (outside the scope of the TA project).</p> <p>ESIAs for the mid-size hydropower projects will be prepared in accordance with operational policy OP4.01 once the sites of these projects are known.</p> <p>Finally, an environmental and social expert panel will be set up to advise DRC on the environmental and social aspects of this project in accordance with OP/PB 4.01 for projects which are classified “A”.</p>
Natural Habitats OP/BP 4.04	<p>The initial ESIA carried out as part of the Inga feasibility study mentions that four IUCN Red List mammal species have been identified in the Inga area: Chimpanzee (Endangered); Hippopotamus (Vulnerable); Bay Duiker (Least Concern); Sitatunga (Least Concern). Regarding the presence of chimpanzees, local people report the continued presence of chimpanzees in forested areas beyond the left bank of the river at a level adjacent to Inga, and in the hilly areas beyond the right bank just upstream of Inga extending to Luozi. Considering the small footprint of the Inga 3 BC development which falls within the current SNEL concession area, it is not expected that there will be an impact on the above mentioned species. Subsequent possible developments might (HC and beyond) have significant impacts but as mentioned above, this is beyond the scope and impact boundaries of the Inga 3 BC.</p> <p>However, more details will be provided by the proposed ESIA regarding the presence of these species, in particular chimpanzees, the potential impact on them of the development of Inga 3 BC, measures to mitigate this impact, and if possible the measures to improve the protection of these species.</p> <p>Aquatic biodiversity: The Inga zone of the Congo River is rich in diversity of fish species. One assessment states that 146 fish species have been identified in the Inga area, of which only the African Butter Catfish (<i>Schilbemystus</i>) is included in the Red List (Least concern in Central Africa). However, the assessment also states that four fish species have been identified as endemic to this part of Bas-Congo. The ESIA for Inga 3 BC development hydropower complex will reflect the Red List concern regarding the impact of Inga 3 BC development on these species.</p> <p>The initial ESIA also notes (i) the presence of endemic species of micralestes and micropanchax, which could be threatened by the development of the series of Inga hydropower developments, and (ii) that it is “certain” that a number of species, particularly those adapted to the deepest parts of the river (up to 100m deep) remain to be discovered. In presenting the report, the consultant also noted the dearth of information on the possible presence and behavior of migratory fish species, which would be particularly impacted especially during the subsequent Inga 3 HC developments.</p>

hydropower developments beyond Inga 3 HC projects are not yet reasonably defined and available information does not allow to consider them meaningfully in a cumulative impact assessment.

Policy	Detailed Explanations
	<p>Given the importance of the aquatic diversity in the Inga area, it would be appropriate to initiate as soon as possible long-term support for scientific research that will guide efforts to mitigate these impacts in both the medium-term (i.e. for the Inga 3 BC development) and the long-term (i.e. Inga 3 HC development and subsequent hydropower developments at Inga), in collaboration with international research centers who are or have been involved in researching the aquatic biodiversity of Bas-Congo. The ESIA of Inga 3 BC hydropower complex, for which ToRs have been prepared, will take into account these aspects of biological diversity. The project includes financing for a supplementary biodiversity study, should it be required.</p>
Forests OP/BP 4.36	<p>There is 2.6 km² of forest in the area concerned by the Inga 3 BC hydropower development. Moreover, the transmission lines could have potential impacts on the forest even if they will use the same corridor as existing lines. The ToR for the ESIA for the construction of the Inga 3 hydropower complex and the ToR for the ESIA of the transmission lines routes from Inga to the Zambia border, include provisions to address forestry concerns.</p>
Pest Management OP/BP 4.09	<p>This policy is not triggered under the project.</p>
Physical Cultural Resources OP/BP 4.11	<p>Many studies carried out in DRC indicate that the country is rich in cultural resources. Moreover, the transmission line will cross at least two countries (Zambia et Zimbabwe) before arriving in South Africa. In order to protect potential cultural resources which could be affected by the project, ToRs for ESIA for Inga 3 BC hydropower complex and the ESIA for the transmission line from Inga to the border with Zambia include provisions for the preparation of CHMF. The TORs for an ESIA submitted for the transmission line outside DRC will also need to reflect these considerations.</p> <p>Potential cultural heritage issues related, for instance, to graves, fetishes, sacred trees, altars of traditional religion, and other cultural assets that might be affected, particularly by the transmission lines, will be reviewed as part of the CHMF.</p>
Safety of Dams OP/BP 4.37	<p>The Inga 3BC development will include a 100 m high dam in the Bundi valley, a canal, and a water intake. The TA project will support the consolidation of the geotechnical knowledge of the area and the preparation of a preliminary geotechnical baseline report.</p> <p>Sediment management is known to be a critical issue on Inga 1 and Inga 2. An appropriate sediment management strategy will have to be designed for the Inga 3 BC development.</p> <p>A dam safety panel of experts for Inga 1 and Inga 2 has been in place since March 2011. It comprises five specialists (geotechnical, concrete, sediment, dam, electro-mechanical) who conduct at least bi-yearly visits to the site and produce associated reports.</p> <p>The Dam Safety panel for the proposed project will have the same composition.</p>

Table 6: Other relevant Safeguards Policies

Policy	Detailed Explanations
Projects on International Waterways OP/BP 7.50	<p>OP 7.50 applies to projects that carry out detailed design and engineering studies for hydropower projects involving the use of international waterways.</p> <p>The Minister of Hydraulic Resources and Electricity notified the Congo River Basin Organization (CICOS) about the project on October 12, 2013, and CICOS in turn notified the twelve riparian countries of the Congo basin on November 4, 2013. The CICOS notification requested that comments be conveyed by December 6, 2013. No response has been received from any of the twelve riparian countries by the deadline or to December 31, 2013.</p>
Projects in Disputed Areas OP/BP 7.60	This safeguard policy is not triggered as the Inga 3 BC development is not located in a disputed area, nor is the project area likely to become one in the foreseeable future.

Institutional arrangements

48. At national level, the DRC has a legislative and regulatory framework which is conducive to good environmental management. In addition, DRC has signed a number of international treaties and conventions. However, implementation capacity is weak. Environmental policies and their compliance are governed by the Ministry of Environment, Conservation and Tourism (*Ministère de l'Environnement, de la Conservation de la Nature et du Tourisme - MECNT*) – . The MECNT has three departments in charge of environmental monitoring and management: i) Le Groupe d'Etudes Environnementales du Congo (*DRC Environmental Studies group GEEC*); ii) le Centre National d'Information sur l'Environnement (*Environmental Information National Center - CNIE*); and iii) La Cellule Réglementation et Contentieux Environnementaux (*Environmental Regulation and Disputes' Cell - CRCE*). The GEEC is responsible for safeguards compliance of all projects in the country. The unit is understaffed and has limited capacity. Despite several donor-funded capacity building initiatives, the unit still largely relies on donor funds to carry out its field supervision duties.

49. The CGI3 will manage Component A until ADEPI is established and Component B throughout the project, and therefore recruit environmental and social experts based on TOR and qualification acceptable to IDA. ADEPI will manage Component A, and will recruit environmental and social experts able to deal with all relevant environmental and social questions, based on TOR, experience and qualification acceptable to IDA.

Consultation process

50. This TA operation has been submitted to an extensive consultation process, with institutional stakeholders as well as with the public, both at the local level and national level. Also extensive discussions have taken place between the GoDRC's potential co-financiers of this operation, particularly on the environmental and social aspects. Overall these consultations have confirmed a solid support for the TA and the Inga 3 BC development.

51. A first public consultation of the TA project was organized in July 2013 in Kinshasa and a second consultation event was organized in September 2013 in Matadi, not far from the project site. The conclusion of these consultations events can be summarized as follows:

Kinshasa Consultation

52. On July 3rd 2013 in the conference room of the Regideso a meeting took place to present the outline of the Inga 3 BC development and the ToRs for the various environmental and social assessment instruments deemed necessary to ensure a sound preparation of the project. Forty three participants attended the sessions, thirteen of which representing civil society. The rest of the participants were representatives of institutions and potential project co-financiers.

53. Some of the main issues raised by representatives of the civil society as well as the responses provided are as follows to:

-What are the expected development contributions of the project?	The project is a first step to provide new electricity access to 7 million people in the Grand Kinshasa and 2 million people in the hinterland.
Would it be possible to add the FPIC requirement (free and prior informed consent of indigenous people)?	Suggestion adopted.
Why is it mentioned that the parties in charge of the studies would be non-Congolese?	This is only the case for the independent panel of experts to ensure total independence of views.
Ensure that local population is appropriately consulted	This requirement is built in to the approach.

54. Overall, participants appreciated being consulted at such an advanced stage. They were also given a two week period to transmit in writing their observations after the consultations.

Matadi Consultation

55. On September 3rd 2013 another consultation meeting was held at the hotel Ledyia Conference center in Matadi. This session in Matadi aimed at ensuring that the consultation had included stakeholders closer to the project site. The event was organized in two sessions along the lines of the event in Kinshasa. The event was opened by the Minister of Water Resources and Electricity, the Minister of Environment and Nature Conservation, and the Minister of Land Affairs.

56. Seventy participants attended the meeting represent a wide array of local stakeholders including religious leaders, local communities, journalists, parliamentarians, NGOs as well as local representatives of relevant institutions.

57. The main concerns expressed were related to the benefits that the project would bring to the local population. Clarifications were provided. Further, in response to the assertion that some people had started intimidating villagers to force them to leave, assurance was provided that the rights of the populations would be upheld, and claimants were invited to report such incidents to the relevant authorities. Overall the participants appreciated the fact that three Ministers attended the meeting as a testimony of their commitment to the implementation of the highest environmental and social standards in the context of the preparation and the execution of the project.

Project monitoring and evaluation

58. The project-level M&E framework will track progress in implementation and measure intermediate outcomes. The results framework in Annex 1 outlines key performance indicators, data collection methods, a timetable for collection, and responsible agencies.

59. CGI3 and ADEPI will submit quarterly reports to the donors and the Ministry of Finance no later than forty five days after the end of each quarter. The quarterly reports would cover the progress and updates on procurement activities, financial management and disbursements, as well as implementation issues and associated action plan, progress on development indicators and targets, and status of financing covenants. Data collecting and reporting responsibilities will be described in the PIM. The main sources of information for this monitoring and evaluation will be reports from advisors and consultant.

Role of Partners

60. On November 20, 2013, the Board of Directors of the African Development Bank (AfDB) approved US\$68 million in financing for the Multinational Inga Site Development and Electricity Access Support Project (PASEL). AfDB's support comes in the form of a Fragile States Facility grant of US\$7.7 million and an African Development Fund grant of US\$60.6 million¹⁶. The AfDB's financing will use parallel financing arrangements, i.e. using separate designated accounts but working with the same coordinator and fiduciary teams.

61. The World Bank Group has adopted a unified approach to support a government-led process for the development of Inga-3 BC. USAID is considering providing technical assistance to ADEPI. The World Bank Group, AfDB, EIB, DBSA, AFD, KfW, USAID have been meeting regularly to share information regarding the TA project and the Inga 3 BC development.

¹⁶ Out of the \$66.5million approved by AfDB on November 2013, only US\$33.4 million is presented as part of the proposed project, representing essential activities required to achieve the PDO.

Annex 4: Operational Risk Assessment Framework (ORAF)

DEMOCRATIC REPUBLIC OF CONGO Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

Project Stakeholder Risks				
Stakeholder Risks	Rating	High		
Description : <ul style="list-style-type: none"> • The TA project involves multiple stakeholders, including potential power off takers and developers of the Inga 3 BC development, the GoDRC local populations, and donors. In addition, the project will be followed by international actors as well as people and companies that in the future would get electricity services from the Inga 3 BC hydropower development. Risks include the risk that various stakeholders will capture the rent of the Inga 3 BC development, the risk for adverse impacts on local populations, and the risk of miscommunication and confusion about the TA project and the Inga developments. 	Risk Management : <ul style="list-style-type: none"> • The TA project includes a number of activities to avoid the capture of rent by offtakers and developers. • Stakeholder communications and dialogue with civil society and local communities is ongoing to ensure the project benefits local populations. • Transparency is provided through disclosing key documents at strategic locations in DRC and on the Bank’s website, and consultation with local governments, traditional leaders, affected communities and NGOs, as well as through continuing communications and dialogue with civil society. 			
	Resp: GoDRC and World Bank	Stage: Preparation and implementation	Due Date : Ongoing	Status: Ongoing
Implementing Agency Risks				
Capacity	Rating:	High		
Description : <ul style="list-style-type: none"> • CGI3 has been established within the MRHE to manage both components of the project until ADEPI creation. • ADEPI, the Inga site authority, is a not yet created. There is a risk of delay. • For both executing agencies, weak capacity, delays in procurement and governance challenges may hamper project implementation. 	Risk Management : <ul style="list-style-type: none"> • For both agencies, experienced technical, financial, procurement, environmental, and social specialists will be competitively recruited. • The PIM will define fiduciary procedures in line with IDA fiduciary requirements. • Training sessions will be provided to the newly recruited staff. 			
	Resp: GoDRC and World bank	Stage: Preparation and implementation	Due Date : Ongoing	Status: Ongoing

Governance		Rating:	High		
Description :		Risk Management :			
<ul style="list-style-type: none"> • Slow decision making process within the GoDRC could jeopardize project implementation. • The information and capacity asymmetry between the GoDRC and developers could lead to unbalanced contracts. • Lack of transparency could lead to corrupt practices. • Fiduciary risks are caused by the weak country governance environment and the limited capacity of CGI3 and ADEPI. 		<ul style="list-style-type: none"> • The project will help establish ADEPI which will increase the professional and autonomous management of the development of the series of hydropower developments at Inga. The financing agreement includes legal covenants regarding the timely set up of ADEPI. It supports the GoDRC in implementing principles of competition and transparency. The project will support the design of balanced contracts between public and private stakeholders and regional off-takers and ensuring a transparent selection of a private developer. The provision of world class advisors to the GoDRC will help overcome the capacity and information asymmetry often seen between parties in large infrastructure and natural resources transactions in Africa. The presence of the World Bank and other donors will help balance the relative bargaining power between the GoDRC, investors, and off-takers. • Initially, the project coordinator will report to CODESI, chaired by the PM for the first year of implementation and then to CFI whose composition goes beyond the MRHE. • The project will facilitate CSOs to play the role of demand side watchdogs by bringing the development process of Inga 3 BC into the open. • Financial Management implementation support missions will be frequent and follow a risk based approach model. Suspicious activities will be investigated. • Procurement Specialists will carry out two test reviews of procurement action per year. 			
		Resp: GoDRC	Stage: Preparation and implementation	Due Date : Ongoing	Status: Ongoing
Project Risks					
Design		Rating:	High		
Description :		Risk Management :			
<ul style="list-style-type: none"> • Risk associated with geology where the dam for Inga 3 BC will be built and sedimentation where the intake canal will be built are not well known. • There is a risk that the various transactions linked to the Inga 3 BC development will not come to financial closure. The amounts required are large and the country itself presents many risks including political risks. • Risk related to power transmission constraints due to insufficient capacity through SAPP countries. The countries in the South of DRC over the past two years, 		<ul style="list-style-type: none"> • The proposed TA is based on the most recent technical information from the feasibility study and will finance commentary studies among which geological and sedimentation studies. A geological/geotechnical baseline report (the key document that defines the allocation of financial risk between the government and the private sector involved in the construction and operation with regard to subsurface conditions) will be developed by the TA project. It will contain baselines that describe geological and geotechnical conditions anticipated (or to be assumed) to be encountered during construction. • Public financing of technical, environmental, and social impact studies, geological and hydrological studies following international standards and transaction advice (also financed by the TA project) will reduce the risk of not reaching financial closure. • DBSA will finance feasibility studies for T-lines with SAPP countries. The treaty between RSA and DRC signed on November 2013 provides assurance that RSA will be involved in the 			

<p>especially Zimbabwe have become a significant bottleneck to the north-south power trade in the SAPP.</p>	<p>financing of the transmission lines (T-line) within SAPP.</p>			
	<p>Resp: GoDRC</p>	<p>Stage: Preparation/Implementation</p>	<p>Due Date : Ongoing</p>	<p>Status: Ongoing</p>
<p>Social & Environmental</p>	<p>Rating: Substantial</p>			
<p>Description :</p> <ul style="list-style-type: none"> The main E&S risks related to the proposed TA project, is that the various safeguards documents are not of sufficient quality or that they will be produced too late to be taken into account in the design and procurement of the Inga 3 BC development. A risk – which is not under the control of the GoDRC – is that the transmission lines from Katanga to South Africa are not prepared to good practice standards. This includes the risk of the routing of the T-lines not taking into account environmental or social concerns. 	<p>Risk Management :</p> <ul style="list-style-type: none"> The TA project will help to mitigate anticipated adverse E&S impacts of Inga 3 BC development by financing 12 related E&S studies. There will be strong supervision on the implementation of these studies. An "E&S roadmap" has been agreed with the Government and sets out the sequencing/timing of the various environmental and social safeguard instruments to be prepared in connection with the activities related to the development of the Inga 3 BC development and the future investment operation. The purpose of the roadmap is to detail the sequencing of all environmental and social studies and safeguards instruments, and the feasibility studies, engineering and design studies and bidding documents. The Financing Agreement includes suspension events that will allow the World Bank to suspend the project in the case international good practice is not followed by other actors in the development of the transmission lines outside DRC. 			
	<p>Resp: GoDRC</p>	<p>Stage: Preparation and implementation</p>	<p>Due Date : Ongoing</p>	<p>Status: Ongoing</p>
<p>Program & Donor</p>	<p>Rating: Low</p>			
<p>Description :</p> <ul style="list-style-type: none"> The Project is co-financed by AfDB through parallel financing. Donor coordination is a risk. 	<p>Risk Management :</p> <ul style="list-style-type: none"> AfDB financing is already approved by its Board. A close dialogue has been initiated and is being maintained through joint missions and regular conference calls with AfDB. 			
	<p>Resp: World Bank</p>	<p>Stage: Preparation and implementation</p>	<p>Due Date : Ongoing</p>	<p>Status: Ongoing</p>
<p>Delivery Monitoring & Sustainability</p>	<p>Rating: Substantial</p>			
<p>Description :</p> <ul style="list-style-type: none"> GoDRC not following international good practice in the preparation of the Inga 3 BC development with considerable long term costs for DRC (in terms of higher cost and rent captured by private developer) and immediate reputational risks for the Bank, is a risk. (Geo)-Political considerations leading GoDRC to agree 	<p>Risk Management :</p> <ul style="list-style-type: none"> The TA includes strategic advice to design a transparent selection process for a developer and support to the development of ADEPI, whose mandate will be to steer Inga site development to the long term benefit of DRC populations. The TA will also provide strategic support to the GoDRC for the negotiation of the PPAs contracts. The Policy letter sent by the DRC Prime Minister to the President of WB outlines the GoDRC's 			

with RSA on a PPA with low electricity price, giving <i>de facto</i> RSA a large share of the project's rent.	commitments that are the foundation of the IDA's engagement and the discontinued adherence to the content of the letter is a cause for a suspension event in the financing agreement.			
	Resp: Government and World Bank	Stage: Preparation/Implementation	Due Date : Ongoing	Status: Ongoing
Overall Risk				
Implementation Risk	Rating:	High		
Description : The risks associated with the project are mainly related to the risk of the GoDRC not following international good practice in the preparation of the Inga-3 BC development. This would not only mean that the project development objective would not be reached but also could expose the World Bank to considerable reputational risks.				

Annex 5: Economic Analysis

DEMOCRATIC REPUBLIC OF CONGO

Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

1. The economic justification of the proposed Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project can be captured in relation to the Inga 3 BC development and its role in the development of DRC's large hydropower potential.

Project development impact

2. The development of the Inga 3 BC hydropower site holds great transformational potential at both country and regional level. The Inga site is the prime electricity source for DRC; it is also a possible main source of cost-effective electricity supply for countries in the Southern Africa region that face energy constraints and have traditionally relied on very expensive thermal generation. The proposed Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project will provide strategic support to the preparation and implementation of Inga 3 BC development, which is the next critical stage in the development of the site.

3. Primary beneficiaries of the Inga 3 BC development and therefore of the proposed TA project will be the citizens of DRC, who will be allowed to rely on expanded and improved electricity services, and of other countries in the Southern Africa region – and notably of South Africa – which will import hydropower from the Inga 3 BC development, gaining access to less-expensive, more stable and greener energy supply. The Inga 3 BC development will provide new electricity access for seven million people in the Grand Kinshasa. The three mid-size hydropower projects will facilitate new electricity service to 1.5 million households.

4. Economic and social growth in DRC hinges upon expanding electricity access by exploiting the country's large hydropower generation potential. Lack of electricity access at household level exacerbates poverty conditions in the country and is a major cause of exclusion and inequality within the country. Limited or unreliable electricity supply constrains the delivery of basic social services including health, education, and security and severely affects living standards. It also prevents informal businesses, which are a primary source of livelihood among the poor, to grow out of informality and expand. Inadequate power supply frustrates productivity and competitiveness of DRC firms and is a major binding constraint to economic growth led by the mining and oil sectors. Power shortages mean big losses in terms of foregone production and cost of self-generation, which are conservatively estimated at 1.7 percent of GDP.

5. Expanded, cheaper and more reliable electricity supply is central to economic and social growth in the Southern Africa Region. It is estimated that the region may be losing up to 4 percent of GDP annually as result of unmet power demand reducing economic investment, productivity and employment. With 2,500MW of capacity to be devoted to exports, the Inga 3 BC development is expected to significantly contribute to the development of power trade in the Southern Africa region. Full expansion of regional power trade leading to displacement of thermal generation with cost-effective hydropower from DRC could save the region US\$1.1 billion annually in power costs and reduce the long run marginal cost of power from US\$0.07 to

US\$0.06 per kilowatt-hour or 5 percent overall. The largest benefits would be felt by small countries with thermal-based systems, which could save as much as US\$0.05 per kilowatt-hour or more than 40 percent of power costs overall. The shift to cleaner energy would also reduce regional carbon emissions by a significant 41 million tons annually.

6. Full development of Inga’s hydropower potential would turn DRC into a primary power exporter to the Southern Africa Power Pool and earn the country a more stable stream of income than the exports of physical resources. This could have a large positive effect on the country overall macro-economic situation. Technical assistance under the proposed Project is critical to help achieve and maximize these benefits. The studies financed under sub-component A1 will contribute to improve the design of Inga 3 BC development and provide a solid knowledge basis on the site’s ground conditions and project various technical aspects, reducing the risk of cost overruns during construction and supporting a more informed selection of potential contractors. Transaction advice and procurement support under sub-component A2 are expected to promote effective competition for the concession for the Inga 3 BC power plant and help the Government negotiate a concession agreement and PPAs that strike the right balance between development outcomes and return to investors. Institutional support and sector strengthening under sub-component A3 will help create a more sustainable business model and improve investment climate for the development of Inga’s next stages.

Public vs. private provision

7. The proposed Project has an intrinsic rationale for public provision, because of its nature – technical assistance – and its scope. Strengthening Government’s technical, institutional, regulatory and project implementation capacity is essential to ensure that hydropower resources are efficiently and sustainably used, with benefits equitably shared by the society at large.

8. The studies carried out under the Project will help identify the potential environmental and social impacts associated to the development of Inga 3 BC and properly mitigate them, which is primarily a Government’s responsibility. Transaction advice and institutional support will critically enhance the GoDRC’s capacity to select, contract and supervise the private concessionaires that will construct and operate the Inga 3 BC power station and the associated transmission lines as well as the mid-size hydropower projects identified under the proposed Project. Helping the GoDRC build a solid institutional structure for the Inga 3 BC development will be particularly critical to avoid regulatory capture by the private sector and preserve the public interest attached to the project. Dedicated support to ADEPI will be equally important to strengthen GoDRC’s planning, management and monitoring capacity over the long term for the development of the series of hydropower developments at Inga.

World Bank’s added value

9. The World Bank can bring significant added value to the proposed Project in light of its experience in supporting large hydropower development, including through some of the larger and more critical projects in Africa and other developing regions. In many cases, Bank’s institutional and regulatory support, transaction advice and/or risk mitigation in coordination with IFC and the Multilateral Investment Guarantee Agency (MIGA) have been material to help

raise project bankability and reach financial closure in a timely and efficient manner, especially in countries relatively new to PPPs and with low regulatory capacity.

10. The Bank has also been at the forefront in supporting regional power integration in Africa. Regional projects in all four power pools account for a large share of the Bank's overall energy portfolio in Africa, including both flagship investment operations and technical assistance. The Bank is well positioned to convene clients, the private sector and development partners and leverage consensus and investments. Most of the regional energy projects delivered in the past few years entail co-financing by multiple donors with the Bank taking a leading role in coordinating and harmonizing the work of the various partners. Many regional projects have been developed through complex PPPs, some through the establishment of SPVs involving multiple countries, with the Bank providing critical support to align political economy incentives, build political consensus and overcome regulatory barriers.

Methodology

11. An economic analysis of the Inga 3 BC development has been carried out to assess its impact on the welfare of the citizens of DRC and South Africa. Economic benefits and costs and – more importantly – their distribution among the key stakeholders involved, including DRC and South Africa households and enterprises, the DRC government and the private developers have been estimated and will critically depend on the institutional and financial structure of the Inga 3 BC development, which remains to be confirmed.

12. The bulk of the benefits of the Inga 3 BC development are expected to derive from the additional electricity supply made available to the local market and for exports to South Africa. In particular, 600 MW of firm electricity from the Inga 3 BC development are expected to be provided to SNEL¹⁷; 1,300 MW to mining companies in the Katanga region and 2,500 MW to be exported to South Africa. Expanded and more reliable supply will enable SNEL to accommodate un-served demand and expand electricity service to utility customers. The shift to more reliable and cost-effective hydropower supply will earn significant cost savings and raise the productivity of the mining companies in the Katanga region, that currently rely on expensive thermal generation. Imports of cheaper hydropower will lower the average cost of electricity to ESKOM – South Africa's national power utility.

Economic analysis of the Inga 3 BC Development

13. The economic value of electricity supply from the Inga 3 BC development is assessed for each class of beneficiaries, including SNEL customers, mining companies and South African electricity customers based on a consumer surplus methodology. Based on this preliminary economic analysis, the Inga 3 BC development is assessed to be economically viable, with an economic rate of return (EIRR) of 17.1 percent and a net present value (NPV) of US\$7.38 billion (table 9).

¹⁷ Using a conservative approach, an additional non-firm 400 MW to be provided to SNEL has not been considered in the economic analysis.

14. The value to SNEL customers is derived from their willingness to pay (WtP) for electricity. Table 1 presents average WtPs and consumption rates (as percentage of total consumption) for the various customer segments served by SNEL. WtPs are estimated based on the cost of energy sources typically used by each group in alternative to grid electricity. The weighted average WtP among SNEL customers is US\$7.87cents /kWh.

Table 7: Willingness to pay of SNEL customers

Customer group	Consumption Mix	Willingness to pay (US cents/kWh)
Residential	70%	6.49
Commercial	20%	11.08
Industrial	10%	11.12
Weighted average		7.87

Source: Regional and Domestic Power Market Development Project (Southern Africa Power Market project: APL-1B), Project Appraisal Document, 2011

15. The value of hydropower supply to mining companies in the Katanga region is derived from the cost of captive HFO generation (US\$12cents /kWh). The economic value of exports is estimated based on the long run average incremental cost (LRAIC) of electricity in the SAPP region (US\$7 cents /kWh, net of transmission costs)¹⁸.

16. Project capital costs included in the analysis are derived from the Inga feasibility study financed by AfDB. These include the costs associated to the construction of the common infrastructure, the power plant, and a new transmission line connecting the power station to the Katanga region with the associated converter substations, as well as the costs related to the construction of the regional transmission backbone from the Zambia border to South Africa, including transmission lines and substations. The construction period is assumed to be 6 years for the common infrastructure and the power house, to be commissioned in 2022, and 5 years for the associated transmission lines, to be commissioned in 2021. Investment costs used in the economic analysis exclude by definition price contingencies and interest during construction. Ongoing operational and maintenance (O&M) costs vary by the type of infrastructure. O&M costs for the common infrastructure are estimated to be equal to 1.5 percent of investments costs; O&M costs for transmission lines are estimated to be equal to 3 percent of investment costs. O&M costs for the power plant are estimated to be equal to 1 percent of investments cost plus US\$1 per MWh produced. Estimated life span of infrastructure varies significantly between components from 35 years for power plant and transmission lines to 50 years for the common infrastructure. The analysis uses a conservatively estimated life time for all infrastructures of 35 years. The analysis uses a discount rate of 10 percent. Both costs and benefits are set up as cash flow during the construction and the operation period.

¹⁸ SAPP Regional Transmission and Expansion Plan Study, 2009 (SAPP Pool Plan 2009). The least cost generation in the region is expected to comprise a mix of hydro, coal and nuclear plants for base load and mid-range duty, and pump-storage, oil and gas plants for peaking duty

Table 8: Inga 3 BC development investments cost by project component

Project component	US\$ bn (2012)
Power plant	3.6
Common infrastructure	2.6
T-line Inga-Border Zambia	2.3
T-line Border Zambia-SAPP/RSA	2.0
Total Cost	10.5

Source: Inga feasibility study.

Table 9: Summary of economic analysis of the Inga 3 BC development

COSTS	Construction						Operation					
	2017	2018	2019	2020	2021	2022	2023	2024	2030	2040	2050	2057
Power plant												
Construction cost (US\$ bl.)	0.360	0.540	0.900	0.900	0.720	0.180						
O&M (US\$ bl.)							0.076	0.076	0.076	0.076	0.076	0.076
Common infrastructure												
Construction cost (US\$ bl.)	0.260	0.390	0.650	0.650	0.520	0.130						
O&M (US\$ bl.)							0.039	0.039	0.039	0.039	0.039	0.039
T-line Inga-Border Zambia												
Construction cost (US\$ bl.)	0.115	0.345	0.690	0.690	0.460							
O&M (US\$ bl.)							0.069	0.069	0.069	0.069	0.069	0.069
T-line Border Zambia-SAPP/RSA												
Construction cost (US\$ bl.)	0.100	0.300	0.600	0.600	0.400							
O&M (US\$ bl.)							0.060	0.060	0.060	0.060	0.060	0.060
TOTAL COSTS (US\$ bl.)	0.84	1.58	2.84	2.84	2.10	0.31	0.244	0.244	0.244	0.244	0.244	0.244
ECONOMIC BENEFITS	2017	2018	2019	2020	2021	2022	2023	2024	2055	2055	2056	2057
RSA/SAPP @ WTP = US\$ cents 7.0/kWh (US\$ bl.)							1.594	1.594	1.594	1.594	1.594	1.594
Mines @ WTP = US\$ cents 12.0/kWh (US\$ bl.)							1.067	1.067	1.067	1.067	1.067	1.067
SNEL @ WTP = US\$ cents 7.87/kWh (US\$ bl.)							0.336	0.336	0.336	0.336	0.336	0.336
TOTAL BENEFITS (US\$ bl.)							2.997	2.997	2.997	2.997	2.997	2.997
NET BENEFITS (US\$ bl.)	-0.835	-1.575	-2.840	-2.840	-2.100	-0.310	2.754	2.754	2.754	2.754	2.754	2.754
EIRR (%)		17.11%										
ENPV		b\$ 7.38										

Source: World Bank project team

17. A sensitivity analysis shows that the Inga 3 BC development remains economically viable with: (i) cost overruns of 10 percent, (ii) a dispatch rate of the power plant reduced by 10 percent, and (iii) two years delays in construction (Table 10).

Table 10: Sensitivity analysis

Scenarios	EIRR (%)	NPV (US\$ bn)
Baseline	17.11	7.38
Cost overruns of 10%	15.88	6.50
Dispatch rate of the power plant reduced by 10%	15.73	5.75
2 years construction delays	14.53	4.92

Annex 6: Implementation Support Plan
DEMOCRATIC REPUBLIC OF CONGO
Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

A Unified World Bank Group Approach to Inga-3 BC development

1. The World Bank Group has adopted a unified approach to support a government-led process for the development of Inga-3 BC. Up to signature of an exclusive collaboration agreement, the WBG will engage to support the GoDRC to finalize and market test structuring options and select a developer. The IDA TA project will be the back bone of this support. The WBG team working on the support will draw on the expertise on large infrastructure projects from across the World Bank Group. After the developer has been selected, IFC may play the role of a lead arranger for the selected consortium. Involvement by members of the WBG will be in accordance with relevant WBG Conflicts guidelines.

Support Plan

2. An implementation support plan (ISP) has been developed on the basis of the nature of the Project and its high risk profile. The ISP has been designed so as to guarantee efficient and flexible support to the client and facilitate implementation of the risk mitigation measures defined in the ORAF. The ISP responds to complexities of the project given a low capacity for implementation and a challenging environment due to the fragile situation in the country.

3. The Project will be co-financed through parallel financing from AfDB. Financial partners have established a close, regular and inclusive coordination platform. Joint missions will ensure adequate consultation, coordination, support and an effective supervision of the overall project implementation.

4. WBG team members will be based both at headquarters and in the DRC Country Office to ensure timely, efficient and effective implementation support to the client. IDA's Procurement Specialist and Financial Management Specialist are located in Kinshasa and can ensure continued support, advice and monitoring to the implementing agencies. Formal Implementation Support missions and field visits will be carried out three to four times a year.

Technical expertise

5. Technical knowledge in hydropower and power transmission and in dam safety will be provided for a proper assessment of bidding documents for public-financed infrastructure. Technical skills in infrastructure finance and Private Sector Participation (PSP) in infrastructure will be made available to monitor the preparation of complex balanced contracts between public, private, and regional stakeholders to reach a fair sharing for the GoDRC of the economic rent generated by Inga 3 BC. Technical staff will work closely with the GoDRC and its advisors on the further development of the project structuring. They will review ToRs and interim and final outputs of all TA activities. Technical staff will liaise with other donors and stakeholders to coordinate approaches and crowd in expertise.

Procurement

6. At least two implementation support missions per year will be organized to carry out post review of procurement actions. Annual compliance verification monitoring will also be carried out by an independent consultant and would aim to: (i) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Financing Agreement; (ii) verify technical compliance, physical completion and price competitiveness of each contract in the selected representative sample; (iii) review and comment on contract administration and management issues as dealt with by the implementation entity; (iv) review capacity of the implementation entity in handling procurement efficiently; and (v) identify improvements in the procurement process in the light of any identified deficiencies.

Financial management

7. FM missions will be scheduled using a risk based approach model and will include the following due diligence: (i) monitoring of the financial management arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FM Assessment at entry and subsequently in Implementation Status Reports; (ii) carrying out integrated fiduciary review on key contracts, (iii) reviewing IFRs; (iv) reviewing audit reports and management letters from the external auditors and following-up on material accountability issues by engaging with the Task Team Leader, Client, and/or Auditors; (v) the quality of the audit (internal and external) also is to be monitored closely to ensure that it covers all relevant aspects and provide enough confidence on the appropriate use of funds by recipients; and, (vi) physical supervision on the ground, and (vii) assistance to build or maintain appropriate financial management capacity.

Environmental and Social (including safeguards)

8. The Bank’s project team will pursue close monitoring of environmental and social management under the Project. Bank staff will review ToRs and interim and final outputs of all TA activities. Technical staff will liaise with other donors and stakeholders to coordinate approaches and crowd in expertise.

Table 11: Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Finalization of structuring option Drafting of the RFP for the developer/investor and selection of the developer. Launch of geological studies and other technical studies Establishment and structuring of ADEPI Implementation of E&S complementary studies	Technical Procurement FM E&S Legal	US\$600,000	coordinated supervision and policy dialogue
12-60 months	Preparation of detailed feasibility studies for some of the selected mid-size hydropower projects Preparation of bidding documents for common infrastructures Detailed designs by the developer during the exclusive collaboration period. Continued work on environmental and social safeguards. Negotiations of PPAs with offtakers. Preparation and negotiations of the concession agreement	Technical Procurement FM Environmental Social Legal	US\$2,000,000	coordinated supervision and policy dialogue

Table 12: Skills Mix Required

Skills Needed	Number of Staff Weeks/year	Number of Trips Per year	Comments
General supervision and project management (TTL)	22	4	
Hydropower Specialist	15	3	
Energy Specialist	15	3	
Infrastructure Finance / PSP Specialist	15	3	
Economist	4	1	
Legal Counsel	4	1	
Dam Safety Specialist	4	1	
Procurement Specialist	4		Field based
Financial Management Specialist	4		Field based
Environmental Specialist	10		Field based
Social Development Specialist	10	3	
Communications Specialist	4		Field based
Administrative support	6		Field based
Disbursement Specialist/analyst	1		Field based

Table 13: Partners

Name	Institution/Country	Role
AfDB	African Development Bank	parallel co-financing of TA project
DBSA	Development Bank of South Africa	Financing of studies for SAPP transmission lines (outside of scope of TA project)
USAID	United States Agency for International Development	Potential support for ADEPI
EIB	European Investment Bank	Member of the donor coordination group
AFD	Agence Française de Développement	Member of the donor coordination group

Annex 7: Policy Letter (in French)

DEMOCRATIC REPUBLIC OF CONGO

Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

République Démocratique du Congo



Primature

Le Premier Ministre

Kinshasa, le

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Transmis copie pour information à :

- Son Excellence Monsieur le Président de la République, Chef de l'État
(Avec l'expression de mes hommages les plus déférents)
Palais de la Nation
à Kinshasa / Gombe
- Monsieur le Vice-premier Ministre, Ministre du Budget
- Monsieur le Ministre de l'Économie et Commerce
- Monsieur le Ministre de l'Aménagement du Territoire, Urbanisme et Habitat, Infrastructures, Travaux publics et Reconstruction
- Monsieur le Ministre de l'Environnement, Conservation de la Nature et Tourisme
- Monsieur le Ministre des Ressources hydrauliques et Électricité
- Monsieur le Ministre Délégué auprès du Premier Ministre, chargé des Finances
(Tous) à Kinshasa / Gombe

À Monsieur le Président de la Banque mondiale
Washington D.C. 20433
USA

Concerne : Politique de mise en œuvre du projet hydroélectrique d'Inga 3 basse chute

Monsieur le Président,

La République Démocratique du Congo (RDC) est dotée de ressources naturelles abondantes et variées. À titre illustratif, elle détient la deuxième réserve mondiale de cuivre, un quart des réserves d'or mondiales, le deuxième massif forestier de la planète, une superficie de terres arables équivalente à celle des terres cultivées du Brésil et plus de la moitié des réserves d'eau douce du continent africain. Par ailleurs, au cours des quatre dernières années, la croissance du PIB réel a été en moyenne de 7,3% sur fond de maîtrise de l'inflation à moins de 10% l'an.

Malgré ces atouts, l'incidence de la pauvreté est d'environ 71%. Elle est attestée par un des plus faibles taux de desserte en électricité au sud du Sahara, puisque 9 % seulement des ménages y ont accès et plus de la moitié des entreprises ont recours à des groupes électrogènes. Pour une croissance partagée, soutenue et qui réduise l'extrême pauvreté, le développement du secteur de l'énergie est primordial. Il consiste notamment à mettre en valeur notre énorme potentiel hydroélectrique de 100 GW dont 40% sont concentrés au seul site d'Inga dans la province du Bas-Congo.

- Suite -

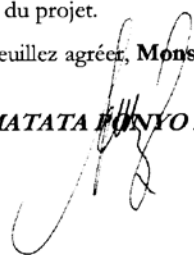
Le projet hydroélectrique d'*Inga 3 basse chute* (Inga 3 BC) est dans ce contexte d'un intérêt stratégique pour la politique énergétique de la RDC. Il permettra en effet de valoriser une partie du potentiel hydroélectrique du fleuve Congo, un des plus grands fleuves du monde, et d'accroître ainsi à moyen terme l'offre d'énergie électrique à moindre coût pour le pays et le continent africain. D'une capacité d'environ 4,8 GW, Inga 3 BC sera la première phase de l'aménagement du Grand Inga en une série de projets hydroélectriques, dont la puissance installée finale d'environ 40 GW sera près de deux fois celle du barrage des Trois-Gorges en Chine, le plus gros barrage hydroélectrique du monde.

Cette lettre d'orientation, dont les détails sont versés à l'annexe de la présente, a pour objet d'affirmer la volonté du Gouvernement congolais de faire bénéficier le pays et sa population du projet hydroélectrique d'Inga 3 BC. Pour ce faire, le Gouvernement gèrera avec efficacité et transparence les aspects technique, financier et économique du projet, ainsi que ses impacts environnementaux et sociétaux. Il poursuivra les réformes institutionnelles, législatives et réglementaires nécessaires à la mise en place et au maintien d'un cadre favorable au développement du secteur de l'électricité. Cet engagement est présenté ci-après selon les six thèmes suivants :

- La gouvernance du projet ;
- Le cadre fiscal du projet ;
- La répartition de l'énergie produite ;
- La structuration du partenariat public privé et l'affectation des financements publics ;
- Le processus de sélection du développeur ; et
- Les aspects environnementaux et sociétaux du projet.

de ma parfaite considération. Veuillez agréer, **Monsieur le Président**, l'expression

MATATA PONYO Mapon



LETTRE DE POLITIQUE EN RAPPORT AVEC LA MISE EN ŒUVRE DU PROJET INGA 3 BASSE CHUTE

Comme indiqué dans ma lettre, la politique du Gouvernement concernant la mise en œuvre du projet Inga 3 basse chute repose sur six principaux engagements :

I. LA GOUVERNANCE DU PROJET

La bonne gouvernance optimise la transformation du capital naturel, dont nous sommes richement pourvus, en développement humain. Elle est par ailleurs indispensable pour l'amélioration du climat des affaires. C'est pourquoi, le Gouvernement en a fait une préoccupation majeure. C'est dans ce cadre qu'il a récemment renouvelé son engagement à faire progresser la gouvernance économique du pays. Il a pour ce faire rendu publique une matrice comprenant, entre autres, des mesures de renforcement de la transparence et de la gouvernance dans le secteur minier, d'amélioration de la gestion des entreprises publiques et de prise en charge des finances publiques. Ces mesures s'appliquent au secteur de l'énergie en général et à la Société Nationale d'Électricité (SNEL) en particulier.

En raison de leur taille et de l'enjeu qu'ils représentent pour le devenir du continent africain, le projet Inga 3 BC et les phases suivantes du Grand Inga constituent un défi majeur en matière de gouvernance pour la RDC. Pour cette raison, nous accordons une attention particulière à la mise en place d'un cadre légal et institutionnel adéquat.

Une nouvelle loi de l'électricité en cours de discussion au parlement autorisera la production d'électricité par le secteur privé. C'est dans ce contexte que le Chef de l'État avait levé l'option de développer le projet Inga 3 BC en partenariat public privé (PPP).

Une commission interministérielle de développement du site d'Inga (CODESI) placée sous mon autorité directe est opérationnelle depuis le mois de juin 2013. Elle a pour rôle d'assurer la coordination entre tous les ministères impliqués dans la réalisation du projet. Elle sera également chargée de définir la vision stratégique et les orientations majeures pour les développements successifs qui mèneront à la réalisation du Grand Inga.

Le Gouvernement s'est engagé à créer l'agence pour le développement et la promotion d'Inga (ADEPI) avant la fin de l'année 2014. Elle sera chargée de la mise en œuvre du projet Inga 3 BC et des phases ultérieures du Grand Inga, dont elle sera notamment l'autorité concédante pour l'attribution des concessions.

L'ADEPI sera une agence autonome sans lien de subordination à un ministère sectoriel. Elle comptera un personnel de haut niveau recruté compétitivement et sera dotée d'un conseil d'administration composé de personnalités reconnues issues de l'administration, de la société civile et du secteur privé. Les performances technique et financière de l'agence seront analysées périodiquement par des firmes et des experts reconnus. Les résultats de ces analyses seront publiés. L'ensemble du personnel sera recruté sur des contrats de court terme, renouvelables en fonction de leur performance dont l'analyse sera confiée à un cabinet de ressources humaines reconnu.

Le Gouvernement accompagnera la création de l'ADEPI par une loi sur Grand Inga.

- Suite -

II. LE CADRE FISCAL DU PROJET

Le Gouvernement est conscient de la valeur économique du site d'Inga qui permet de produire de grandes quantités d'hydroélectricité à un coût parmi les plus bas du monde. Mais il reconnaît qu'il aura besoin du secteur privé pour développer celui-ci. Par conséquent, le Gouvernement souhaite établir un cadre fiscal du projet Inga 3 BC incitatif pour les investisseurs privés, tout en prélevant une part significative de la rente. Dans ce contexte, le Gouvernement demande le soutien des institutions financières internationales (IFI) pour l'aider à trouver le juste équilibre entre recettes fiscales maximales et attractivité du projet pour le secteur privé.

Dans un premier temps, le Gouvernement s'engage à définir de manière transparente le régime fiscal du projet Inga 3 BC dans le document d'appel d'offre à remettre aux trois candidats pré-qualifiés. De manière préliminaire, le Gouvernement considère que la fiscalité du projet sera pour l'essentiel composée d'un impôt sur les sociétés et d'une redevance pour l'usage de l'eau du fleuve Congo. La méthode de tarification de l'usage de l'eau qui sera retenue pour Inga 3 BC sera applicable de façon équitable à tous les producteurs des différentes phases du Grand Inga, en tenant compte de leurs coûts de production respectifs. Par ailleurs, le prix de vente de l'électricité tel que spécifié dans les contrats d'achat d'électricité par la Société Nationale d'Electricité (SNEL), l'industrie minière du Katanga et la République d'Afrique du Sud (RSA) tiendra compte de la charge fiscale ainsi établie.

La contribution annuelle directe d'Inga 3 BC aux finances de l'État pourrait atteindre 400 à 500 millions USD, soit environ 6 à 7% de son budget public annuel actuel. Le Gouvernement consacrera une partie significative de la redevance des droits d'eau au financement de programmes d'électrification des régions du pays dépourvues d'électricité. Il examinera par ailleurs la possibilité de réserver une partie de ces fonds au développement de la phase suivante du Grand Inga (Inga 3 Haute Chute - Inga 3 HC). Le régime fiscal applicable sera précisé dans la loi sur Inga citée précédemment.

III. LA RÉPARTITION DE L'ÉNERGIE PRODUITE

D'un point de vue social, il serait souhaitable d'affecter la plus grande partie de l'énergie produite par Inga 3 BC au réseau public, car le taux d'accès à l'électricité de nos populations est trois fois inférieur à la moyenne sub-saharienne. Cependant, une telle option rendrait le projet hydroélectrique d'Inga 3 BC peu attractif pour le secteur privé, en raison de la situation financière actuelle de la SNEL fort fragile. L'amélioration de la gouvernance de cette entreprise reste donc une priorité du Gouvernement. Elle doit en effet le plus rapidement possible pouvoir offrir un service public de qualité et redevenir un acheteur crédible de l'énergie d'Inga 3 BC et des phases suivantes de Grand Inga, après avoir restauré son équilibre financier. Un contrat de performance est en place et sera complété ultérieurement par un contrat de service avec un opérateur privé. Une réflexion approfondie sur le devenir de cette entreprise sera menée en relation avec la nouvelle loi de l'électricité libéralisant le secteur citée plus haut.

D'un point de vue économique, les pays du marché d'électricité pour l'Afrique australe (SAPP en anglais), constituent un débouché naturel pour l'hydroélectricité d'Inga. La RDC est déjà interconnectée avec le réseau SAPP à Kasumbalesa au Katanga, à sa frontière avec la Zambie, et une ligne existante en courant continu relie les centrales hydroélectriques d'Inga 1 et 2 à Kasumbalesa via Kolwezi. Compte tenu de sa grande dépendance à l'énergie fossile, la RSA a exprimé son vif intérêt pour l'énergie propre du Grand Inga en général et d'Inga 3 BC en particulier. En octobre 2013, les ministres en charge de l'énergie de RDC et de RSA ont signé un traité qui régira, une fois ratifié par les parlements des deux pays, leur collaboration dans le développement du Grand Inga, avec une référence particulière à Inga 3 BC et à une allocation de 2.500 MW à la RSA.

- Suite -

Par ailleurs, le secteur minier du Katanga est en pleine croissance en dépit de ses difficultés d'approvisionnement en énergie électrique (750.000 tonnes de cuivre produites en 2013, soit une progression de 25% par rapport à 2012). Cette province détient en effet une des réserves de cuivre et de cobalt les plus importantes au monde. L'industrie cuprifère congolaise, qui compte quelques géants mondiaux du secteur, constitue donc également un acheteur solvable du point de vue des futurs investisseurs privés du projet hydroélectrique d'Inga 3 BC.

Pour les raisons évoquées ci-dessus, la planification de la vente de l'électricité d'Inga 3 BC proposée par l'étude de faisabilité rendue publique au mois de septembre 2013 s'établit pour le moment comme suit : 2.500 MW à la RSA, 1.300 MW à l'industrie minière du Katanga et 1.000 MW à la SNEL. Ces derniers consisteraient en 600 MW garantis et 400 MW variables en fonction de l'étiage du fleuve Congo.

IV. LA STRUCTURATION DU PPP ET L'AFFECTATION DES FINANCEMENTS PUBLICS

Le projet hydroélectrique Inga 3 BC comprend une prise d'eau sur le fleuve Congo, un canal ouvert de 12 km, un barrage de 100 m de haut sur la Bundi (affluent du fleuve Congo), une centrale de 4.800 MW, des lignes de transport de 2.000 km jusqu'au Katanga et éventuellement des lignes de transport de 200 km jusqu'à Kinshasa. La prise d'eau, le canal et le barrage constituent les ouvrages dits communs. En effet, ce premier barrage devra ensuite être rehaussé d'une cinquantaine de mètres pour Inga 3 HC, afin de créer avec d'autres ouvrages importants dont le barrage sur le fleuve Congo, les digues et les évacuateurs de crues, un réservoir qui alimentera Inga 3 HC puis les futures centrales Inga 4 à Inga 8. La création, lors de l'étape haute chute, d'un réservoir d'environ 8 milliards de m³ sur le fleuve Congo, constituera un bien public national dont la gestion devra nécessairement être confiée à une entité majoritairement publique.

Par conséquent, dans le cadre du PPP pour le développement d'Inga 3 BC, le Gouvernement souhaite affecter le financement public aux ouvrages communs. Cette option présente trois avantages. Premièrement, elle permettra, en raison du caractère concessionnel des financements publics, de produire de l'électricité pour les populations de Kinshasa et du Bas-Congo à un coût réduit par rapport à une solution purement privée. Deuxièmement, elle garantira une bonne maîtrise par l'État des impacts environnementaux et sociétaux pendant la construction, lesquels sont toujours sensibles lors de l'érection d'un barrage. Troisièmement, en conservant la maîtrise d'ouvrage du barrage Inga 3 BC à travers une société de projet publique (SPP), l'État sera en mesure d'exercer un contrôle étroit sur la conception, la construction et l'exploitation de cet ouvrage stratégique. Ce dernier sera en effet rehaussé lors de la phase suivante et il sera important de préserver les intérêts de long terme de la RDC dans le cadre des futures étapes de mise en valeur du site d'Inga, y compris sur le partage de la rente.

Afin de répondre aux règles de passation de marché des IFI, la sélection des constructeurs pour les contrats des ouvrages communs se fera sur appel d'offres international et concurrentiel. Elle se conformera également aux règles anti-corruption de ces institutions, notamment celle d'exclusion des marchés. Le Gouvernement souhaite toutefois que les IFI instruisent leurs financements de manière coordonnée et définissent des modalités communes de supervision de manière à ce que la date de mise en service des ouvrages programmée pour fin 2020 soit respectée.

- Suite -

Une société de projet privée (SPV) ou concessionnaire sera chargée, dans le cadre d'un contrat de concession, du développement et du financement sur ressources privées de la centrale Inga 3 BC et des lignes de transport vers le Katanga. La SPV, dont l'État congolais pourrait être un actionnaire minoritaire, assurera la conception, la construction et l'exploitation de ces ouvrages pendant la durée de la concession. Elle pourrait également se voir confier des responsabilités similaires (hors financement) sur les ouvrages communs sous SPP dans la mesure où cela permettrait une meilleure gestion des risques, notamment d'interface, en période de construction. Elle commercialisera l'électricité produite et versera à l'État l'impôt sur les sociétés et une redevance pour l'usage de l'eau du fleuve Congo, comme indiqué précédemment.

La structure du PPP présentée ci-dessus pourrait être ajustée pour tenir compte des contraintes du marché notamment la perception du risque d'interface par les financiers privés du capital et de la dette de la SPV. Dans le même ordre d'idées, le Gouvernement pourrait demander aux IFI, notamment la MIGA, de garantir le risque politique et s'engage à rechercher la contre-garantie pour le risque commercial de la SNEL, pour maintenir la perception de ces risques par les financiers privés à un niveau acceptable.

V. LE PROCESSUS DE SÉLECTION DU DÉVELOPPEUR

Le Gouvernement a débuté la sélection d'un développeur avec qui il signera un contrat de collaboration exclusive, au terme duquel un contrat de concession avec des investisseurs regroupés en SPV sera conclu. Un appel à manifestation d'intérêt (AMI) a été publié le 26 octobre 2010 dans différents journaux et sur le site internet du ministère en charge de l'Électricité. Six candidats ont été pré-qualifiés en 2011. Deux d'entre eux ont informé le Gouvernement de leur retrait de la compétition sur la base de la définition du projet qui existait à l'époque. Et un troisième n'a pas donné de nouvelles. Les trois derniers candidats ont poursuivi le dialogue. Mais des changements sont intervenus dans la définition du projet depuis le lancement du processus de sélection du développeur. C'est pourquoi les trois pré-qualifiés auront la possibilité d'ouvrir leurs groupements à de nouvelles entreprises au cours de la consultation, dans un cadre qui sera défini dans le règlement de cette dernière.

Le Gouvernement s'est adjoint les services d'un conseiller stratégique à la réputation établie au plan international. Pendant la phase de collaboration exclusive, ce conseiller stratégique l'aidera à superviser les activités du développeur sur la base du projet de référence défini par l'étude de faisabilité et des études complémentaires.

Le Gouvernement s'engage à sélectionner un développeur parmi les trois candidats pré-qualifiés sur la base de critères objectifs et d'un projet de référence. Trois critères seront utilisés pour décider de l'éligibilité des candidats : la capacité technique en phase de conception et construction, la capacité de gestion en phase d'exploitation et la capacité du groupement à réunir le financement nécessaire. Le contrat de collaboration exclusive sera ensuite attribué au moins disant sur le prix de revient du kWh proposé pour la centrale énergétique et les lignes de transport. Ce prix exclura les coûts des ouvrages communs qui seront financés sur fonds publics, et les dispositions nécessaires seront prévues pour qu'il ne puisse être revu à la hausse que sur des critères objectifs provenant d'études techniques.

Le prix de revient final du kWh (incluant celui des ouvrages communs) sera déterminé une fois les constructeurs des ouvrages communs sélectionnés sur la base du coût des travaux. La négociation des contrats d'achat d'électricité avec les acheteurs pré-identifiés s'effectuera en parallèle et prendra comme base les prix d'opportunité de l'électricité à Kinshasa, au Bas-Congo, au Katanga et dans le SAPP, ainsi que des éléments sur la tendance d'évolution de ces prix.

- Suite -

Si l'utilisation du prix de revient du kWh n'était finalement pas possible dans les délais impartis, le Gouvernement se réserve la possibilité d'utiliser le taux de rentabilité des capitaux propres demandé par les actionnaires. Dans ce cas de figure, il sera demandé au concessionnaire de sélectionner des constructeurs par appel d'offres international et concurrentiel.

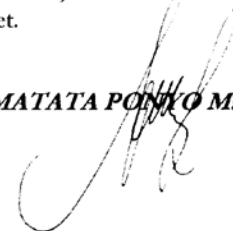
VI. LES ASPECTS ENVIRONNEMENTAUX ET SOCIÉTAUX DU PROJET :

Les résultats de l'étude de faisabilité montrent que les impacts environnementaux et sociétaux d'Inga 3 BC seront relativement modestes rapportés au MW produit et comparés à d'autres barrages dans le monde. Un tel projet doit toutefois être accepté par la population du Bas-Congo, y compris par les ayants droit des familles déplacées au moment de la construction des barrages d'Inga 1 et 2. De plus, les impacts en amont et en aval du barrage ainsi que des lignes de transport doivent être maîtrisés. Le Gouvernement souscrit pleinement à la vision de traiter de façon responsable les aspects environnementaux et sociétaux du projet Inga 3 BC. Pour ce faire, il a préparé 10 termes de référence pour les études environnementales et sociétales et 2 termes de référence pour les ayants droit. Ceux-ci ont été publiés sur le site officiel www.cate.cd et dans deux journaux publics (l'Observateur et le Phare) en juin 2013. Deux consultations publiques ont ensuite été organisées en juillet et septembre 2013 respectivement à Kinshasa et Matadi.

Dans ce contexte, le Gouvernement s'engage à travailler en étroite collaboration avec les IFI, pour s'assurer que le processus de prise de décision, la conception détaillée du projet Inga 3 BC et le projet lui-même comprennent les mesures adéquates de gestion des impacts et des risques environnementaux et sociétaux. En particulier, il s'engage à mettre en place le panel d'experts environnemental et sociétal et celui sur la sécurité des barrages. Ceux-ci seront maintenus jusqu'à la mise en eau du barrage Inga 3 BC et la construction de la rehausse. Par ailleurs, le Gouvernement reconnaît que l'infrastructure de transport qui sera développée en dehors du territoire national est une infrastructure associée et pourra collaborer avec les pays voisins pour assurer le respect des normes environnementales et sociétales de ces infrastructures.

Finalement, le projet Inga 3 BC ayant une importance et une visibilité tant au niveau local, que national et régional, le Gouvernement souscrit aux principes de transparence, d'accès libre à l'information et de consultations régulières avec les populations affectées et les autres parties prenantes du projet. Dans ce cadre, il s'engage à mettre en œuvre un dialogue continu avec les parties prenantes sur le projet Inga 3 BC et sur les questions importantes pour les populations affectées par le projet. Le Gouvernement s'engage à rendre publics et accessibles les documents clés du projet au fur et à mesure de son avancement. Il continuera en outre à mener régulièrement des consultations directes avec les communautés et les citoyens dans la zone du projet, commencées pendant la phase de préparation du projet. Ces consultations permettront de solliciter leurs vues sur diverses questions, dont les mesures d'atténuation sociétale et environnementale et les résultats du projet.

MATATA PONGO Mapon



Annex 8: English translation of Policy Letter¹⁹
DEMOCRATIC REPUBLIC OF CONGO
Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

Democratic Republic of the Congo
Prime Minister's Office
Prime Minister

Kinshasa, November 12, 2013
No. CAB/PM/CEMI/AMT/2013/7294

To: The President of the World Bank
Washington, D.C. 20433

Cc:

- His Excellency, the President of the Republic, Head of State (With the greatest deference), Palais de la Nation, Kinshasa / Gombe
 - The Vice-Prime Minister, Minister of the Budget
 - The Minister of Economy and Trade
 - The Minister of Rural and Urban Development, Housing, Infrastructure, Public Works and Reconstruction
 - The Minister of the Environment, Nature Conservation and Tourism
 - The Minister of Water and Electricity Resources
 - The Deputy Minister to the Prime Minister, responsible for Finance
- Kinshasa / Gombe

Re: Policy on the implementation for the Inga 3 BC hydropower project

Dear Mr. President,

The Democratic Republic of the Congo (DRC) has abundant and varied natural resources. For example, the DRC has the second largest copper reserves in the world, one quarter of the world's gold reserves, the second largest forest on the planet, an area of arable land that is equivalent to all of the cultivated land in Brazil and more than half of the fresh water reserves on the African continent. Furthermore, real GDP growth has averaged 7.3% over the last four years, while inflation has been contained at less than 10% per year.

Despite these advantages and achievements, the poverty rate stands at approximately 71%. This is accompanied by one of the lowest electrification rates in Sub Saharan Africa. Only 9% of our households have access to electricity and more than half of our businesses rely on their own

¹⁹ This is a translation of the original letter from the Prime Minister of the Democratic Republic of Congo to the President of the World Bank in French dated November 12, 2013. The translation is provided as a service to interested parties. In case of discrepancy between the French original and the translation, the French text shall prevail.

generators. Development of the energy sector is critical for sustained and shared growth that reduces extreme poverty. This development includes developing our enormous hydroelectric potential of 100 GW, of which 40% is concentrated at the Inga site in the Bas-Congo province.

This makes the Inga 3 BC development of strategic importance for the DRC's energy policy. The project will develop some of the hydropower potential of the Congo River, one of the largest rivers in the world. It will result in a medium-term increase in the supply of cheap electricity for the country and for the African continent. The Inga 3 BC development will have an installed capacity of approximately 4.8 GW. It will be the first phase of the series of hydropower developments in the Grand Inga scheme. The final installed capacity of the scheme will be approximately 40 GW, which is nearly twice that of the Three-Gorges Dam in China, the world's largest hydropower plant.

The purpose of this letter, including the details in the annex, is to confirm the determination of the Government of the DRC to ensure that the country and its population benefit from the Inga 3 BC development. The Government will manage the technical, financial and economic aspects of the project, along with its environmental and social impacts, efficiently and transparently to achieve this result. The Government will continue with the necessary institutional, legislative, and regulatory reforms to establish and maintain a framework that fosters electricity sector development. This commitment is outlined below using the following six themes:

- Project governance;
- Fiscal framework for the project;
- Allocation of the power produced;
- Structure of the Public Private Partnership and use of public financing;
- The developer selection process; and
- Environmental and social aspects of the project.

Yours truly,

MATATA PONYO Mapon

**Annex to the
POLICY LETTER ON THE IMPLEMENTATION OF THE INGA 3 BC PROJECT**

As I indicated in my letter, the Government's policy for the implementation of the Inga 3 BC development is based on six key commitments:

I. PROJECT GOVERNANCE

Good governance can help optimize to transform natural resources, with which we are richly endowed, into human development. Good governance is also critical for improving the business climate. Therefore, good governance is a key concern of the Government. The Government has recently renewed its commitment to improve the country's economic governance. To this end, it released a [governance] matrix that includes measures to enhance transparency and good governance in the mining industry, measures to improve the management of State-owned enterprises, and public finance management measures. These measures apply to the energy sector in general and the [national utility] Société Nationale d'Électricité (SNEL) in particular.

The Inga 3 BC development - and the following phases of the Grand Inga development - constitutes a major governance challenge for the DRC because of its size and importance for the future of the African continent. Therefore, we are taking special measures to establish a suitable legal and institutional framework.

Parliament is currently debating a new Electricity Bill that will introduce private sector participation in power generation. The Head of State has opted to develop the Inga 3 BC development as a Public Private Partnership (PPP).

An Inga Site Development Commission (CODESI) has been operating under my direct authority since June 2013. Its role is to coordinate the work of all of the ministries involved in project implementation. It will also be responsible for defining the strategic vision and guidelines for the phased development of the Grand Inga development.

The Government commits to set up the Inga Development and Promotion Authority (ADEPI) by the end of 2014. ADEPI will be responsible for the implementation of the Inga 3 BC development and the later phases of the Grand Inga development. It will be the authority that awards concession contracts.

ADEPI will be an autonomous agency that is not subordinate to a sector ministry. It will employ high-level competitively recruited personnel. It will be run by a Board of Directors whose members are distinguished individuals from the government, civil society, and the private sector. Recognized firms and experts will periodically review the Agency's technical and financial performance. Review findings will be published. All members of the Agency's staff will be hired under short-term contracts that will be renewed depending on performance reviews carried out by a recognized human resource firm.

The Government will accompany the establishment of ADEPI with a Grand Inga Act.

II. FISCAL FRAMEWORK FOR THE PROJECT

The Government is aware of the economic value of the Inga site, which allows for the production of large quantities of hydropower at one of the lowest costs in the world. The Government also recognizes that it will need the private sector to develop the site. Therefore, the Government wishes to establish a fiscal framework for the Inga 3 BC development that provides incentives for private sector investors and ensures that the Government captures a substantial part of the rent [of the Inga site]. Under the circumstances, the Government has asked for the support of Development Finance Institutions (DFIs) to support defining the right balance between maximizing tax revenues and offering an attractive investment project for the private sector.

First of all, the Government is committed to include a transparent definition of the fiscal regime for the Inga 3 BC development in the tender documents to select one of the three prequalified candidate consortia. The Government preliminary position is that the tax revenue from the project will primarily consist of corporate income tax and a water tariff for using the waters of the Congo River. The water tariff for the Inga 3 BC development will be rolled out equitably to all producers of the different phases of the Grand Inga project, taking into account production costs. The cost of this fiscal burden will be included in the power tariff specified in the power purchase agreements with the Société Nationale d'Electricité (SNEL), the mining industry in Katanga, and the Republic of South Africa (RSA).

The annual direct contribution that the Inga 3 BC development will make to government finances could reach US\$ 400 million to US\$ 500 million, which represents 6 to 7 percent of the current annual government budget. The Government intends to spend a substantial share of the water tariff to finance electrification programs targeting regions of the country currently without electricity. It will also look into the possibility of setting aside some of this revenue for the development of the next phase of the Grand Inga development (Inga 3 HC). The Inga Act will define the fiscal framework in detail.

III. ALLOCATION OF THE POWER PRODUCED

Allocation most of the power produced by Inga 3 BC to the public power grid would be the preferred option for a social point of view, since the proportion of our population with access to electricity is three times lower than the Sub-Saharan average. However, such an allocation would result in a low bankability of the Inga 3 BC for the private sector, given the current very weak financial situation of [the national utility] SNEL. For this reason, improving the corporate governance at SNEL remains a priority for the Government. As soon as possible, SNEL needs to be able to provide high-quality public services and become a credible power off-taker from Inga 3 BC and the later phases of the Grand Inga development by consolidating its financial situation. A performance contract has been signed. This will be complemented by a service contract with a private operator. In-depth discussions on the future of the company will be carried out in the framework of sector liberalization outlined in the new Electricity Act.

In economic terms, the countries in the South African Power Pool (SAPP) constitute a natural market for hydropower from Inga. The DRC is already connected to the SAPP network in Kasumbalesa and Katanga, at its border with Zambia, and it already has a DC transmission line between the Inga 1 and Inga 2 hydroelectric power plants in Kasumbalesa via Kolwezi. The

Republic of South Africa has expressed its keen interest in clean energy produced by the Grand Inga development, and by the Inga 3 BC development in particular, because of its heavy dependence on fossil fuels. In October 2013, the Ministers of Energy for the DRC and the RSA signed a treaty. Following ratification by the Parliaments of both countries, this treaty will govern their collaboration for the development of the Grand Inga development, including Inga 3 BC with an allocation of 2,500 MW to the RSA.

Furthermore, the mining industry in Katanga is booming, despite power shortages. (copper production will reach of 750,000 tons in 2013, a 25% increase compared to 2012). Katanga has one of the largest reserves of copper and cobalt in the world. Future private-sector investors in the Inga 3 BC development view the DRC's copper industry, which includes some of the global leading mining firms, as an additional creditworthy power off-taker.

The [Inga] feasibility study published in September allocated the sale of electricity from the Inga 3 BC development as follows: 2,500 MW to the Republic of South Africa, 1,300 MW to the mining industry in Katanga, and 1,000 MW to SNEL. The latter breaks down into 600 MW in firm power and 400 MW in non-firm power, depending on the water level in the Congo River. The allocation of power from Inga-3 BC is based on a demand forecast for greater Kinshasa and the projected increase in power generation from Inga1 and Inga 2 once rehabilitation is completed.

IV. STRUCTURE OF THE PPP AND USE OF PUBLIC FINANCING

The Inga 3 BC hydropower development consists of a water intake on the Congo River, an open 12-kilometer canal, a 100-meter high dam on the Bundi River (a tributary of the Congo River), a 4,800-MW power plant, a 2,000-kilometer transmission lines to Katanga and, possibly, a 200-kilometer transmission lines to Kinshasa. The water intake, the canal and the dam form the "common" infrastructures. The height of this initial dam will later be increased by approximately 50 meters as part of the Inga 3 HC development. These civil works together with a dam on the Congo River, dikes and spillways, will create a reservoir to supply the Inga 3 HC and the future Inga 4 to Inga 8 power plants. The 8-billion-cubic-meter reservoir created on the Congo River during the HC phase will constitute a national public good, which will have to be managed by a majority state-owned entity.

For this reason, the Government intends to allocate public financing to the "common" facilities under the PPP for the development of Inga 3 BC. This option has three advantages. First, such a use of concessional public funds will result in lower power production cost of for the populations of Kinshasa and Bas-Congo than would be possible under any purely private solution. Second, it ensures strong public oversight of the environmental and social impacts during construction. Such impacts are always critical when building a dam. Third, by maintaining ownership of the Inga 3 BC dam through a Public Project Company, the government will be able to maintain control over the design, construction and operation of this strategic infrastructure. It will be important to protect the long-term interests of the DRC, including rent allocation, in the subsequent developments of the Inga site – which include increasing the height of the dam.

The EPC contractors for the "common" facilities will be selected through an international competitive bidding process in order to comply with DFI procurement rules. The selection process will also comply with the DFIs' anti-corruption rules, including those related to

debarment. The Government calls on DFIs to coordinate their project appraisal and to define joint supervision procedures in order to commission the dam at the end of 2020.

A private Special Purpose Vehicle (SPV) or concessionaire will be contracted using a concession contract to develop and privately finance the Inga 3 BC power plant and the transmission lines to Katanga. The government of the DRC could hold a minority stake private in this SPV. The SPV will design, build and operate the [power plant and transmission lines] for the duration of the concession contract. The SPV could be granted responsibilities (excluding financing) of the "common" infrastructures in order to mitigate risks during construction, in particular interface risks. It [the SPV] will sell the electricity produced and pay corporate income tax and a water tariff to the government, as explained above.

The PPP structure could be adapted to match market conditions, notably the perception of interface risk by private investors and private lenders. In the same vein, the Government could ask DFIs, in particular as MIGA, to provide political risk insurance. The government commits to seek a counter-guarantee to mitigate SNEL's commercial risk, in order to maintain the risk for private investors at an acceptable level.

V. THE DEVELOPER SELECTION PROCESS

The Government has started the process to select a developer for an exclusive collaboration contract. At the end of an exclusive collaboration period, a concession contract with a private SPV which will also include investors will be signed. A call for expressions of interest was published in various journals and posted to the website of the Ministry of Electricity on October 26, 2010. Six candidate developers were prequalified in 2011. Two of them notified the Government that they were withdrawing from the bidding process, based on the project design at the time. A third candidate did not respond [to the Government]. The three remaining candidates have continued to participate in the dialogue. The project design has changed since the launch of the developer selection process. Therefore, the three prequalified consortia will be allowed to bring new partners into their consortium during the selection period, in accordance with a framework that will be defined in the request for proposal.

The Government has contracted an internationally recognized transaction advisor. This adviser will support the government to supervise the developer's activities on the basis of the reference project specified in the feasibility study and the follow-up studies during the exclusive contract phase.

The Government commits to use objective criteria and a reference project to select a developer from the three prequalified consortia. Three criteria will be applied to determine the eligibility of the [proposals of the] candidates: technical capacity during the design and construction phase, management capacity during the operating phase, and the consortium's capacity to raise the necessary financing. The exclusive collaboration contract for the power plant and transmission lines will be awarded on the basis of the lowest cost price per kWh. This cost does not include the cost of the common infrastructure, which will be publicly financed. The winning bid cannot be revised upwards except on the basis of objective criteria resulting from technical studies which will be defined upfront.

The final cost price per kWh (including the cost of the common infrastructure) will be determined once the EPC contractor for the common infrastructure has been selected on a lowest cost basis. The power purchase agreements with the pre-identified off takers at the same time will be negotiated in parallel taking into account the opportunity cost of electricity in Kinshasa, Bas Congo, Katanga and in the SAPP, as well as inflation projections.

If a selection based on cost price per kWh is finally deemed impossible within the project planning, the Government reserves the right to use the internal rate of return on equity as a selection criterion. In this situation, the developer will be requested to select EPC contractors through international competitive bidding.

VI. THE ENVIRONMENTAL AND SOCIAL ASPECTS OF THE PROJECT

The environmental and social impacts of the Inga 3 BC development will be modest relative to MW produced when benchmarked with other dams around the world, according to the feasibility study. However, the project needs to be accepted by the population of Bas-Congo, including the households that were resettled for the construction of the Inga 1 and Inga 2 (and claim to have outstanding entitlements). Furthermore, the upstream and downstream impacts from the dam as well as the impacts of the transportation lines need to be addressed. The Government fully subscribes a responsible environmental and social management vision for the Inga 3 BC development. For this purpose, it has drafted 10 terms of reference for environmental and social impact studies and two terms of reference for [land] entitlements. These terms of reference have been disclosed on the official website (www.cate.cd) and published in two official gazettes (*l'Observateur* and *le Phare*) in June 2013. Two public consultations were held in Kinshasa in July 2013 and in Matadi in September 2013.

The Government commits to work in close collaboration with the DFIs to ensure that the decision-making process, the detailed design of the Inga 3 BC development, and the project itself incorporate appropriate environmental and social risk mitigation measures. Specifically, it commits to set up a panel of environmental and social experts and a dam safety panel. These panels will be maintained until the impoundment of the Inga 3 BC dam and the construction to increase the height of the dam. The Government also acknowledges that the transmission lines to be developed outside of the DRC are an associated infrastructure and it intends to collaborate with the neighboring countries to ensure that this infrastructure complies with environmental and social standards.

Finally, the Inga 3 BC development has a local, national and regional importance and visibility. The Government subscribes to the principles of transparency, freedom of information, and regular consultation with the affected populations and other project stakeholders. As such, it commits to engage in a continuous dialogue with all stakeholders about the Inga 3 BC development and about the main issues facing projected affected people. The Government commits to disclose key documents concerning the project as the project progresses. It will continue the periodic consultations with the communities and citizens in the project area that were initiated during the preparatory phase of the project. These consultations will solicit views on various issues, such as measures to mitigate social and environmental impacts and project outcomes.

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Annex 9: Indicative project budget

DEMOCRATIC REPUBLIC OF CONGO Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

	(US\$m)	Total	IDA	AfDB
COMPONENT A - Inga 3 BC development support		80.9	47.5	33.4
Sub-component A1 - Studies		20.0	12.5	7.5
<i>Technical studies</i>				
Geological baseline survey		0.8		0.8
Geological & geotechnical investigations		3.0	3.0	
Study of the Congo River water intake (Measurements and modeling)		1.7		1.7
Study of the impact on operation of Inga 1&2 (including transmission lines to Zambia border)		0.4		0.4
Sediment study		0.6		0.6
Study of the T-line from Kolwezi to Zambia border		0.7		0.7
Updating of the feasibility study (reference project)		0.6		0.6
documentary database		0.2		0.2
<i>Social and Environmental studies</i>				
Collection of E&S baseline data (including biodiversity baseline)		0.4	0.4	
ESIA / RAP T-lines DRC		1.0	1.0	
ESIA / RAP Inga 3 BC hydropower complex (based on the ESIA of the feasibility study)		1.0	1.0	
Inga 1 & 2 historically unresolved issues		0.9	0.9	
Cultural resources management framework		0.5	0.5	
Strategic Environmental Assessment		1.5	1.5	
RAP Camp Kinshasa		0.5	0.5	
Indigenous People Planning Framework		0.4	0.4	
Panel of Experts (Environmental/Social)		1.3	1.3	
Panel of Experts (Dam safety)		2.0	2.0	
<i>Economic studies</i>				
Study of productive demand in the Bas Congo		1.0		1.0
Tariff studies		0.9		0.9
Master plan / demand characterization for Inga 3 BC		0.6		0.6
Subcomponent A2 - Advice and procurement support		39.5	19.0	20.5
Design of agreements related to DRC/RSA Inga treaty		0.5		0.5
Support to the preparation of the law on Inga (incl. study on rent allocation)		1.5	1.5	
Support to developer's selection process		8.0		8.0
Review of the developer's technical activity after its selection (during exclusive collaboration)		12.0		12.0
Support to the preparation and negotiation of PPAs and concession contract		2.5	2.5	
Detailed design, bidding documents, assistance for procurement, financing arrangements for common infrastructures		15.0	15.0	
Subcomponent A3 - Institutional Strengthening		21.4	16.0	5.4
<i>ADEPI</i>				
Study on ADEPI structuring and staff recruitment support		2.0	2.0	
Full time individual international consultants for ADEPI		7.2	7.2	
Consultants (national)		5.4		5.4
Equipment		0.6	0.6	
Operational costs		2.2	2.2	
Workshops and training		0.5	0.5	
Communication		1.5	1.5	
<i>Public management structure for construction and management of common infrastructures</i>				
TA to establish the public management structure for the common infrastructure		2.0	2.0	

COMPONENT B - Mid-size hydropower development support	25.6	25.6	
Component B1 - Mid size hydro	19.1	19.1	
Analysis of the institutional, regulatory, and legal framework for the development of mid-size hydro projects	2.0	2.0	
Review of 62 projects and selection of 30 projects for prefeasibility studies	0.4	0.4	
Update/conduction of prefeasibility studies for selected 30 projects	3.0	3.0	
Multi criteria analysis to select three projects for feasibility studies	0.2	0.2	
Detailed feasibility and E&S studies for 3 selected projects, and preparation of specs & bidding documents	10.5	10.5	
Support to the private developers' selection process for the 3 best projects	3.0	3.0	
Component B2 - Carbon finance market development	1.0	1.0	
Implementation of carbon finance mechanism	1.0	1.0	
Component B3 - Institutional Strengthening	5.5	5.5	
CGI3			
Individual advisors	1.7	1.7	
Staff (consultants)	1.1	1.1	
Office equipment	0.4	0.4	
Operational costs	1.0	1.0	
Workshops and training	0.6	0.6	
Communication	0.7	0.7	
TOTAL PROJECT COSTS	106.5	73.1	33.4

Annex 10: Chronogram of actions undertaken by the GoDRC since 2010

DEMOCRATIC REPUBLIC OF CONGO Inga 3 BC and Mid-Size Hydropower Development Technical Assistance Project

2010: Guidelines issued by the Presidency of the DRC for the development of Inga following international best practices and the use of international tenders.
2010: Establishment of a Steering Committee to ensure the development of the project including the selection of developer until the constitution of the Project Company;
2010: Recruitment of an international law firm to assist the Steering Committee in the selection process of the developer in order to ensure transparency in the process.
September 13, 2010: signing of the Ministerial Decree CAB / MIN - ENER / 015/2010 on the establishment and operation of the Project Steering Committee Inga 3 (CPI3) with the following duties: i) Monitor the performance and validation studies on the Project; ii) Prepare the various steps leading to the Project; and iii) Liaise between public and private stakeholders in the Project. More than 35 meetings were held since CPI3's inception.
October 2010 At the request of BHP Billiton drafting by Tractebel Engineering in France of a conceptual review of development options for the hydroelectric plant Inga 3 (tunnel option), based on the study conducted by SNC Lavalin in 2008. This conceptual study and the study of SNC Lavalin provided the basis for the development of the Request for Expression of Interest and the Memorandum of Information Project (MIP).
October 2010: Launching of the Request for Expression of Interest on the Inga 3 Project for the selection of the developer.
December 2010: Submission of offers from 9 companies or groups of companies.
April 2011: Notification to 6 shortlisted companies or groups of companies, after receiving final clearance of the Government Commission of Economy and Reconstruction (ECOREC) and the Presidency of the Republic. Notification to unsuccessful candidates.
April 2011: Submission of the Memorandum of Information Project (MIP) to the six shortlisted companies or groups of companies.
August 2011: Sending of an Addendum to inform shortlisted firms of a possible second option for the development of Inga 3 project with an open channel instead of tunnels.
August 19, 2011: submission of bids by three of six shortlisted companies.
October 10, 2011: Recruitment of an International Law Firm advisor Orrick Rambaud Martel, in joint venture with Banque Lazard and Engineering Tractebel Engineering to assist the Government, through the CPI3, in the selection process of a developer.
From 12 to 14 October 2011: Presentation by the Consortium AECOM/ EDF of their pre-feasibility study report on development of the Inga site and associated transmission lines.
October 15, 2011: Official public opening of the bids of three candidate developers.
October 19, 2011: Selection by the Government of the alternative scheme proposed by the aforementioned study on the development of Inga 3 with open channel.
November 12, 2011: Signing of a Memorandum of Agreement between the Governments of South Africa and DRC on the development of Grand Inga development in the DRC for the power supply to South Africa, with a firm commitment to sign a bilateral treaty within 6 months.

<p>February 7, 2012: Dispatch to the 3 candidates developers of the Addendum to Supplemental MIP, of the Exclusive Project Collaboration Agreement to be signed with the preferred bidder for the development of their final bid and of the draft contract to be signed with the selected developer.</p>
<p>February 8, 2012: Notification by BHP Billiton of its withdrawal from the Inga 3 development</p>
<p>February 20, 2012: Letter to the three candidates informing them of the withdrawal of BHP Billiton and of the continuation of the process engaged for the selection of a developer for Inga 3.</p>
<p>March 7, 2012: Letter to the three candidates informing them of the agreement of the Government to their request to postpone the original date of submission of their final bids and announcing consultation meetings to be held between Government, donors and project stakeholders to redefine the new electricity market following the withdrawal of BHP Billiton.</p>
<p>From 7 to 8 March 2012: Discussion between the Government (Ministry Energy, Project Steering Committee Inga 3, the main multilateral donors involved in the Inga 3 development (ADB, WB, AFD), the AECOM/ EDF Group and the Government Councilors (Group ORRICK / Lazard / Tractebel). Resolutions taken by the parties with the financial support of ADB to participate in: a mission to RSA to determine the energy demand of the RSA that could be drawn from Inga 3: 19-22 March 2012 and a round table with Katanga Mining companies: 29-30 March 2012</p>
<p>From 22 to 23 March, 2012: Discussion in Pretoria (RSA) between the Ministry of Energy of the DRC, through the Steering Committee of Inga 3, and the Ministry of Energy of the RSA, the DBSA, the Consultant EDF and the power company ESKOM South Africa for the determination of the electrical energy demand of the RSA in reference to the Memorandum of DRC-RSA agreement of 12 November 2011. Resolutions taken by the parties: (1) Commitment in principle by RSA to import of any excess electricity from Inga; (2) Agreement on the need for an urgent informative workshop on feasibility studies for development of Inga and priority corridors to South Africa in general and on the maximum technical capacity of the line to develop in the framework of Inga 3 in particular. Target date: 1st week of May 2012.</p>
<p>From 29 to 30 March, 2012: Roundtable in Lubumbashi with potential mining customers to get firm commitments on their electrical energy demands for 2020 and beyond. (MOUs to be signed between the parties concerned) The discussion on whether the mining industry would like to become an anchor customer was in fact found to be premature and the meeting only produced a letter of intent from the mining industry saying that they would like to be kept in the information loop for the development of Inga 3.</p>
<p>From 30 August to 1 September 2012 : Meetings in Paris with the Ministry of Hydraulic Resources and Electricity, SNEL, the World Bank, the African Development Bank, AECOM/ EDF and Orrick / Lazard Frères / Tractebel to review the progress of the project and discuss about the next steps.</p>
<p>October 2012: Submission by Aecom/EDF of the feasibility report for the development of the Inga site and associated interconnections.</p>
<p>October 2012: Mission to Kinshasa by the World Bank, the African Development Bank, the European Bank, the European Union, the KfW, the Agence Française de Développement, the Development Bank of Southern Africa to take note of the conclusions of the feasibility study and to review the project development plans.</p>
<p>January 25, 2013: Decision by HE Prime Minister of DRC to continue with the private developer recruitment process.</p>
<p>March 7, 2013: Initialing by the ministers in charge of energy of South Africa and DR Congo of a treaty between the two governments on the development of Grand Inga in the DRC for the power supply to South Africa.</p>
<p>March 29, 2013: Signature by HE Minister of Hydraulic Resources and Electricity of two decrees creating the temporary Inga 3 management cell (CGI3) and the ministry's facilitation committee.</p>
<p>April 4, 2013: written confirmation by the World Bank Vice President for the Africa Region of the intent to support the GoDRC in its endeavor to develop the Inga 3 project as a first phase of Grand Inga.</p>

April 8 to 16, 2013: Mission to Kinshasa by the World Bank, the African Development Bank, the European Union, the Agence Française de Développement, the Development Bank of Southern Africa to review progress of the project preparation and to examine their possible respective contributions to the development of the project.
May 16-18, 2013: Meeting organized in Paris by the GoDRC with the MRHE and advisors, external financial partners (AfDB, AFD, DBSA, EIB, IFC, MIGA and WB), and the candidate developers, to discuss the project institutional structure and timetable and the private developer selection process.
June 6, 2013: Signature by HE Prime Minister of a decree creating the Commission for the Development of the Inga site – CODESI.
June 28, 2013: Public disclosure of the 12 TORs for E&S safeguards studies.
June 26 to July 4, 2013: Pre-appraisal mission to Kinshasa by the World Bank, the African Development Bank and the Development Bank of Southern Africa.
July 22, 2013: Signature by HE Minister of Hydraulic Resources and Electricity of two revised decrees creating the temporary Inga 3 management cell - CGI3 - and the ministry's facilitation committee – CFI.
July 24-26, 2013: Meeting organized in Kinshasa by the GoDRC with the MRHE and advisors, external financial partners (AfDB, AFD, DBSA, EIB, IFC, MIGA and WB), and the candidate developers, to continue discussions on the project institutional structure and timetable and the private developer selection process.
September 20-21 2013: Official presentation by AECOM/EDF of the feasibility report for the development of the Inga site and associated interconnections.
October 9, 2013: Appointment by the Minister of Hydraulic Resources and Electricity of a coordinator for CGI3
October 12, 2013: Notification of the project from the Minister of Hydraulic Resources and Electricity to the Congo River Basin Organization (CICOS)
October 31, 2013: Signature by the Ministers in charge of energy of South Africa and DR Congo of the treaty between the two governments on the development of Grand Inga in the DRC for the power supply to South Africa.
November 4, 2013: CICOS has notified the 12 Riparian countries
November 12, 2013: Signature by the Prime Minister of the policy letter for the implementation of the Inga 3 BC development.

Annex 11: Documents in the Project File
DEMOCRATIC REPUBLIC OF CONGO
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Legislation

- Ministerial Decree CAB / MIN - ENER / 015/2010 on the establishment and operation of the Project Steering Committee Inga 3 (CPI3), September 13, 2010;
- Prime Minister Decree 13/09 creating the Commission for the Development of the Inga site – CODESI, June 6, 2013 ;
- Ministerial Decree CAB/MIN/RHE/033/2013 creating the temporary Inga 3 management cell (GGI3), July 23, 2013;
- Ministerial Decree CAB/MIN/RHE/032/2013 creating the ministry’s facilitation committee (CFI), July 23, 2013;

Technical studies

- Study conducted by SNC Lavalin in 2008;
- Conceptual review of development options for the hydroelectric plant Inga 3 (tunnel option), based on the. (Tractebel Engineering), October 2010;
- Feasibility study, *Study of Inga hydroelectric site development and associated power interconnections*, AECOM/EDF, September 2013;

Documents related to ongoing selection process of the developer/investor

- Request for Expression of Interest on the Inga 3 development for the selection of the developer, October 2010;
- Memorandum of Information Project (MIP), April 2011, and addendum to Supplemental MIP, August 2011;
- *Processus de sélection d’un développeur pour le projet Inga 3*, Jean-Jacques Raoul, August 2013;

Safeguards related documents

- 10 TORs for E&S safeguards studies : (1) ESIA for Inga 3 BC development hydropower complex, (2) ESIA for Inga 3 BC transmission line from Inga to the border with Zambia, (3) ESIA for mid-size hydropower projects, (4) Environmental and social expert panel, (5) Dam safety expert panel, (6) RAP for the Inga 3 BC hydropower complex (7) RAP for the transmission line from Inga to the border with Zambia, (8) RPF for the mid-size hydropower projects, (9) IPPF for the transmission line in the DRC, and (10) Assessment Framework for Physical and Cultural Resources, disclosed on June 28, 2013;

- 2 TORs for Inga 1&2 historically pending issues: (1) Community development plan for project affected persons during the construction of Inga 1&2, (2) RAP for Camp Kinshasa, built during the construction of Inga 1&2, disclosed on June 28, 2013;
- Notification of the project from the Minister of Hydraulic Resources and Electricity to the Congo River Basin Organization (CICOS), CAB/MIN/RHE/CATE/Mund/1014/13, August 26, 2013;
- Notification from CICOS to riparian States (30 letters to the 12 riparian countries: Angola, Burundi, Cameroun, Congo, Gabon, Malawi, Uganda, CAR, Rwanda, South Sudan, Tanzania, and Zambia), November 4, 2013 ;

Miscellaneous

- Notification by BHP Billiton of its withdrawal from the Inga 3 development; February 8, 2012;
- Memorandum of Agreement between the Governments of South Africa and DR Congo on the development of Grand Inga in the DRC for the power supply to South Africa, November 12, 2011;
- Treaty between the two governments on the development of Grand Inga in the DRC for the power supply to South Africa, October 31, 2013;
- Communications and consultation plan for the Inga-3 TA project, July 2013.

Annex 12: IBRD 40513 - Map of Inga 3 BC Common Infrastructures
DEMOCRATIC REPUBLIC OF CONGO
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