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World Bank Support for Large Hydropower Projects in Africa

Dear Dr. Kim,

In a recent background paper for IDA 17 and through the media, the World Bank has expressed an interest in renewing its support for large hydropower projects in Africa, including the Inga 3 Dam on the Congo and the Batoka Gorge and Mphanda Nkuwa dams on the Zambezi. We understand that you will visit the Democratic Republic of Congo this month, and that the Inga 3 Project will feature prominently on the agenda of your visit.

Many of us have monitored the track record of large infrastructure projects in Africa, including the existing Inga dams on the Congo, for more than 20 years. We would like to take this opportunity to summarize our concerns and ask the following questions regarding the World Bank's approach to large hydropower projects in Africa.

Access to electricity

An estimated 585 million people in Sub-Saharan Africa, including 88 percent of the region's rural population, have no access to electricity. The Bank's IDA 17 paper claims that regional initiatives could "catalyze very large-scale benefits to improve access to infrastructure services". Yet the International Energy Agency has found that because of the continent's low population density, grid-based electrification, including through large hydropower projects, is not cost-effective for much of rural Sub-Saharan Africa. Distributed renewable energy solutions such as wind, solar and micro hydropower projects are much more effective at reaching the rural poor. According to the IEA report, 70% of the world's un-electrified rural areas are best served through mini-grids or off-grid solutions (cf. <http://bit.ly/15wSBOj>).

In the DRC, the World Bank and other financiers have invested billions of dollars in the construction and rehabilitation of the Inga 1 and 2 hydropower projects and associated transmission lines over the past 40 years. After all this investment, 85 percent of the electricity in the DRC is consumed by high-voltage users, while only 6-9 percent of the population has access to electricity. We are concerned that the Bank's proposed focus on large hydropower projects will write off electricity access for the majority of Africa's poor.

Question 1: Has the World Bank prepared estimates on the extent to which the Inga 3 Project would increase electricity access for the rural poor in the DRC?

Inclusive growth

There is no question that improved access to electricity is essential for social and economic development. Yet the track record of large hydropower projects in promoting economic growth in Africa is dubious. The independent World Commission on Dams has found that dams have experienced average cost-overruns of 56 percent. Cost overruns increased with the size of projects, and were largest for the complex multi-purpose schemes that the World Bank is now again propagating in Africa. Projects such as Inga 1 and 2 have not unleashed economic development, but to the contrary, have been major contributors to African countries' unsustainable debt burden. Of the 17 countries that depend on hydropower for more than 90 percent of their electricity supply, 14 are either poor or extremely poor, and most of them are in Africa (cf. *Infrastructure for Whom?* <http://bit.ly/13nagnW>).

Even where large hydropower projects have increased economic growth, it has often not been inclusive, but focused on enclave industries and urban centers. In contrast, distributed renewable energy projects are much more likely to create jobs where they are most needed and foster inclusive growth.

Question 2: Has the World Bank prepared a study on the creation of jobs within the region by the Inga 3 project as compared with investments of the same size in distributed renewable energy projects?

Climate mitigation

We recognize that although dams with shallow tropical reservoirs can be major emitters of greenhouse gases, most hydropower projects have low ghg emissions. However, healthy rivers play an important role in mitigating climate change and allowing the planet to adapt to a changing climate. Sediments from the Congo have created a 300,000 square kilometer fan on the floor of the Atlantic Ocean. The river's high sediment load and oxygen content produce a large amount of phytoplankton, which sequesters carbon when it dies and helps the Atlantic Ocean act as a global carbon sink. A peer-reviewed article warns that for this reason, "plans to divert, store or otherwise intervene in Lower Congo River's dynamics are truly alarming" (cf. <http://bit.ly/ZUj5Vt>).

The World Bank's November 2011 infrastructure strategy update states: "Meeting environmental goals and adapting to climate change will require an infrastructure that is less damaging to the environment, and more resilient to shocks." Distributed renewable energy solutions are vastly superior to large hydropower projects in this regard.

Question 3: Will the World Bank ensure that the Environmental Impact Assessment for the proposed Inga 3 Project will assess the project's impacts on the ability of the Atlantic Ocean to act as a global carbon sink?

Climate adaptation

Escalating hydrological uncertainty requires increased water storage. Many different storage options exist, including underground aquifers, increasing the capacity of crops to retain humidity, reservoirs and ponds. Putting all eggs into the basket of large reservoirs that are not phaseable or otherwise adaptive increases societies' vulnerability to climate change. As a World Bank ESMAP report has warned, the "heavy reliance on hydropower creates significant vulnerability to climate change" particularly in hydro-

dependent regions such as Sub-Saharan Africa (cf. <http://bit.ly/13LeR2r>). In contrast, a diversified portfolio of distributed renewable energy and water storage options will strengthen the climate resilience of Africa's water and energy sectors.

The World Bank has expressed an interest in supporting the Batoka Gorge and Mphanda Nkuwa hydropower projects on the Zambezi. According to a study by the IPCC, the Zambezi exhibits "the worst scenario of decreased precipitation (about 15%), increased potential evaporative losses (about 15-25%), and diminished runoff (about 30-40%)" among 11 major African river basins (cf. <http://bit.ly/15V5K3x> and <http://bit.ly/12pJava>). In spite of this, no climate risk assessments have so far been carried out for the two proposed projects.

Question 4: Will the World Bank require that climate variability assessments be carried out for all future hydropower projects, including the proposed dams on the Zambezi?

Good governance

In countries with weak governance such as the DRC, centralized, export-oriented hydropower projects such as Inga 3 create winner-takes-all situations that are part of the resource curse. Because they generate revenues – signing fees, bribes, export revenues – in a highly centralized fashion, such projects incentivize corruption and conflict and discourage power-sharing and accountability. They are not only hampered by rampant corruption – they entrench and reinforce it. In contrast, distributed renewable energy solutions decentralize revenues and power, and are often at a scale that can facilitate oversight by countries' nascent civil societies.

The track record of the Inga 1, 2 and 3 projects in terms of accountability, public oversight and budget discipline has been abysmal. Even so, the World Bank and other MDBs in a submission to the G20 High Level Panel on Infrastructure have classified the DRC's institutional capacity to implement the Inga 3 Project as "medium". This is a shocking case of wishful thinking.

Question 5: Has the World Bank carried out an analysis of how the Inga 3 Project would affect corruption levels and governance more generally in the DRC?

Conclusion

We are concerned that a return to the large hydropower projects of the past would repeat social, economic and environmental failures that the countries of Sub-Saharan Africa can least afford. In contrast, the distributed renewable energy solutions that have become widely available offer triple benefits in terms of poverty reduction, climate change, and environmental protection. Such solutions have become affordable even for poor consumers, but their expansion is hampered by a lack of credit, trained personnel, and appropriate government policies. Public guarantee schemes, capacity building programs and policy reform could help jump-start self-sustaining markets for renewable energy technologies.

We highly respect your personal commitment to poverty reduction. We are encouraged by the fact that IDA deputies have rejected the Bank's proposal to make regional infrastructure projects such as Inga 3 a special theme of IDA 17. We hope that your Presidency will be associated with a break-through of

energy solutions that reduce poverty, address climate change and protect the environment, rather than a return to the failed mega-projects of the past.

We appreciate your attention to our concerns and look forward to your response.

Yours sincerely,



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