

## Democratic Republic of Congo

### Consultative Group – November 29-30, 2007 Working Session on the Energy Sector

#### Medium Term Priorities for the Energy Sector

The Government of the Democratic Republic of Congo and the international community have a common objective for the future stability and development of DRC.

Electricity access rate in DRC is only about 7%, compared to the SSA average of 20%. Installed capacity is 2400 MW, but because of poor maintenance, peak production level is only around 1000 MW. By comparison, DRC has a hydro-power potential of about 100,000 MW. The Inga site alone, located on a bend in the Congo River, has possibly the largest hydro-power potential in the world, namely 40,000 MW.

The sector has been plagued by poor management, inadequate maintenance and under-investment. The electricity sector is dominated by the vertically integrated power utility, Société Nationale d'Electricité (SNEL). SNEL is continuously being solicited by private parties to sell power or provide concessions to mining.

The Inga site, with its 40,000 MW potential, is a major potential asset for the development of Africa. As a consequence, it attracts significant attention at a regional level (e.g., from the New Partnership for Africa's Development (NEPAD)). Inga has two existing power plants with installed capacity of 1775 MW, but the plants are currently able to generate only 700 MW as a result of inadequate maintenance. Beyond rehabilitating these plants, subsequent phases of development at Inga include: (i) Inga 3, a 3500 MW plant (estimated cost of \$4 billion), and (ii) Grand Inga, a 30,000+ MW plant (estimated cost over \$30 billion) – but both face major challenges and uncertainties.

#### **Key Issues and Government Strategy.**

- **Building up electricity infrastructure:** There is a fundamental need for increased investments in the sector, both to rehabilitate existing infrastructure and to build new generation, transmission and distribution assets.
- **Improving Governance within the Power Utility and moving SNEL toward a more service-oriented business model:** SNEL is and will remain for the short-to-medium term the dominant service provider in the power sector. Recently, the government and utility have come under increasing pressure to improve service, in particular as Kinshasa has faced increasing black-outs and much of the country remains un-electrified. SNEL should strengthen its operational capabilities, notably in billing/collection activities, planning and maintenance.
- **Developing Partnership with Private sector:** The Government and SNEL have been engaged in opening the sector to private participation. There is a need for the Government/SNEL to implement partnership bidding systems that favor transparency and competition and provide for adequate financial and technical safeguards.

- **Developing a National Master Plan** for increasing access to electricity all around the country
- **Adopting a strategy for further development of Inga site** (Inga3/Grand Inga).

### **International Community:**

- The International community is working closely with the Ministry of Energy to help rehabilitation of generation, transmission and distribution capacities. A new multi-donor \$490 million project (the “Regional and Domestic Power Markets Project”) has just been finalized, with \$296.7 million in IDA financing. The Project includes about \$225 million for the rehabilitation of the Inga power plants and would involve the first significant investment at the Inga site in over a decade. As part of this program, the African Development Bank (ADB) has also mobilized about \$100 million to fund primarily rehabilitation of the distribution network Kinshasa, and connect 50,000 new households. The Government is also negotiating with Chinese \$95 million to finance a second transmission line from Inga to Kinshasa. The Project will also strengthen SNEL’s operating capacity and includes a program to improve governance in the sector. The project will provide technical assistance to strengthen accounting, financial and commercial systems and improve reporting. On an other project, World Bank is financing the DC line between Inga and Katanga, and EIB has expressed his interest to support this project.
- The International community needs to help Government/SNEL set up transparent rules for partnership with private sector.
- NEPAD and international community are interested in supporting the further development of the Inga site as a low cost environmentally friendly source of power for the region. ADB is about to finance a feasibility study The greatest challenge will be raising financing..

### **Risks:**

There are a number of risks that could disrupt achievement of DRC’s objectives:

- Delays in delivery of support from donors would keep from improving the quality of electricity service, affecting the improvement of living conditions of the population, mainly in Kinshasa.
- As a more commercially efficient SNEL and strengthened partnering practices should both enable the utility to be more effective and help the country attract private sector partners on a sound basis, delays in getting results could affect potential new investors.
- If SNEL succeeds in improving its operational capacities, it will send a clear message to the international community who wants to support DRC in future development of Inga site (Inga3/Grand Inga). Otherwise, this could hamper the entire process.