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Ethiopia prepares case for megahydropower project funding

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The Ethiopian government is preparing its case to attempt to convince the World Bank to fund a mega- hydropower project in the Horn of Africa country.

World Bank president **Robert Zoellick** was due to arrive in the Ethiopian capital, Addis Ababa, last week, amid some tension following revelations that the bank was considering withholding funding for the Gibe III hydropower project, on the Omo river.

Should it go ahead, the project will be Ethiopia's single largest investment, with a \$1,7-billion price tag and capacity to generate 1 800 MW of electricity, some of which will be exported to countries like Kenya, Sudan and Djibouti.

Already Kenya is banking on the project to solve recurring energy crises and negotiations are ongoing for the importation of 500 MW.

During her visit to Kenya, in November last year, World Bank vice-president for Africa **Obiageli Ezekwesili** revealed the bank had raised concerns about the manner in which the Ethiopian government was managing the project.

In particular, the bank queried the environmental- and social-impact assessment (ESIA) on the grounds that it was not conclusive enough and also disputed the award of the contract to an Italian company without competitive bidding.

"There are some outstanding issues that need to be resolved before we can commit funding for the project," Ezekwesili told Kenyan officials.

Other prospective key financiers of the project include the European Investment Bank (EIB) and the African Development Bank.

A statement from the World Bank said that Zoellick's four-day visit to Ethiopia, starting on January 30, would provide an opportunity for the Bretton Woods institution to see how the bank could help improve prospects for economic growth.

"Africa has the potential to be another pole of growth for the world economy," said the bank.

The visit came only days after Ethiopia had commissioned the 420-MW Gibe II hydropower project.

According to an official at Kenya's Ministry of Energy, the Ethiopian government has prepared a strong case to convince the World Bank boss about the Gibe III project's importance to the economies of Ethiopia and other countries in the region.

But a group of nongovernmental organisations opposed to the project due to its potential environment impact is preparing to petition against the World Bank financing the project.

"The project is going to affect more than 500 000 people living downstream, and we feel it should be abandoned," says Samir Omar, of Friends of Lake Turkana, from which the Omo river drains.

Various reports show the World Bank, and the EIB, are considering withholding funding for the project because the ESIA prepared by CESI & Mid Day International Consulting was not conclusive and failed to deal with the effects on downstream communities.

According to one report seen by Engineering News, in January 2009, the Ethiopian Electric Power Corporation released a final version of the ESIA documents despite stiff criticism of their poor preparation and belated release – two years after construction had begun – which was a violation of Ethiopia's environmental laws, which require an impact assessment to be approved prior to the start of construction.

"The ESIA is largely based on insufficient scientific analysis. Risks to the health and livelihoods of affected communities are particularly poorly addressed. Mitigation measures are inadequate and unrealistic and do not acknowledge the failure of similar mitigation measures at other dams in Ethiopia," states the report.

The financiers are also querying the manner in which the Ethiopian government awarded the construction contract to Salini Costruttori, of Italy.

The report states the company was awarded a no-bid engineering, procurement and construction contract largely owing to its past engagement with the Ethiopian government.

"The contract, worth \$1,7-billion, violates Ethiopia's federal public procurement directives," it states.

The possibilities of financiers withholding funding has resulted in unprecedented concern in Ethiopia, considering 35% of the work has been done.

This includes diverting the water in order to build what is billed to be the tallest dam in Africa, at 787 ft. The dam will have a storage capacity of 11,75-billion cubic metres.

Power exports from the planned project could rake in \$407-million annually, much more than what Ethiopia earns from exports of coffee, the country's major foreign currency earner.

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