

 Early Warning System

MIGA-12201

Cambambe Hydroelectric Project-Phase II



## Quick Facts

<b>Countries</b>	Angola
<b>Financial Institutions</b>	Multilateral Investment Guarantee Agency (MIGA)
<b>Status</b>	Approved
<b>Bank Risk Rating</b>	A
<b>Voting Date</b>	2013-05-21
<b>Borrower</b>	HSBC Bank Plc.
<b>Sectors</b>	Energy, Hydropower
<b>Potential Rights Impacts</b>	Healthy Environment, Housing & Property, Labor & Livelihood, Right to Water
<b>Investment Type(s)</b>	Guarantee
<b>Investment Amount (USD)</b>	\$ 605.00 million



## Project Description

HSBC Bank plc ("HSBC") has requested MIGA to provide coverage for financing of Phase II of a three phased rehabilitation and expansion project of the Cambambe Hydroelectric power station 180 km east of Luanda, Angola. Phase I, which was completed in December 2012, involved the rehabilitation of the four existing turbine generators, which were not operational. Phase II, which the MIGA guarantee will cover, involves the construction of a second powerhouse with four additional turbine generators, initially rated at 120MW each or 480MW in total and construction of a concrete spillway on the basis of a contract awarded to Odebrecht SA of Brazil. Phase III, which is also underway, involves the heightening of the dam wall from 102m to 130m in elevation, which will result in a final capacity of 700 MW, a further increase of 220 MW from the original power plant.

Odebrecht has selected Voith Hydro GmbH & Co. KG ("Voith") of Germany and Elecnor SA ("Elecnor") of Spain as sub-contractors for the provision of mechanical and electrical equipment and services respectively. The total value of the contract to be financed with MIGA's support is EUR560 million and the Ministry of Finance of Angola mandated three banks, HSBC, Societe Generale S.A. and BHF-BANK Aktiengesellschaft, to structure a financing package for the project costs (with HSBC acting as Coordinating Arranger).

The U.S. Government abstained from approving this guarantee.



## Early Warning System Project Analysis

### Risk Categorization

According to MIGA Project documentation, "This project is Category A according to MIGA's policy on social and environmental sustainability, as it has potentially significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented. The rehabilitation and expansion of the existing infrastructure, the increase in the height of the dam wall and associated infrastructure, could potentially result in diverse negative environmental and social impacts related to: landscape, underground water quality, surface water quality, air quality, noise levels, waste water, solid waste, hazardous waste, biodiversity, worker health and safety and communities health and safety during construction and operation. Cumulative impacts on the Kwanza River will be considered."

### Applicable Social and Environmental Standards

According to Project documentation:

"While all Performance Standards are applicable to this investment, our current information indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety & Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation & Sustainable Natural Resource Management
- PS8: Cultural Heritage

The findings of MIGA's due diligence confirmed that there are no Indigenous Peoples (PS7) impacted by the project."

### According to MIGA Project documentation:

"Community engagement during the EIS process was limited to a public hearing which was convened prior to submission of the final EIS. Following the review of the community consultation by SRK, it was concluded that the consultation was not sufficiently comprehensive and therefore revisions to the community engagement plan are required to ensure a complete process of public consultation is followed. This will be completed in the next 6 months. Odebrecht has already begun consultation with the people of Cambambe, Terra Nova and Cambingo villages, the villages closest to the site and directly impacted by the project, through the community development program called 'Chaleno Kiambote.'" However, engagement with the wider community and the region is limited. A more comprehensive community engagement plan will be developed to include villages further afield. A grievance mechanism for the communities will also be developed."



## People Affected By This Project

### ENVIRONMENTAL AND HUMAN RIGHTS IMPACT

This project presents a number of potentially serious environmental and human rights impacts. An Environmental and Social Due Diligence report prepared for HSBC by international consulting firm SRK Consulting notes that "An ESIA was prepared by Holisticos in order to fulfil a number of Angolan environmental regulatory requirements". However, the SRK report states that "A number of relatively major changes to the project, notably placing of surplus material (rock) in the Kwanza River (to create a platform for a new access road) and relocation of the surplus materials dump, are neither described nor assessed in the ESIA." The SRK report lists a number of deficiencies that exist between the ESIA on which the Angolan government approved the Project and IFC Performance Standards, the Equator Principles, and the World Commission on Dams and World Bank Safeguard Policy for Dams.

SRK Consulting considers that all of the deficiencies are capable of being remedied, and their report includes a Corrective Environmental and Social Action Plan (ESAP). It will be important, however, both to ensure that remedial actions proposed in the ESAP are adequate, and that they are followed through. Particular areas of concern are listed below.

### RIGHT TO A HEALTHY ENVIRONMENT

According to the SVK report:

"Waste treatment and disposal facilities in Angola are known to be inadequate and the fate of many (hazardous) wastes is uncertain, and it is not clear where they will be disposed or to what extent third parties will be used. Limited application of energy and water use efficiency principles is evident;

The series of rapids on the Kwanza River could be regarded as a unique ecosystem under threat from the cumulative impacts of the series of eight dams planned for this reach of the river. Cumulative impacts were not assessed and PS1 is clear that the Project should consider cumulative impacts; and

A number of species registered on Angola's Red List of Endangered Species and on the International Union for Conservation of Nature (IUCN) Red List occur in the area. However, there is no Biodiversity Action Plan or Biodiversity Management Plan, and most efforts are or will be focused on rehabilitation.

Cumulative basin-wide impacts are not considered."

Furthermore, MIGA Project documentation notes that "Based on recent works, approximately 100,000 litres of used oil are produced annually along with approximately 1,000 used filters."

With these matters in mind, the following questions may be relevant:

- Has the company adequately analyzed the potential environmental impact of its proposed operations?
- What means do you have to seek redress if the environmental impact of the proposed operations become a problem for local communities and/or the local ecosystem?
- Where will solid waste, hazardous waste, and other waste products be disposed of and what impact is this likely to have on the local environment?

### RIGHT TO WATER

The SRK report notes that:

"Villagers use the Kwanza River for their water supply. Key economic sectors in the area include agriculture, animal husbandry, hunting, fishing, charcoal burning and some trade. Malaria and waterborne diseases and infections are common in the area.



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## Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

This summary covers financing by HSBC Bank Plc. and other international lenders to be identified to the Ministry of Finance of Angola for the expansion of the Cambambe hydroelectric power station. The lenders have applied for MIGA guarantees of up to \$470 million (\$605 million equivalent) covering their non-shareholder loans including interest. The coverage is for a period of up to 15 years against the risk of non-honoring of sovereign financial obligations.

The U.S. Government abstained from approving this guarantee.



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Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	HSBC Bank Plc	Investor	-
-	-	-	-	Odebrecht S.A.	Contractor	-

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## Contact Information

\*No contacts available at time of writing

## CONSULTATION PROCESS

The SVK report notes that "the Public Consultation and Disclosure Plan (PCDP) and stakeholder engagement may have satisfied Angolan requirements, but are considered deficient in terms of Good International Industry Practice (GIIP). Early and prior disclosure to all parties did not occur and/or was inadequately documented, and was not sufficiently ongoing; and a grievance mechanism for the community is not adequately defined, documented and disclosed."

## ACCOUNTABILITY MECHANISM OF MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at [CAO@worldbankgroup.org](mailto:CAO@worldbankgroup.org). You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>





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## Campaign Documents

- [Brazil convicts Odebrecht Group for slavery-like practices in Angola](#)
- [Dirty Bankers: How HSBC is Financing Forest Destruction for Palm Oil](#)
- [Odebrecht lawsuit \(re forced labour in Angola\)](#)
- [Peru: Environmental leader opposing Odebrecht's dam construction in Marañon River killed](#)
- [Response by Odebrecht: Security companies for diamond mining operations in Cuango responsible for ki](#)
- [USA: Families of Mexican drug cartel violence victims sue HSBC in US court over alleged involvement](#)