

PROJECT ABSTRACT

Project number	BR-0315
Project name	Dona Francisca Hydroelectric Power Project
Country	Brazil
Sponsors	<i>Inepar Energia S.A.</i> (“Inepar”), <i>Centrais Elétricas de Santa Catarina</i> (“Celesc”), <i>Companhia Paranaense de Energia</i> (“Copel”), <i>Gerdau S.A.</i> (“Gerdau”), and <i>Desenvix S.A.</i> (“Desenvix”)
Total project cost	US\$118 million
IDB participation	IDB A-Loan: US\$16 million IDB B-Loan: US\$24.7 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Approval Date	December 13, 2000

Project Description

- ◆ The design, development, construction, and operation of a 125-MW Dona Francisca Hydroelectric Plant on the *Jacuí* River in the State of *Rio Grande do Sul*, Brazil, including two turbines, substation, related infrastructure, and installation of a 2.5-km transmission line.
- ◆ The Project will be developed by *Dona Francisca Energética S.A.*, which is owned by *Centrais Elétricas de Santa Catarina*, *Companhia Paranaense de Energia*, *Desenvix S.A.*, *Inerpar Energia S.A.*, and *Gerdau S.A.* The Project will be developed under a 35-year Concession to exploit river resources awarded on August 28, 1998 by the Brazilian Federal Government through *Agência Nacional de Energia Elétrica*, (“Aneel”) the Brazilian electric regulatory agency, following an international competitive bidding process. The project is funded with 35 percent equity and 65 percent debt.

Project Benefits

- ◆ The Dona Francisca HPP will have a positive impact on the living standards of the community by: (i) ensuring an adequate and efficient supply of electricity; (ii) increasing economic activity (90 percent of the project costs were sourced in Brazil); and (iii) reducing government finances as Dona Francisca will contribute to reducing the areas generation costs, reducing the need for government subsidies and ultimately benefiting consumers.

- ◆ The Dona Francisca HPP will contribute to the reduction of long-term environmentally sensitive fossil fuel plants (diesel and coal). This type of facility is considered to be the most appropriate for the country, where over 90 percent of the energy produce in Brazil is via hydroelectric energy generation. In addition, the Project will mitigate alternative sources of energy inputs from outside the country (*i.e.*, gas from neighboring countries)

IDB Participation

- ◆ Brazil's forecasted demand is expected to be in excess of 36,000-MW of capacity by the year 2007. The Project will contribute private generation to the Brazilian Grid, and send a signal to the market that power projects concessioned to the private sector in Brazil are viable. The Project will substitute other planned central government investments in generation and will increase the competition in the supply of electricity.
- ◆ The Project will improve the reliability of supply and reduce the cost of electricity for some key Brazilian energy intensive industries in the region (cement, steel and automobiles manufacturing), thus improving their productivity. The success of the Project will have a very important demonstration effect, particularly during the current transition period. The successful development and performance of such a project in an uncertain environment will also provide incentives to other private developers to implement similar initiatives.