Early Warning System

MIGA-3616

Bujagali Energy Limited

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Quick Facts

Countries	Uganda
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	A
Voting Date	2018-03-04
Borrower	Bujagali Holding Power Company Limited
Sectors	Hydropower
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 250.00 million

Project Description

This summary covers equity investment of up to $250 million by Bujagali Holding Power Company Limited (BHPCL)1 in the Bujagali Hydropower project. The investor has applied for a MIGA guarantee for a period of up to 20 years against the risk of breach of contract.

The project involves operation of a 255 megawatt, run-of-the-river hydropower plant on the Victoria Nile by Bujagali Energy Ltd. (BEL). The project was developed on a build-own-operate-transfer basis and reuses water flowing from two existing upstream facilities to generate electricity. The first generating unit was commissioned in February 2012, and the project reached full capacity in June 2012. The proposed investment is not expected to result in any change to the project's physical or operational footprint or to its current power transmission arrangements.

The Agency first supported this project in June 2007, when MIGA issued a guarantee totaling $115 million to World Power Holdings Luxembourg S.à.r.l. (WPH), an affiliate of Sithe Global (USA), to cover its investment in the construction of Bujagali hydropower project. The coverage was issued for a period of up to 20 years against the risk of breach of contract. MIGA subsequently increased its cover to $120.3 million in July 2012, following WPH's increase of its equity investment in the project.

On August 27, 2014, MIGA also issued guarantees totaling $9.5 million to Absa Bank Limited of South Africa and Standard Chartered Bank of the United Kingdom, two of the existing senior lenders for the Bujagali Hydropower project. The two lenders entered into a swap arrangement with Bujagali Energy Limited to hedge against long-term interest rate risk. MIGA's coverage on the lenders' swap was issued against the risk of breach of contract for a period of 11 years.

On June 10, 2016, MIGA also disclosed a Summary of Proposed Guarantee for SN Power's potential investment in the project.

The newly proposed guarantee would cover BHPCL's existing and new investments in the project.

Environmental Categorization

The project is a Category A under MIGA's Policy on Environmental and Social Sustainability. Click here to view the Environmental and Social Review Summary prepared by the IFC for their investment in the project.

Development Impact

Reliable and accessible electricity is critical for Uganda's social and economic development. Daily power shortages have stunted economic growth by an estimated one percent of the country's gross domestic product. The Bujagali project increased supply to the national power grid at the lowest cost compared to other power generation expansion options under Uganda's energy strategy, thereby reducing outages and costs.

In addition to MIGA's guarantee, the World Bank Group has been supporting the project with $130 million in loans from the IFC and a partial risk guarantee of up to $115 million from the International Development Association. The loan for IFC's own account will change to $100 million, following the refinancing, which is currently under way.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

Contact Information

No project contacts available at the time of disclosure

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. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- Project Information