

AFRICAN DEVELOPMENT BANK



Reference No: P-UG-FAB-008

BUJAGALI ENERGY LIMITED 2

UGANDA

February 2022

| Bujagali Energy Limited 2 (BEL) | |
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| Project Description: | The transaction entails restructuring of the Bujagali project debt in order to lower the project's tariff during 2018 - 2023. Bujagali is a 250-MW hydropower plant (HPP) developed through a build-own-operate-transfer (BOOT) model in Uganda and generating around half of the country's annual power. BEL's tariff of 11.3 cents/kWh in 2017 will rise to 13.3 US cents/kWh in 2018 and gradually to 14.7 US cents /kWh in 2023 owing to (i) the expiry of a tax benefit and (ii) to accommodate current debt amortization. The Sponsors, at the request of Government of Uganda (GoU), are working with the AfDB and IFC to put in place the requisite long-term debt. This Project is foreseen to contribute towards reducing BEL's tariff by about 5 US cents/kWh during 2018 – 2023. |
| Sponsors: | Bujagali Energy Limited (BEL) is a Uganda-registered Special Purpose Company (SPC) and its sponsors are Industrial Promotion Services and Sithe Global Bujagali Holdings (SGBH). The UK's CDC Group in the context of its wider collaboration with Industrial Promotion Services (IPS) has recently acquired an equity interest in BEL. |
| Cost Structure and Financing Plan: | The original project cost was USD 900 million with debt financing of approximately USD 700 million provided by DFIs and commercial banks. The Sponsors contributed the balance. |
| Bank's Role: | The Bank will provide a senior loan of up to USD 105 million. |
| Strategic Alignment: | The transaction is aligned with the CSP 2017-21, which puts emphasis on infrastructure development for industrialization, and Uganda's Second National Development Plan (NDP 2015/16 – 2019/20), which identified that access to power by the manufacturing sector remains a key constraint. From the Bank's perspective, the transaction is well-aligned with the High 5s namely i) Light up and Power Africa as well as ii) Industrialize Africa as it will contribute to Uganda's efforts to make power more affordable for businesses and iii) the increased affordability of power will also contribute towards improved social wellbeing. |
| Development Outcomes: | The immediate development outcome arises from reducing BEL's tariff over the medium-term which will contribute towards ensuring that Uganda's overall electricity tariff remains affordable — allowing businesses to grow and create jobs, and also contributing towards an increase in the consumers' use of electricity. This operation will reduce the tariff paid by UETCL by 5 US c/kWh which is equivalent to savings of USD 75m per year for UETCL for 5 years. |
| Additionality and Complementarity | AfDB's additionality is derived from its role as a mandated lead arranger along with another major for the restructuring. In addition, the Bank's continued participation in the deal will ensure that the project complies with the Bank's environmental and social standards. |