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Agenda
item n°

Group B

COTONOU AGREEMENT
INVESTMENT FACILITY

BOARD OF DIRECTORS

Investment Loan from IF resources

BUJAGALI HYDROELECTRIC Project (Uganda)

ORIG.: E

CONFIDENTIAL

PROPOSAL FROM THE MANAGEMENT COMMITTEE TO THE BOARD OF DIRECTORS

1. Public Sector operation

2. The project

Building and operating a dam and hydro-electricity station on the Nile under Public Private Partnership, making available 250 MW of generating capacity for 30 years. The site is located 10 km from the outflow of Lake Victoria where two dams and hydro-stations are already in use. Load will be evacuated from the plant switchyard by the national transmission company using its own infrastructure. The project has been developed since the late 1990s. It is part of a comprehensive power sector reform and upgrading programme undertaken by the Government of Uganda with World Bank support. Its cost is estimated at USD 786 m (EUR 596 m). Co-financing is considered by Uganda's major development partners.

3. Financing Proposal

Promoter and final beneficiary:	The Government of Uganda (GOU) and Uganda Electricity Transmission Company Ltd. (UETCL).
Borrower:	Bujagali Electricity Ltd., a special purpose company established by the Aga Khan group and World Power Holdings, a power plant developer majority owned by Blackstone private equity funds.
Amount:	EUR equivalent of up to USD 130 m.
Term:	Up to 20 years.
Terms and conditions:	Ordinary loan from Investment Facility resources of up to 20-year tenor, to be priced at EIB's standard rate for lending outside the EU, fixed at the date of disbursement or floating, increased by a credit risk margin.
Security:	Assignment of borrower's rights, pledge of all shares in the borrower, charge over project assets and project revenues – to be shared pari passu with co-financiers.
Financing plan:	Equity, comprising sponsors' investment and GOU's development costs, will cover at least 22 % of the total project cost; the Bank's loan will cover up to 16.5 %, alongside loans from IFC (16.5 %), AfDB (14.0 %), Proparco, FMO, DEG, KfW (together 19.1 %) and commercial banks under IDA partial risk guarantee (11.9 %).
Special conditions:	Share transfer and dividend restrictions, financial covenants ensuring borrower's continued debt service capacity; GOU commitments towards environmental sustainability; World Bank funded programme ensuring power sector viability.
Investment Facility Committee opinion:	The Committee delivered a FAVOURABLE OPINION at its meeting of 26 April 2007.

4. Value-added identification

- Contribution to Mandate objectives & priorities (Pillar 1)

Landlocked Uganda's least expensive source of electricity is hydropower from the Nile. In removing the current limitations to power generation capacity, which in periods of drought cause severe disruptions to economic activities in Uganda, the project addresses a national policy priority and improves the framework for private sector activities and future economic growth, in line with the objectives of the Cotonou Agreement. Co-sponsorship by a major international financial investor may strengthen confidence in Uganda's business environment. Through replacing polluting and expensive thermal power production by reliance on an indigenous, renewable resource with low emissions of global greenhouse gases, the project fosters sustainable development.

- Quality & soundness of the project (Pillar 2)

The project will provide major benefits mainly by reducing high fuel costs and air pollution, including greenhouse gas emissions (CO2), and contributing to a reliable power supply to cope with the fast growing domestic demand. The project is financially and economically sound. It is the economic least cost solution for increasing power generation in Uganda. Reliance, for this major infrastructure development, on private sponsors experienced in developing and operating power projects, will enhance the implementation efficiency and ensure construction within the agreed time frame. The project is also sound from a social and environmental point of view given the limited negative impacts and adequate compensation (see below).

- EIB contribution (Pillar 3)

The EIB's financing helps meeting the sizeable external financing requirements of this project. Extending the loan tenor beyond the minimum 16 years required by GOU should contribute to easing cash flow constraints in the Ugandan power sector and making electric power more affordable (for the borrower the financing terms however are neutral as debt service requirements are passed to UETC in the monthly capacity charges). The Bank will insist on sound policy commitments by GOU in line with the objectives of the World Bank's power sector support. The Bank's involvement contributes to encourage commercial lenders to participate in the financing.

5. Key issues

Environment:

The 28 m high dam will result in limited land take through inundation, given the depth of the Nile valley and the project design requiring water storage for 5 operating hours only. However, the Bujagali Falls (rapids) will be lost to inundation and tourism companies have to move their activities 8 km further downstream to a similar site. 85 households, a total of 634 residents, have resettled. 5,158 persons in total were identified as project-affected, in an Environmental and Social Impact Assessment carried out by international consultants. Comprehensive consultations with local community members, national stakeholders and NGOs took place to enhance the comprehension of the project and its impacts and identify compensation measures pursuant to a rights-based approach. An independent NGO was appointed by the borrower to monitor the consultations. In terms of land take and resettlement needs the project compares favourably with similar projects worldwide. Its location entails the least possible environmental and social footprint compared to alternative sites. To avoid cumulative negative effects on the natural environment the Government of Uganda will pledge to protect permanently from hydropower developments a downstream area with scenic rapids, to be maintained as natural reserve and eco-tourism destination. Dam construction will be supervised by a panel of international experts to ensure protection against floods and dam break, in line with international standards. To prevent any possible overuse of Lake Victoria waters given Uganda's command of the lake outflow through the existing dams, the lenders aim at obliging the Government to commit to a sustainable operation of all dams on the Nile in line with an existing agreement.

Procurement:

The private sponsors were selected upon international competitive procurement launched by the Government of Uganda with World Bank assistance in 2004. They procured the turnkey construction contract for the dam and power station applying EIB's rules.

6. Risks & Mitigants

Viability of the Ugandan electricity sector. Uganda has completed major reforms, including the unbundling of the former State owned monopoly provider, privatisation of generation and distribution, and establishment of a regulator, and has increased consumer tariffs significantly. The current excessive system losses will be reduced by the time of commissioning Bujagali through rehabilitation and upgrading of the distribution network by the recently appointed private concessionaire, also expected to improve the collection of bills. Through replacing more expensive generation from thermal plants, Bujagali will contribute to making electricity affordable and fading out subsidies alongside further reform and performance enhancement backed by World Bank assistance (WB board decision expected end of April 2007).

Demand and payment prospects. Peak demand for electricity exceeds already now, in dry years, Uganda's power generation capacity. Taking into account the very limited household access to electric power, which network expansion should soon increase, as well as the demographic and economic growth, the demand risk for the project is low. UETCL will buy all load dispatched from Bujagali and pay, under Government guarantee, on the basis of available capacity thus absorbing any risk of demand fluctuations.

Project design and construction. The technical design was found generally satisfactory by the lenders' independent engineer. The borrower has selected an experienced international contractor of sound standing to implement the project under a fixed price, fixed term, turnkey contract offering completion guarantees in line with industry practice. Cost overruns linked to unexpected geological conditions or political events will be absorbed in UETCL's capacity charges or covered by GOU financing.

Project operation. The plant operating and maintenance will be delegated to an experienced firm and any failure to run the plant efficiently and make the required capacity available will be at sponsors' expense through reduced equity returns or, ultimately, loss of owners' funds.

Availability of water. According to independent forecasts taking into account 100-year hydrology records, Bujagali should be able to operate at an average firm capacity of 160 MW without the lake level being reduced below its natural height. The hydrology risk is absorbed by UETCL subject to a maximum 36 months of continued drought, a remote eventuality.

Availability of electricity transmission infrastructure. UETCL under a separate contract with GOU and financing from AfDB will build a transmission line to Kampala, the main consumption centre. Given Uganda's imperative need for electricity the risk of non completion of the line for reasons of public sector inaction is low. However, the borrower would build a temporary link on its own funds in case the UETCL line cannot be completed on time. Delays or failure to complete would not relieve UETCL from paying capacity charges to the borrower.

Government obligations. The payment obligations of UETCL are fully backed by GOU guarantee. In all cases of early termination, including for borrower default, political events or natural disaster, GOU will buy the plant at an agreed price covering at least the outstanding debt. Therefore, the credit risk in essence relates to a risk of sovereign default. This risk is partly mitigated by participation in the financing of major lenders to Uganda, linked by cross default clauses.

7. Previous relations with the borrower/promoter

No previous relations with the borrower (special purpose company) or its owners. Exposure to the Ugandan public sector stands at EUR 88 m. This would be the EIB's fourth lending in

Uganda under the Cotonou Agreement, following three global loans for private sector development granted to selected banks.

8. Pricing / Confidential issues

Differentiated Pricing: A specific risk premium will be applied in line with the Credit Risk Policy Guidelines for Investment Facility operations.

Other: No credit risk exposure will be taken on the borrower's shareholders, the private sponsors of the project, who will contribute their entire equity investment up-front at beginning of construction, including a portion earmarked for cost contingencies. The credit risk during commercial operations of the plant is fully mitigated by public sector undertakings (see above) so that no recourse on sponsors is to be considered.

Annexes: 1. Supporting information; 2. Value Added Sheet; 3. Map

Questions concerning this paper should be referred to (…)

Note: the exchange rate used in this paper is 1 EUR = 2,279 USH as at 31 December 2006

Annex 1

SUPPORTING INFORMATION

1. BORROWER/PROMOTER/FINAL BENEFICIARY

1.1 Promoter

The project promoter is the Government of Uganda (GOU) which started considering the Bujagali hydro-power station early in the 1990s as an option to expand the country's electricity generating capacity. GOU selected private sponsors to implement the project through a special purpose company, the proposed borrower. GOU entered into an Implementation Agreement with the project company and will grant it a Land Lease and all other rights necessary to build own and operate the project. It is responsible, jointly with the final beneficiary and the project company, for implementing the Resettlement and Community Development Action Plan, including compensation measures to project-affected persons identified as a result of the Environmental and Social Impact Assessment (see section 3.5).

(…)

1.2 Final beneficiary: Uganda Electricity Transmission Company Ltd.

(…)

1.3 Borrower: Bujagali Energy Ltd.

(…)

2. SECURITY

(…)

3. THE PROJECT

3.1 Purpose and location

The purpose of the project is to increase cost-efficient power supply in Uganda by building and operating for 30 years a 250 MW greenfield hydropower station, using water storage equivalent to 5 hours of full load operation (pondage plant). The reservoir will occupy an area of 3.9 km^2, of which approximately 20% only will be newly inundated land and the rest is already occupied by the Nile River. The plant will be connected to the existing power system in Uganda via three 132 kV overhead transmission lines. The lines are not part of the project but will be built and financed by the Government-owned utility, Uganda Electricity Transmission Company Ltd (UETCL). The dam will be located some 70 km east of Kampala, on the Nile, 8 km downstream of the existing Nalubaale-Kiira hydro complex near Lake Victoria, formerly known as Owen Falls – Owen Falls Extension.

3.2 Background

Given the high cost of fuel imports to landlocked Uganda and the absence of other sources of energy of sufficient size – the geothermal potential is estimated at 40 MW capacity only and its development will require significant time – the country's electricity generation relies almost entirely on the Nile receiving water from Lake Victoria.

The Nalubaale and Kiira dams erected in the 1950s and 1990s respectively, provide installed capacity of up to 380 MW. They control the flow of water from Lake Victoria into the Nile, being the lake's only outflow. The volume of water released for hydro electric generation is subject to the so-called "Agreed Curve" defined in an agreement between Uganda and Egypt signed in the 1950s, which has the objective of replicating the flow from the Lake that used to occur naturally, prior to the construction of the original Owen Falls Dam in the 1950s. Small changes in lake level due to variations in rainfall across the wide region covered by the lake naturally result in significant variations of the river stream. Based on 100-year records, the water flow into the Nile has been subject to wide variations, between 662 m3/s on average until the 1960s, and 1,206 m3/s on average during the exceptional humid period ending in 2000. The long

term average between 1900 and 2005 is 867m3/s. Over the last three years, drought made the net inflow to Lake Victoria deteriorate respectively to 80%, 53%, and 4% of that average. In an attempt to safeguard power supply, the outlet through the turbines at Nalubaale-Kiira was brought to exceed the allowed maximum, contributing to a decline in lake level of 1.6 m since the February 2000 high. (…) In June 2006 Uganda returned to the Agreed Curve, drastically reducing its hydropower generation capacity to below 100 MW. Power rationing over the past few years resulted in load shedding on a daily basis, causing severe disruption to economic activities, limiting the country's economic growth.

To strengthen hydro-electricity generation, the Bujagali project has been under consideration for long. (…) the Government of Uganda in cooperation with the World Bank put the project out for international tendering in 2004. The scope of the project remains largely unchanged since the original feasibility study of 1998. The current sponsors under the leadership of IPS were selected in 2005. Among the first steps in completing the project preparation they commissioned an up-date of the economic feasibility study by independent consultants, confirming the least cost nature of the project notwithstanding the increase of project costs compared to the estimates in 2001. They also mandated a team of independent consultants to review the implementation of the environmental and social action plans, further assess the project's compliance with international environmental and social standards and carry out comprehensive consultation with the affected communities, other stakeholders and NGOs.

(…)

3.3 Description

The project consists of the design, supply, installation, testing, training, commissioning and operation of a new hydro power plant near Bujagali Falls on the Nile River, with a total installed capacity of 250 MW and the following main characteristics: a 28 m high earth-filled dam, a powerhouse with five 50 MW turbine-generators, various other buildings and structures including spillways and a 132 kV outdoor substation. Construction of site roads is also included and a quarry will be developed at the site to produce the necessary aggregates and rock fill material. Compared to other hydro-power plants, the project does not entail major civil works (such as tunnels or a larger dam).

The plant will be connected to the power grid via a 93 km long 132 kV double circuit overhead line to the existing Mutundwe substation via a new substation at Kawanda, both located near Kampala. The lines and substations are not the responsibility of the borrower, but of UETCL, and are therefore not part of the project. As associated facilities they have, however, been included in the Bank's due diligence.

3.4 Implementation

- Management

The project implementation will be managed by staff from Sithe Global, experienced in building and operating power plants in several countries, mainly thermal but also a total of 420 MW of hydropower capacity in the US and Philippines. The borrower has hired well-reputed consultants to assist in studying, developing and implementing the project. An independent panel of experts will be assigned to review the main aspects of the project including dam safety. On lenders' behalf an independent engineer will participate in monitoring the implementation of the project and its first year operations.

- Timetable

The construction period is expected to start by mid 2007 immediately after financial closure, to last 44 to 48 months reaching completion in the first half of 2011. Construction of the associated transmission lines and substations will normally take 24 to 36 months.

• Employment

Project implementation is expected to create temporary employment equivalent to 3400 person-years, to a large extent drawn from the local population. The peak labour force will be more than 1250 persons.

• Procurement

In 2004 the Government of Uganda, assisted by the World Bank, conducted an international competitive procurement to select a private company (…). In 2005 the Government selected the current sponsors. They followed the EIB's rules in procuring the turnkey contract. Pre-qualification was published in the Official Journal of the EC, followed by short-listing of four international consortia, of which eventually two submitted bids in 2006. The most attractive was selected in January 2007.

• Operation

The project will re-use the water released from the existing Nalubaale-Kiira hydro complex, doubling the amount of power generated from the same volume of water. The energy produced will be delivered to the national power grid at the plant switchyard. At mean hydrology conditions, the plant is expected to produce 1400 GWh per year, equivalent to a load factor of 64%. At low and high hydrology, respectively, the annual generation will be 1200 and 2130 GWh. The borrower is well acquainted with owning and operating power stations. Operations and maintenance will be outsourced to an experienced firm (…). The Bank and the other lenders will assure themselves through the Independent Engineer's assessment that the subsidiary will be adequately qualified and staffed.

3.5 Environmental impact

The Bujagali area is rural, with small-scale or labour-intensive subsistence agriculture being the predominant land use. Between Nalubaale-Kiira and Bujagali the Nile flows within a deeply incised, steeply sloped valley, and drops in a series of rapids. The width varies from 200 to 600 m. The reservoir will occupy an area of 3.9 km2, of which approximately 20% will be inundated land and the rest is already occupied by the Nile. While the reservoir size is limited, corresponding to some 5 hours of full load operation, the project is defined as a large dam scheme and – in line with current international practice – a dam safety review panel of independent experts will be appointed by the borrower prior to start of works.

Due to the volume of the water storage, some 54 million m^3, the project would require an EIA if located in the EU. Also Ugandan law requires preparation of an environmental impact assessment.

A detailed Environmental and Social Impact Assessment (ESIA) and a Resettlement and Community Development Action Plan were completed by the previous sponsor. After review and consultation with NGOs and the public in general, the reports were approved by the National Environmental Management Agency in 2001. In 2006, the original studies and plans have been reviewed and updated by an international group of environmental and social experts in compliance with IFC Performance Standards. The ESIA has been published in Uganda and on the World Bank's, EIB's and other lenders' websites; the public consultation is still ongoing. The borrower retained an independent NGO to provide monitoring of the consultation activities and provided a grievance mechanism. As part of the environmental action plan the borrower will appoint a Social and Environmental Manager who will be responsible for coordination and implementation of the environmental and social mitigation and monitoring programmes.

According to the ESIA, out of 5158 project-affected persons 634 individuals from 85 households need to relocate physically. 34 households have chosen to move to a new site a few km away developed specifically for resettlement. The remaining 51 households have elected to relocate to other sites using their cash compensation. The other households, who did not need to be relocated, have received or will receive compensation at market rates. Four white water rafting tour companies will also be compensated when shifting their activities about 8 km further

downstream to a site called Kalagala with rapids comparable to those at Bujagali. Part of a small wildlife sanctuary (16 ha) along the river, mainly known for its birdlife, will be partly inundated. This will be mitigated by enhancement planting in surrounding areas and by similar measures at Kalagala. This site has previously been considered for hydropower development, but in connection with the Bujagali project the Government agrees to preserve it for development of eco-tourism. (…). The Nile River being an international waterway the Government has informed all the riparian states about the project.

The location of the project at Bujagali entails the least possible environmental and social footprint compared to alternative sites further downstream on the Nile. Based on hectares flooded and number of resettled persons per MW of power generated, the project compares favourably with other large dams around the world. By virtue of substituting alternative fossil fuel-fired generation the project contributes to reducing atmospheric emissions, including greenhouse gases. The borrower on behalf of GOU will apply for carbon credit development with World Bank assistance.

The Bank has been approached by three NGOs stating that the project does not comply with the recommendations of the World Commission on Dams (WCD), which are a set of advisory guidelines, a framework setting out objectives, not a regulatory framework or legal obligation. The Bank is satisfied that the project has been developed in the spirit of these recommendations and complies with the seven strategic priorities identified by the WCD to a very high degree. In particular, the conduct of the ESIA described above, the extensive stakeholder consultations, equitable compensation that duly takes into account the rights of all project affected persons (priority 5), access of the public to key documents – ESIA, economic study and Power Purchase Agreement – form the basis of high public acceptance of the project (in line with priority 1). In contrast to the NGOs' statement, the least cost nature of the project by comparison to all possible alternative sources of electric energy (priority 2) has been reliably demonstrated by independent experts under various scenarios, including permanently low hydrology such as possibly resulting from climate change (although no scientific evidence on the impact of climate change is available). The preservation of Kalagala (see above) addresses the aim of sustaining the natural environment and people's livelihoods (priority 4) including the economic interests of tourism operators. Through loan conditionality the lenders will ensure the compliance (priority 6) of the Government of Uganda with its commitments in respect of the project affected persons, the natural environment and the use of Lake Victoria waters based on consent by the riparian States (addressing priority 7 on sharing of rivers for peace, development and security), including an appropriate operating regime of the existing dams (in line with priority 3). Contrary to the NGOs' opinion the commissioning of Bujagali will reduce the need for water release from the lake as the same volume of water will be used twice for power generation.

One NGO has filed a complaint with the World Bank's Inspection Panel, whose decision is expected at the end of April. In the light of the points mentioned above, the Bank concurs with IFC's opinion that the NGO's concerns do not fundamentally call the project into question.

Regarding the new transmission lines and substations associated with the project but built independently by UETCL, a social and environmental impact study was carried out and a resettlement action plan defined, both have been published. The towers will be up to 50 m high and require a corridor of 30 to 40 m wide. The route chosen, requiring the least land use, will traverse four ecologically significant areas, namely three forest reserves and a swamp. About 60 ha of forest land will be permanently lost but this will be compensated by enhancement planting in other areas. The scheme requires the relocation of about 160 households (425 persons) and affects in addition another 1740 households (about 4600 persons) who shall all be compensated based on market values.

3.6 Social impact

The social impact of the project is expected overall to be positive – first of all in general by improving power supply on a national scale thereby supporting economic development – but also by creating direct and indirect local employment during construction, and improving water supply and health care for the project-affected people. Other initiatives are also being developed by the borrower in coordination with the local communities, e.g. improved fisheries, education, public health related programmes to combat malaria, HIV/AIDS and other sexually transmitted diseases.

Also electrification is a possibility, requiring the cooperation of the Government and the private distribution company.

3.7 Market/Sector
(…)

3.8 Investment cost and financing plan
(…)

3.9 Conditions to be fulfilled

- First disbursement: The Bank to have received a copy of the approval of the Environmental and Social Impact Assessment (ESIA) from the competent environmental authority;
- (…);
- The borrower to implement the project in accordance with the approval/license from the competent environmental authority (reflecting the recommendations of the ESIA);
- (…) ;
- The borrower to establish and maintain an independent Dam Safety Review Panel;
- (…);
- The Government to commit to a sustainable operation of the combined Kiira-Nalubaale and Bujagali hydropower generation system in compliance with the Agreed Curve (see section 3.2) or with an equivalent (optimised) hydrological regime with a view to protecting Lake Victoria against water overuse;
- The Government to confirm its commitment in relation to the conservation of the Kalagala Offset Site as expressed on 4 June 2002 vis-à-vis the World Bank, namely to protect Kalagala's natural habitat and environmental and spiritual values, to develop it for tourism and not for power generation.

3.10 Economic/Financial justification
(…)

3.11 OCCO opinion
(…)

4. ECONOMIC AND FINANCIAL SITUATION OF THE COUNTRY

Uganda is a low-income country, with 77 percent of its 27 million inhabitants employed in the agriculture sector. At 315 USD (or about 1577 USD in purchasing power parity terms), GDP per capita is one of the lowest in the world. Poverty is estimated at 38 percent, inequality has persistently worsened, literacy stands at 70% of population older than ten years, and health indicators are relatively poor. Infant mortality reaches 80 per 1000 births, and a high incidence of malaria and HIV/AIDS have pushed life expectancy at birth down to 47 years. According to the UNDP human development index Uganda is a medium-human development country, ranking 144th among 177 countries.

This low-development country faces a number of challenges. (…)

However, over the past decade, structural reforms in the context of IMF's programs and prudent macroeconomic management have resulted in strong growth and limited inflation – the average annual real GDP growth rate was almost 6 percent and the average headline inflation rate was 4.8 percent. A flexible exchange rate regime, together with a stable macroeconomic environment and strong aid inflows, has maintained international reserves at comfortable levels (6.5 months of import coverage in June 2006).

Regarding the structural reforms, Uganda deregulated domestic prices and interest rates, liberalized international trade, the capital account, and the financial sector, as well as implemented a tax reform and privatized and restructured key industries. Moreover, Uganda has benefited from the Highly Indebted Poor Country Initiative and has qualified for further debt cancellation under the Multilateral Debt Relief Initiative, which should result in a reduction of Uganda's external debt of about 90 percent. This would enable Uganda to finance more development projects. Uganda is rated B2 by Standard and Poor's.

Annexe 2

ACP Investment Loans — Development Impact Assessment Framework

Project Bujagali Hydroelectric Project
Operation n° 2005-0357

Pillar 1 — Contribution to General Mandate Objectives and Priorities

Conformity with the Priority Mandate objectives	High	Support to a Public Private Partnership outsourcing to the private sector a major public infrastructure development, attracting foreign direct investment to Uganda and enhancing the commercial viability of the country's electricity sector
Contribution to General Mandate objectives	High	This project improves public infrastructure of vital importance for economic growth and private sector activities. Removing the shortage in electricity supply ranks high on the Ugandan development agenda. Project linked to regional electricity network.
Overall Opinion Pillar 1	High	Based on the foregoing, project fully consistent with and strongly supporting mandate objectives and priorities.

Pillar 2 — Quality and Soundness of the Project

Financial Performance	Medium	Assuming mean hydrology and 25 years lifetime, the FIRR os calculated at 13% which is satisfactory and found to be robust.
Economic Performance	High	Under same assumptions as above, the discounted generating cost is calculated at 18.7 and 25.6 EUR/MWh (at 5 and 10% discount rates, respectively) which is very competitive compared to the fuel-fired alternatives.
Social, Governance & Institutional Performance	High	The project is considered to be sound from a social point of view. The number of people to be moved is limited (634), and adequate compensation is foreseen. Local employment is created, directly and indirectly. Also some community programmes planned.
Environmental Performance	Medium	The project is also sound from an environmental point of view. Comprehensive ESIA prepared. Public consultation being carried out. No significant negative impacts on the natural environment, on the contrary the project will avoid air pollution, incl. CO2.
Overall Opinion Pillar 2	High	A well prepared PPP project with a positive footprint providing cost-efficient and reliable power from a renewable source that will help coping with existing and fast growing demand and support economic development.

Pillar 3 — EIB Contribution

Financial Value Added	High	The EIB is among the minority of lenders providing financing of 20-year tenor. The Bank being a major development partner to Uganda in the framework of the Cotonou Agreement, its participation encourages commercial lenders to participate in the financing
EIB Strategic Role	High	The Bank will insist on conditionality ensuring that environmental impacts are adequately mitigated. Co-financing with the World Bank group, AfDB, Proparco, FMO and DEG.
Overall Opinion Pillar 3	High	Operation to which the Bank as important co-financier makes a substantial contribution by providing a 20-year loan in USD and insisting on environmental conditionality.

Overall Opinion on the Operation	High	

	Loan Officer	PJ contact	Date
Names	[redacted]		28/03/2007
Signatures			