

IEG

ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	02/27/2006	
PROJ ID:	P078024		Appraisal	Actual
Project Name:	PCN - Canceled-ug-bujagali Hydropower Gu(fy02)	Project Costs (US\$M)	582	0
Country:	Uganda	Loan/Credit (US\$M)	see 2(c) below	0
Sector(s):	Power (100%)	Cofinancing (US\$M)	see 2(c) below	0
L/C Number:				
		Board Approval (FY)		01
Partners involved :	African Development Bank, AES Corporation, IFC	Closing Date		
Evaluator:	Panel Reviewer :	Division Manager :	Division :	
Lei Liu	George T. K. Pitman	Alain A. Barbu	IEGSG	

2. Project Objectives and Components

a. Objectives

- 1) To promote growth through developing least-cost power generation for domestic use in an environmentally sustainable and efficient manner.
- 2) In addition to mobilizing private capital, the proposed project would promote private sector ownership and management of the power sector, and sector reform.

b. Components (or Key Conditions in the case of Adjustment Loans) :

The proposed Project consists of a small reservoir, a powerhouse, a rockfill dam, spillway, a 100 km transmission line, substations, and other associated works.

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Figures were not entered for the Loan/credit/cofinancing boxes above since the project did not involve any Bank loan/IDA credit or donor cofinancing. The project cost at appraisal was US\$582 million. The project financing plan included US\$115 million IDA partial risk guarantee, an IFC "A" loan up to US\$60 million, an IFC "B" loan up to US\$40 million, and an IFC risk management instrument of up to US\$10 million. Also included were US\$234 million of export credits, US\$55 million loans from the African Development Bank, US\$3 million from Net Interim Energy Revenues, and US\$115 million in equity from the project sponsor AES Nile Power.

Shortly after receiving the joint IFC/IDA approval, the project encountered difficulties. In January 2002, the export credit agency withdrew from the deal due to the high level of perceived country and business risks. Moreover, there had been already an ongoing investigation in the US, Norway, the UK and Uganda concerning allegations of corruption involving one of the project contractors. Finally, the private sponsor AES pulled out from the project in August 2003 due to the continuing deterioration of its global financial situation. As a result, the project was never brought to financial closure nor became effective. No disbursements were made.

The project received Board approval on December 18, 2001. No closing dates were entered into the above box as the Bank does not set closing dates for private sector projects involving guarantees.

3. Relevance of Objectives & Design :

The project objectives are in line with Uganda's poverty reduction strategies, as spelled out in the Government's Poverty Eradication Action Plan/Poverty Reduction Strategy Paper, which calls for direct increase in the quality of life of the poor, and for the creation of an enabling environment for economic growth and structural transformation.

4. Achievement of Objectives (Efficacy) :

Project objectives could not be achieved due to loan cancellation. However, the government has moved forward and has selected a new private sector project sponsor and continued with its energy sector reform program.

5. Efficiency :

Non-evaluable. The project was never implemented.

6. M&E Design, Implementation, & Utilization:

The PAD included a section on key performance indicators . The designated performance indicators were the rates of commercial power consumption increase, tax revenue increase from the power sales, foreign exchange revenue increase from the sale of surplus power and electricity sales increase, electricity revenues increase .

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

The project was a Category A project in accordance with OP 4.01 (Environmental Assessment). An Environmental Impact Assessment was prepared . A Resettlement and Community Development Action Plan was developed for the hydropower facility and a Resettlement Action Plan was prepared for the transmission component of the project . Safeguards on Natural Habitat OP 4.04, Safety of Dams OP 4.37, and Projects on International Waters OP 7.5 were also triggered.

8. Ratings :	ICR	ICR Review	Reason for Disagreement /Comments
Outcome :	Not Rated	Not Rated	
Institutional Dev .:	Not Rated	Not Rated	
Sustainability :	Not Rated	Not Applicable	
Bank Performance :	Not Rated	Satisfactory	Based on limited information in the PCN and subject to be revisited in the forthcoming cluster PPAR (see section 9)
Borrower Perf .:	Not Rated	Satisfactory	Based on limited information in the PCN and subject to be revisited in the forthcoming cluster PPAR (see section 9)
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

1. It is very important to have a robust financing plan, as contemplated in the Project Completion Note .
2. Efficient operations of the power distribution business need be assured, since its cash flows and financial viability will help mitigate perceived risks and will prove crucial when private investors assess the ability of a country's power sector to repay new investments .

10. Assessment Recommended? ☒ Yes ☐ No

Why? A cluster PPAR of several Uganda power projects will be scheduled upon completion of the on-going Third Power project.

11. Comments on Quality of ICR:

The project never became effective therefore only a Project Completion Note (instead of ICR) was prepared. The Project Completion Note mainly explains why the project was not implemented and does not assess nor rate Bank performance (quality at entry) and Borrower performance (project preparation).