

# Uganda Gets Hydro Project

MORE PRIVATE EQUITY TO AFRICA

BY JOHN J. BEARDSWORTH JR.

**IN WHAT IS YET ANOTHER SIGN OF** the growing role of private equity investment in Africa, the government of Uganda has secured \$872 million in financing for a 250-megawatt hydroelectric dam on the Nile River. The deal, which closed December 21, constitutes the largest-ever private sector investment in the sub-Saharan region.

The \$872 million project will be financed by \$190 million in equity contributed by Sithe Global Power, the power development arm of the Blackstone Group; Industrial Promotion Services, a company owned by the Aga Khan Fund for Economic Development; and the government of Uganda. A total of \$682 million in debt financing will be provided by a group of 10 lenders, including the International Finance Corporation, the European Investment Bank and the African Development Bank.

This is the most significant example to date of what is a growing interest from private equity investors in the development of large African infrastructure projects. The past five years have seen a spike of private equity involvement in Africa, filling the vacuum left by Enron and others.

In Africa, investors are finding projects that meet the kind of risk and reward profile they are seeking. Though investment in the continent is still seen as riskier than projects in the developed world, investors are seeing better returns that balance the risks.

There are ways to manage the risks, particularly with



The Nile River at Bujagali.

respect to utility projects that depend on the strength of the local economy and, ultimately, the ratepayers. Investors frequently secure the involvement of multilateral agencies, including partial guarantees from the World Bank, to help ensure the stability of such projects. Countries are less likely to let projects that involve multilateral support go into default as long as multilaterals represent a continuing source of needed funding.

The Bujagali project may be the largest example of private equity investment in Africa, but it is by no means the last. The rewards from funding these projects are making the risks, which can often be managed, increasingly less of a barrier. ☺

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Construction of downstream cofferdam.  
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