Candidate Number: 20388

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Dissertation submitted in partial fulfilment of the requirements of the degree

The case of the Bujagali Hydropower Project (BHPP) in Uganda

Word Count: 10,036 (Pages 7 to 29, including 5 figures)

Abst	ract.		. 4
		itions and acronyms	
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1.	1	Blending private	

BEL Bujagali Energy Limited

BHPP Bujagali Hydropower Project

BOO Build-Own-Operate

CAO Compliance Advisor Ombudsman
CSR Corporate Social Responsibility
DHs Development Finance Institutions

DFIs/BOO BOO project developed using finance from DFIs

BB European Investment Bank

ESHS Environmental, Social, Health and Safety

Fit Feed-in-Tariff

GoU Government of Uganda

IBRD International Bank for Reconstruction and Development

IDA International Development Association

IFC International Finance Corporation

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ecessary precondition

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was accompanied by the development of different forms of Public-Private Partnerships (PPPs). Some PPPs rely on public investments ease Contracts ivestiture. Other models involve capital investment by private sector entities, who build and operates the project, selling the generated electricity under a Power Purchase Agreement (PPA). When energy projects are developed to increase access for domestic users, Build-Own-Operate (BOO) models are more common since the state is the off-taker, i.e. the party purchasing electricity per the PPA. Independent Power Producers (IPPs) models enable private owners to sign PPAs with private consumers and act as third-party power producers. More recently, Feed-in-Tariff (FiT) schemes emerged. They are similar to BOO projects, except for the competitive bidding component. Unlike BOOs, the tariffs on FiT projects is predefined by the state (Meyer et al, 2018:76; Yong, 2010; Muzenda, 2009:45). 11

The choice of partnership model shapes the project network and defines the obligations of the contracted project parties to each other and to non-contracted parties. I use the

to refer to the linkages between project parties, not the stages and

timeline of project implementation.

which are not involved in project-specific contracts, notwithstanding their rights per the social and political contracts with governments and DRs. The commitment of contracted parties to their obligations is influenced by the level of accountability they have to their organisations and to other parties within the project network. For the purpose of this research, I define accountability as

agency capacity and leverage to hold actors responsible for their fo Ainfluence for their.17 582. [a 38.7i)4(T

1.2 Research scope, methodology and structure

Bujagali Hydropower Project (BHPP) is a 250 MW hydropower plant financed by loans from the IFC, IDA, and ten other international development organisations and DHs. The project objective is to increase energy access rates in Uganda. Being the first DHs/BOO in Uganda, my analysis constitutes an evaluation of the hypothesis that the development of the BHPP as a DHs/BOO project will lead to an increase in energy access to Ugandans. To this end, I deconstruct the daims embedded in this hypothesis, recreate the BHPP project network, and analyse the resulting accountability chains, including the indirect accountability of lenders to three non-contracted parties, namely: beneficiaries, affected communities, and taxpayers in lending countries. The overarching research question advising my re

The literature of relevance to my research topic can be divided into four clusters. The first studies the emergence of privatisation, and the theories necessitating specific energy sector reforms to create an enabling environment for private sector participation. The second studies the electricity sector in Uganda and documents the push towards implementing energy sector reforms to enable PPPs for electricity generation. The third is concerned with accountability in development context and the limitations of existing

In 2000, the IDA developed the WBG Country Assistance Strategy for Uganda, which focused on

infrastr -cost development of the power system, sector reform, and privatis -ICRR, 2009). 19 Aside the universalised views on the reforms, there were country-specific concerns regarding the effectiveness of de-bundling in Uganda. The first was the small capacity of the national power system in Uganda, which makes the benefits from introducing competition in generation questionable. The second concern questioned the ability of the GoU to manage the transmission and distribution sectors efficiently and effectively enough for the increased generation to translate into socio-economic development (Meyer et al, 2018:75). Nevertheless, the GoU approved the Bectricity Act of 1999, de-bundling the UBB into five independent agencies. Uganda Bectricity Generation Company Limited (UEGCL), Uganda Bectricity Transmission Company Limited (UETCL), and Uganda Bectricity Distribution Company Limited (UEDCL)

owners (Carter, 2015). A fundamental critique to this foundation is based on the idea that countries should not leapfrog to liberalisation without structural transformation. In lending countries, the shift to liberali34(is)-325t9k3(34(ttho)-7()-s11(tr)-1ures10(,55((tr4n)3(d-7()-23(co)nali)3(34(qu(id)ntly10(,58n)35(n))]TJE

WBG to withdraw from the project (Wade, 2009:25). This example demonstrates that while indirect accountability chains lack the control power that comes with direct accountability chains, it is possible for non-contracted parties to decision making processes.

Furthermore, development interventions affect the accountability relations between the project parties by placing public accountability at the core of a private investment. In addition to the financial accountability associating lending processes on BOO projects in lending countries, the involvement of development organisations or DFIs in a project adds the dimension of public accountability, which emerges from the loan being facilitated to achieve what the governments in recipient countries should be accountable for under the social contract with their citizens. Hence, accountability on DFIs/BOO energy projects can be categorised into the leverage of parties according to their contractual powers and obligations, which shape the accountability,

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BHPP is an increase in the electricity generation capacity. In the publications by DFIs, the primary objective, i.e. targeted impact, of developing BHPP is to increase energy access rates in Uganda. Since my analysis focuses on the partnership and lending models selected for developing the BHPP. Therefore, the intervention is not merely the development of the BHPP, rather the development of BHPP as a DFIs/BOO. Hence, the hypothesis justifying the involvement of DFIs in BHPP is that developing BHPP, as a DFIs/BOO project, will increase energy access rates in Uganda. There are two pre-conditions required for developing BHPP as a DFIs/BOO project: (1) that the energy market structure in Uganda permit the development of BOO projects; and (2) that private sector entities are willing to engage in PPA with the GoU. The following figure presents my analysis of the hypothesis underlying the development of the BHPP.

Figure-1: Fundamental hypothesis of developing the BHPP

3.2 Prediction of effectiveness: The BHPP Argument Pyramid

The effectiveness of a prediction, and therefore a hypothesis, depends on the validity of its causal daim; the truth of the arguments that supports the prediction. To evaluate the effectiveness of the prediction entailed in the BHPP hypothesis, I deconstruct the BHPP hypothesis into premises, sub-arguments (SA) and sub-sub-

(Cartwright & Hardie, 2012). In the above hypothesis, DFIs treat the problem of energy access as

financial and institutional. To address both, DFIs call for sector reforms to create an enabling environment for private sector participation and offer private sector lending to support their participation in electricity generation projects. Hence, the development of the BHPP as a DFIs/BOO constitutes the following major premises: (1) BOO project models help overcome public sector

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explore each of the sub-sub-arguments it entails. On the contrary, I consider the second sub-argument in this premise to be invalid, for the invalidity of the two sub-sub-arguments it entails.

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increase in the former to the latter, with no reference to the necessity of facilitating complementary finance to achieve the BHPP objectives (WBG-Factsheet, 2018).

Therefore, instead of stating an inaccurate claim that the infrastructure is available, I consider SA-1.3 to be the claim that the infrastructure for transmission and distribution will benefit from increasing

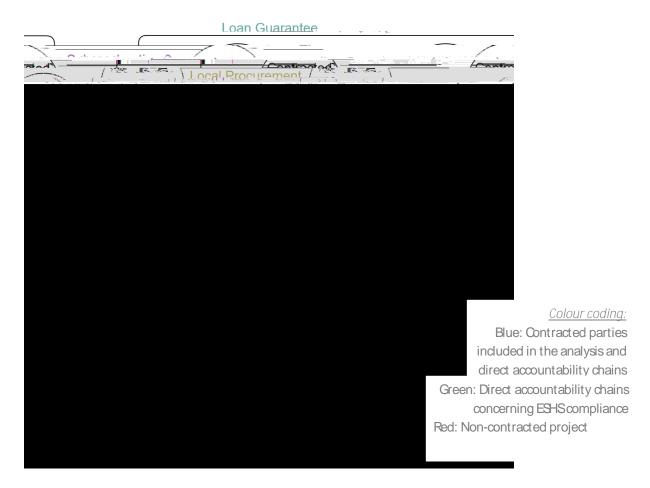


Figure-5: Accountability Chains in the BHPP Project Network

4.2 Direct accountability between contracted parties

I start with analysing the direct accountability chains between contracted parties. Using the designations of the Agency Theory,

with the IFC. Therefore, if unable to generate electricity, BEL is accountable to both, the GoU and the WBG. The situation is different for the GoU, where it has varying designations on a DFIs/BOO project.

guarantee agreement with IDA. Hence, if unable to purchase the generated electricity per the PPA, the GoU is accountable more to the WBG that to BEL. In this three-party relationship, only the WBG is

it to contracted parties, than its counterpart, whether BEL or the GoU. Furthermore, as I theorised in Chapter-2, the partnership between BEL and the GoU is possible only provided the involvement of the WBG. Hence, direct accountability of the contracted parties to the WBG becomes higher than their accountability to each other.

Another change in direct accountability relations within a DFIs/BOO project network relates to the incentives for different parties to engage in dientelism and corruption. In mainstream literature, corruption takes most of the blame for the failure of public sector projects in Africa (Goldman, 2005).

One of the reasoning provided by the OECD in developing their Principles for Private Sector Participation in Infrastructure, discussed in Chapter-2, is that the monopoly structure in energy supply political protection and that financial accountability and

corruption. By shifting to private sector lending and overseeing public tendering and procurement processes, DRs theoretically obtain enough leverage to combat public-sector corruption open and non-discriminatory investment environment OECD-Infrastructure, 2007:16-17). In practice, the success of a development project financed using private sector lending allows governments, DRs, and the capitalist class creating the private sector in lending countries to 5). Hence, while PPPs may reduce the incentives for

public sector corruption, it enhances the incentives for systematic corruption on the sides of the private sector and DFIs who jointly conduct risk assessments and have higher leverage on the selection of project types and partnership models.

Moving to analysing indirect accountab16F027nd partnuntab16F027nf project t

evaluate BHPP focuses on electricity generation, not accessibility to end users. Using outcome indicators for project evaluation, BHPP has been successfully operating since its commissioning, and evidently increased the electricity generation capacity in Uganda. However, this notion of success does not account for neither the additional debt which the GoU was obliged to undertake nor the stagnation of energy access rates in Uganda. As it stands, there is no clear measure in the M&E planning for DFIs/BOO energy projects that can be used to assess whether the project objective, for which finance was facilitated, was achieved. Hence, no leverage for beneficiaries to hold DFIs accountable for not realising its claimed objective.

With regards to the GoU indirect accountability to its citizens for energy access, the social contract does not change with the choice of partnership and lending models on an energy project. Whether state-owned or BOO, involving DFIs lending or not, the GoU is accountable for increasing energy access

has the money to pay for the generated electricity. On the BHPP, the GoU is in debt to IDA and

obligations to beneficiaries. Therefore, the involvement of DRs in BOO energy projects may not change the indirect accountability chains connecting the GoU to beneficiaries, but I argue that DRs/BOO weakens these chains by weakening the agency over the BHPP.

4.4 Indirect accountability to affected communities: ESHS impacts

In Chapter-2, I discussed the contested accountability of the WBG on hydropower projects, and its refusal to endorse for ESHS compliance. According to the WBG internal standards, a hydropower project is deemed sustainable when its ESHS impacts are minimised while optimis WBG-EHows, 2018:31). However, when evaluating the claims under SSA-2.2.2, I shared examples of how this optimisation was not achieved on the BHPP, which has been generating electricity at the expense of affected communities. Furthermore, the

Whether agents or principals, the leverage of affected communities is influenced by the strength of the chains they have with non-contracted parties through solidarity, but also the indirect chains which these non-contracted parties have with contracted parties. The double-indirect formula makes the leverage of affected communities on DFIs/BOO projects almost negligible. In addition, when affected communities are agents in their chains with non-contracted international parties, the strength of solidarity becomes dependent on the transparency of DFIs in the PDI; another contested aspect of indirect accountability.

4.5 Indirect accountability to taxpa

against an initial investment of 120 million US dollars. Following the news of the refinancing package in 2018, Blackstone transferred its stakes to a Norwegian hydropower developer for 277 million US dollars (Mungombe, 2018).⁵⁸ The role of the refinancing package in the trade deal between the two private entities is not

not mention the transaction. Hence, the reality is that the project is struggling on several fronts, while in WBG publications it is a huge success, with no leverage for taxpayers over the transparency of PDI investment decisions.

When DFIs facilitate loans to private sector entities, such as BEL, for the development of DFIs/BOO energy projects, such as BHPP, the result is a change in energy market structures, project networks and the accountability chains within these networks. The purpose of this research is not to undermine the effort of DFIs or the importance of private sector participation, rather to analyse the changes associating the involvement of DFIs in BOO energy projects in a way that helps improve DFIs practices on future projects. Hence, I raised an overarching research question to guide my analysis of these changes, then focused the discussion towards the end on the accountability aspects of DFIs/BOO to explore who is accountable to whom when DFIs/BOO projects fall short of their objectives, when ESHS impacts are not properly mitigated, and when PDI is selective, lacking accuracy and transparency?

I started with introducing the definition for key terms and the methodology I adopt in conducting this research. In Chapter-2, I presented a theoretical framework conceptualising the shift towards private sector participation in the energy sector in lending countries and the corresponding shift towards private sector lending. Within this framework, I problematised accountability on DFIs/BOO and introduced the contested accountability of the WBG for its involvement in hydropower projects.

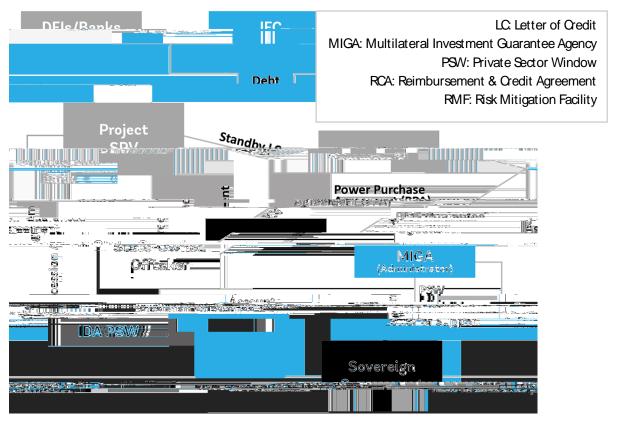
In Chapter-3, I identifi1.92 reW*n(064 s4a)13(end)5(in)5(g)4(.)]TJETQD.000008871 0 595.32 841.92 reW*nBT/F1 11.04

by lending countries to support recipient countries by encouraging private sector participation. However, DFIs/BOO projects leapfrog institutional and economic transformation, resulting in a partially enabling environment, neither monopolised by the state, nor feasible for private investment. On the institutional level, DFIs mandate the governments of recipient countries to implement specific electricity sector reforms, aiming to mimic the new models of

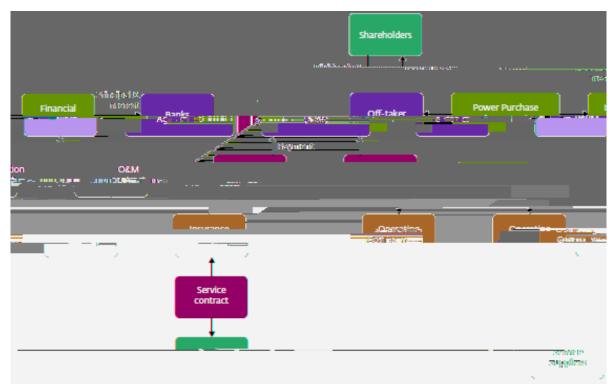
the overall project impacts on the economy, which can only be evidenced years after project completion as demonstrated in Chapter-3. Improved M&E and PDI standards is required to strengthen indirect accountability chains, by mandating DFIs to answer to the claims they make at project start.

5.2 Limitations

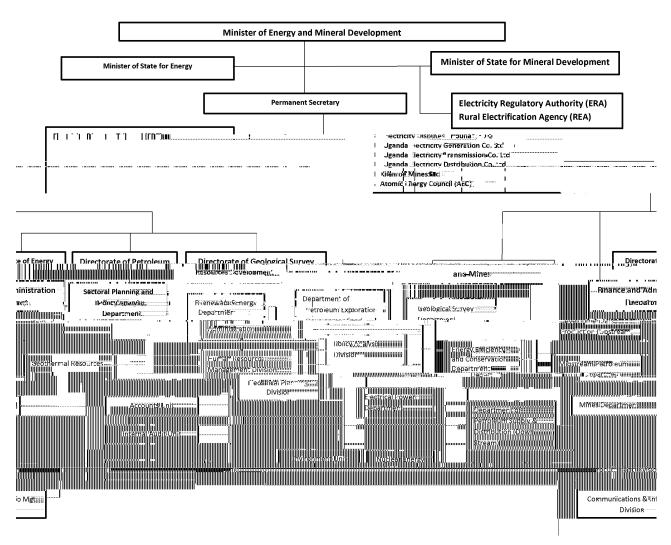
Aspart of my analysis, I identified four limitations potentially affecting my findings. Firstly, my research relies on secondary evidence to analyse changes and relations which do not exist in isolation. The evidence I used to analyse the BHPP is potentially affected by personal biases by authors and the incentives of different organisations. However, conducting field visits and interviews to collect primary data was not feasible due to financial and time constraints. Secondly, my analysis is contextualised around the structure of energy markets, which limits the scope of generalisability. Hence, my findings and conclusions potentially apply to other DFIs/BOO energy projects, but not to DFIs/BOO in general. Thirdly, I rely on the Agency Theory, which focuses on written-based relationships. Other theories may have been useful in providing more nuanced understanding of the complexity of project networks by including accountability relations resulting from organisational structures, and possibly non-human relations. Lastly is a limitation attributed to my positionality. I worked as an M&EConsultant on several large-scale energy projects, including hydropower projects.



Source: IDA-Website, 201960



Source: Dzenan et al, 2015



Source: MEMD-Website, 2019



Source: WBG-Factsheet, 2018

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