



AIDE MEMOIRE

Scaling-up Renewable Energy Program in Uganda

Scoping Mission



19th to 23rd January 2015

Kampala

Uganda

I. Introduction and Background

1. Under the leadership of the Government of Uganda (GoU), a joint African Development Bank (AfDB), International Finance Corporation (IFC), and World Bank (WB) Mission Team¹ visited Uganda, between January 19-23, 2015, to support the GoU with the preparation of the Scaling-up Renewable Energy Program (SREP) Investment Plan (IP). In June 2014, Uganda was selected as one of the new pilot countries to participate in the SREP program. In September 2014, Uganda was invited to develop an IP based on the Expression of Interest submitted to the Climate Investment Funds (CIF) Admin Unit.

2. The objective of the Scoping Mission was to: (i) introduce the key features of the SREP program to the relevant ministries within the GoU, other development partners, and other key stakeholders who are expected to interact with the GoU in the development of the SREP Investment Plan (IP), (ii) hold preliminary consultations with key stakeholders about SREP implementation and consolidate necessary documentation, (iii) undertake an assessment of necessary technical assistance and resources required to develop the SREP IP based on the country readiness and available relevant studies and documents, (iv) prepare the TORs for the upcoming Joint Mission; and (v) agree on next steps and develop a detailed timeline for the preparation of the IP.

3. The GoU team was led by the SREP National Focal Person, James Baanabe, Acting Commissioner for the Energy Department and SREP Focal Point, Ministry of Energy and Mineral Development (MEMD).

4. This Aide Memoire records the scoping mission's findings and recommendations. It was discussed at the wrap-up meeting chaired by James Baanabe, Ag. Commissioner for the Energy Department and SREP Focal Point, at the MEMD's office on 22 January 2015 and at the wrap-up meeting chaired by Maris Wanyera, Commissioner (Aid Liaison Department) of the Ministry of Finance, Planning and Economic Development (MoFPED) on 23 January 2015. This Aide Memoire is subject to endorsement by the management of the AfDB as the lead Multilateral Development Bank (MDB) for the SREP Uganda. Finally, the scoping mission team expresses its strong appreciation for the support and cooperation accorded to it by the management and staff of the ministries, public agencies and all stakeholders with whom the Mission interacted.

¹The Multilateral Development Bank Mission Team comprised: (i) AfDB: Alemayehu Wubeshet Zegeye (Chief Power Engineer), Leandro Azevedo (CIF Private Sector Specialist), Jasmin Jakoet (Financial Analyst), Ernesto Terrado (Senior Consultant in Renewable Energy), Daniel Isooba (Infrastructure Specialist) and Juliet Byaruhanga (Senior Private Sector Officer); (ii) IFC: Joyita Mukherjee (CIF Coordinator) and Jason Lee (Investment Officer); and (iii) WB: Mbuso Gwafila (Sr. Energy Specialist).

II. Scoping Mission Activities

5. The mission had extensive discussions and consultations with different stakeholders. These included: (i) Ministry of Finance, Planning and Economic Development (MoFPED), (ii) Ministry of Energy and Mineral Development (MEMD), (iii) Electricity Regulatory Authority (ERA), (iv) Rural Electrification Agency (REA), (v) Uganda Electricity Generation Company Ltd (UEGCL), (vi) Uganda Electricity Transmission Company Ltd (UETCL), (vii) Uganda Distribution Company Ltd (UEDCL), (viii) Uganda Energy Credit Capitalization Company (UECCC), (ix) Development Partners, (x) Private Sector Representatives, (xi) SE4ALL Secretariat, (xii) GET-FIT Secretariat; and (xiii) other initiatives and relevant stakeholders for the SREP programming in the country. A detailed list of stakeholders consulted during the Scoping Mission is provided in Annex I.

6. During the Scoping Mission, stakeholders discussed the main constraints hampering the development of Renewable Energy (RE) in Uganda which ranged from institutional, regulatory and legal constraints to technical/human capacities and economic and financial barriers. Potential investments in RE in the context of the SREP objectives were also discussed.

7. The MDBs introduced the objectives, scope, and type of investments supported under the SREP program, as well as the activities involved in the country-led SREP process. Financing from SREP is guided by a number of principles. The SREP financing is expected to: (i) address the additional costs and risks associated with renewable energy technologies, which adversely affect the viability of investments in the renewable energy space, (ii) meet the specific requirements of removing financial and institutional barriers and to leverage additional public and private financing, (iii) “crowd-in” the private sector, (iv) finance investments and capacity building for both public and private sector entities, (v) increase the installed renewable energy capacity in a country’s energy supply in line with relevant national strategies and policies plans, and (vi) support proven renewable technologies.

8. The Scoping Mission informed that SREP financing could be provided to all renewable energy technologies including solar, geothermal, wind, hydropower (below 10MW per site), and bioenergy. In addition, MDBs informed that financial intermediation could also be an option to address issues and challenges faced by small and medium enterprises and households in accessing financing to undertake renewable energy activities.

9. In addition, the Scoping Mission indicated that the SREP Sub-Committee still needs to decide on the resource envelope for each of the 14 new pilot countries, including Uganda. It was explained that if the SREP Sub-Committee applies the same methodology used with existing pilot countries, Uganda might be eligible to receive a

maximum of USD 50 million in SREP concessional funding, which includes a USD 300,000 grant available for IP preparation. AfDB, as lead MDB for the SREP program in Uganda, will notify the GOU as soon as the SREP Sub-Committee decides on the indicative allocation for Uganda and other countries.

10. The Scoping Mission also clarified that recent pledges made to the SREP are insufficient to cover the implementation of projects/programs proposed in the IPs for the 14 new countries. However, the SREP Sub-Committee will endorse IPs from the new pilot countries on a first-come first-served basis taking into account the quality of the IP regardless of funding availability. The expectation is that funding will be made available either through the conclusion of new pledges from donors to the SREP or from other climate finance facilities (e.g. Green Climate Fund).

III. Mission Findings and Agreements

11. The main findings and agreements from the discussions that the Mission held with Government and relevant stakeholders, including representatives from development partners and the private sector are summarized hereunder.

12. National Task Team: MEMD confirmed that a multi-agency National Task Force is being set up to prepare the IP which will be led by the SREP Focal Point and will include representatives from: (i) MEMD, (ii) UEGCL, (iii) UETCL, (iv) UEDCL, (v) ERA, (vi) REA, (vii) Uganda SE4All Secretariat, (viii) NEMA and (ix) MoFPED

13. Potential Areas of Engagement: The GoU and the Scoping Mission will work to align the SREP IP with all national strategies and policies² relevant to Uganda without prejudice to the SREP investment criteria and to ongoing activities in the sector. The National Task Team will also benefit from the Energy Sector Working Group that, in addition to the GoU, includes participants from different Development Partners in the country. The IP shall demonstrate how the proposed activities will lead to the reduction of barriers for renewable energy development and market transformation. Potential areas of SREP intervention might include renewable energy technologies in niche on-grid and off-grid areas such as geothermal, wind, solar photovoltaic, hybrid generation systems, renewables resource mappings and dissemination of sustainable energy systems with a strong focus on increasing access to energy with private and public sector participation. The Go envisions the potential involvement of local commercial banks to facilitate financing at more competitive terms to Small and Medium Enterprises as well as households seeking to invest in renewable energy technologies. Discussions with different stakeholders led the Scoping Mission to conclude that there

²The main strategies and policies being the National Development Plan (2010), Uganda Vision 2040, Uganda Energy Policy (2002), Rural Electrification Strategy & Plan of 2013 for period of 2013 – 2022, Biomass Energy Strategy (2013), and the Renewable Energy Policy (2007).

are areas requiring further support from the Development Partners (including MDBs) in order to boost energy access across the country such as planning coordination, resource mapping and capacity building.

14. The GoU has agreed to develop a first draft of the IP as well as a list of concept notes ahead of the Joint Mission and in sufficient time to allow all interested stakeholders to review and provide their inputs. These concept notes should include an estimate of the resources required by the GoU not only to address policy and governance issues hindering the deployment of specific renewable energy technologies, but also estimates for the preparation of the SREP investment projects.

15. Preparation of the Investment Plan: The GoU has requested support from the MDBs to help the country in writing the IP, ideally, without accessing resources under the available IP Preparation Grant (up to USD 300,000). Should MDBs have no resources to support the country at this stage, then a Preparation Grant should be requested. Should an IP Preparation Grant be approved, the GoU has directly requested the MDBs to implement the grant on behalf of the country to avoid delays in the processing of the IP. MDBs will discuss among themselves and try to come up with financial resources to cover the costs associated with a local consultant to fast track the preparation of the proposed IP. The TOR for the consulting services will be developed among the MDBs. The mission highlighted that the preparation of the IP should be done in a very participatory way. The IP is to be owned by the Government as a whole and should represent the views of the various national stakeholders for the development of renewable energy in the country. Therefore, it is important that various partners, including Government representatives, private sector, commercial and development banks, and Non-Governmental Organizations (NGOs) be invited to contribute to the discussion and final selections of the priority investments.

16. Renewable Resources. Overall, the challenges for renewable energy in Uganda appear to be not about a low proportion in the energy mix, but rather a limited diversification among renewable energy technologies in the portfolio of existing power plants. Currently the country's energy mix constitutes 81% from hydro, 17% from thermal and only 2% from other types of RE. Such a lack of diversification can be explained by the fact that the country has been blessed with abundant hydropower resources that are easier and cheaper to harness than other RE sources. The challenge, therefore, appears to be about increasing the diversification of RE technologies in the energy mix to the extent possible but at competitive development costs. At the moment, the main tool of the GoU's diversification strategy is the RE-FIT/GET-FIT incentives program that provides premium tariffs to electricity derived from various RE sources, including solar, biomass, landfill gas and others. The question is whether this effort is sufficient and what other diversification programs could be effectively pursued. One of the key challenges is the lack of quality RE resource assessments and mappings to support investment promotion, decision-making and

energy planning. On geothermal, for example, even though the country is in the rift valley, the information on the available resource is not sufficient or reliable for investment decisions. Not a single exploration borehole has been drilled yet due to lack of public funding and the natural reluctance by the private sector to bear exploration risks needed to quantify the geothermal resource potential. Potential investment in wind energy is similarly hampered by the lack of data from systematic resource assessment and mapping. Any diversification plan involving solar and wind is further challenged by the high intermittency of these resources and the consequently very limited total penetration possible unless investments in relatively expensive mitigation measures are made to prevent possible negative impacts on grid stability. Indeed, in meetings with UETCL and other stakeholders, the general impression received is that there may be limited scope for significant amounts of new intermittent power to be added to the energy mix. However, this will be further investigated and will inform the selection of projects under the IP.

IV. The Way Forward

17. Annex II includes a comprehensive table with all the actions required, and their respective timelines, up to endorsement of the SREP IP. This timeline, actions required, and roles and responsibilities of each of the parties was discussed with and agreed to between the Scoping Mission and GoU as the roadmap for submission of the investment plan to the SREP Sub-Committee.

18. The Scoping Mission would like to thank all stakeholders that participated in the Scoping Mission for their valuable inputs and collaborative spirit. Special thanks are due to the German Cooperation for organizing a meeting with Development Partners at their offices.

V. Annexes

Annex I – List of Stakeholders Met

NAME	POSITION	EMAIL
AFRICAN DEVELOPMENT BANK (AfDB)		
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MINISTRY OF ENERGY AND MINERAL DEVELOPMENT (MEMD)		
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Annex II – Indicative Timeline

#	ACTIONS	DEADLINE	RESPONSIBLE	COMMENTS
1	TORs for the Joint Mission sent to the CIF AU for circulation to SREP SC	Mid April 2015	AfDB	
2	Finalization of the first draft IP	End April 2015	SREP Focal Point and National Task Force	To allow different stakeholders to comment
3	MDB Joint Mission and stakeholder consultations to review the results of the first draft IP and way forward	Last two weeks of May 2015	MDBs/National Task Force, other Stakeholders	After 5 weeks from TOR submission (13 March)
4	Finalization of the second draft of IP	Last week of June 2015	SREP Focal Point and Task Force (MDBs can be involved as well)	One month to finalize IP
5	MDB review of second draft of IP	First Week July 2015	MDBs	
6	Disclosure of IP for public consultations (online posting on MEMD website for 2 weeks)	First Week July 2015	MEMD	In parallel with previous action
7	Address comments received and complete IP	Last week July 2015	National Task Force	
8	SREP Expert quality review of the IP	Early August 2015	Independent Expert / MDBs / SREP Focal Point	
9	Revision of the IP based on comments received	Last week Aug. 2015	SREP Focal Point and Task Force (MDBs can be involved as well)	
10	Submission of the IP to the SREP Sub-Committee	1st week Sept. 2015	MEMD	1 month before the SREP Sub-Committee meeting
11	Endorsement by SREP Sub-Committee	1st week of Nov. 2015	SREP Focal Point	

Annex III – Scoping Mission Agenda

Date	Time	Meetings	Responsible/(Place)
Day 1: 19th	09:15 am	- AfDB Meeting with ResRep	AfDB / (AfDB office)
	09:30 am	- MDB's Internal Meeting	MDBs / (AfDB office)
	10:30 am	- Kick-off Meeting Min. Finance, Planning & Economic Development (MoFPED)	MDBs, MoFPED / (MoFPED office)
	12:00 am	- Kick-off Meeting with Min. Energy & Mineral Development (MEMD)	MDB's, MEMD, REA, UEDCL, UEGCL and UETCL / (MEMD office)
	02:30 pm	- Meeting with MEMD, REA, UEDCL, UEGCL, UETCL): Presentation of SREP Modalities	MDBs, MEMD, REA, UEDCL, UEGCL, UETCL / (MEMD office)
Day 2: 20th	09:00 am	- Meeting with the UEDCL, UEGCL, UETCL & REA to discuss Energy Sector Issues, Opportunities & Challenges	MDBs, UEDCL, UEGCL, UETCL -REA / (AfDB office)
	02:30 pm	- Meeting with electricity regulator (ERA) and GET FIT Secretariat	MDBs (ERA office)
Day 3: 21st	09:30 am	- Meeting with the SE4ALL renewable energy hub	MDBs, SE4ALL (AfDB Office)
	02:00 pm	- Meeting with Private Sector to discuss Energy Sector Issues, Opportunities and Challenges	MDBs, others (AfDB office)
Day 4: 22nd	09:00 am	- Way forward & planning of activities related to the preparation of the investment plan & joint mission: agree on points that should feed into the Aide Memoire: (i) outline of the IP, (ii) confirm the task force, (iii) consolidate all the required information, (iv) discuss the preparation grant, and (v) government priorities for the sector, etc. - Meeting with SREP National Focal Point and MDBs to agree on key elements of the Joint Mission	MDBs, Task Force MEMD / (MEMD Office)
	02:30 pm	- Meeting with DP's to discuss Energy Sector Issues, Opportunities & Challenges	MDBs, other DPs / (AfDB office)
	03:30 pm	- Wrap up meeting with MEMD	MDBs, Task Force MEMD / (MEMD Office)
Day 5: 23rd	10:00 am	- wrap up meeting with MoFPED	MoFPED office