



KEY UNDERLYING CONSTRAINTS FOR ACCESS TO FINANCE FOR INVESTMENT IN RENEWABLE ENERGY BY THE PRIVATE SECTOR AND HOW THEY CAN BE ADRESSED THROUGH APPLICATION OF FINANCIAL INSTRUMENTS.

PERSPECTIVES BY PRIVATE SECTOR FOUNDATION UGANDA

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Presentation Outline

- 1. About Private Sector Foundation Uganda**
- 2. Private Sector – Uganda Context**
- 3. Investment Opportunities in Renewable Energy**
- 4. Analysis of different Renewable Energy Resources**
- 5. Conclusion**





About Private Sector Foundation Uganda

- Founded in 1995 as a company limited by guarantee (non-profit making).
- Apex body of the private sector in Uganda.
- Made up of over 245 member associations, corporate bodies and government agencies that support private sector growth

- **Core mandate:**
 1. Advocacy for a good and competitive business environment.
 - Energy Sector
 - Removal of taxes from solar products
 - Power tariff reduction to about 13 USD kW/hr from 16 USD Kw/hr 2010
 2. Business Development Support for its members.

- Implementation partner with GoU for projects/ programs that support Private Sector growth – various sectors. In energy;



ERT Component (Since 2003)

Clean Cooking – Distribution Challenge Fund (Closed Sept 2020)



Private Sector: Ugandan Context

- ❖ **Micro, Small, Medium Enterprises (MSMEs) : 90%:**
- ❖ **Entrepreneurs: 10%:**

- ❖ **Composition of the MSME Sector**
 - 49% service sector
 - 33% commerce and trade
 - 10% manufacturing
 - 8% others
 - Employs 2.5 million people
 - Contribute 20% to the GDP
 - Recognized as the engine of growth for economic development

- ❖ **MSME segments likely to invest in Renewable Energy;**
 - ❖ Commerce and trade and;
 - ❖ Manufacturing

- ❖ **Entrepreneurs =10% from which investors can emerge**



Investment Opportunities in Renewable Energy



1. Hydro – Grid and Off Grid

- ❖ Generation of Power :
- ❖ Micro, Mini, Small and Large

2. Solar – Grid

- ❖ Generation of Power

3. Solar – Off grid

- ❖ Manufacturing
- ❖ Wholesaling
- ❖ Retailing and Installation

4. Geothermal – grid

- ❖ Generation of Power



5. Bio gas – Off grid

- ❖ Largely for home use

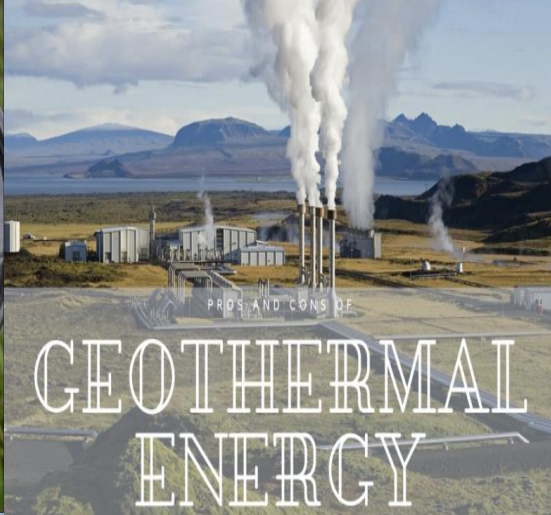
6. Efficient bio mass systems

- ❖ Co-generation of power

7. Biomass technologies

- ❖ Manufacturing
- ❖ Wholesaling, Retailing and Installation





Renewable Energy Resource Analysis

- Investment Area
- Type of Investor
- Challenges
- Type of Financial Instruments
- Constraints
- Solutions

1. Hydro Power Generation



Investment Area

Hydro Power Generation

Type of Investor

Entrepreneurs

Challenges

1. Pre-investment studies
2. Access to site
3. Support to reach finance close

Proposed Solution

Grant for Transaction Advisory Services and Preliminary Works

Constraint to access

Business viability

Type of FI

1. Equity
2. Loan

Investment Area

Solar – Off Grid

Type of Investor

MSME

Commerce & Trade

Manufacturing

Challenges

Affordable Credit

1. Pre-investment studies
2. Access to site
3. Support to reach finance close

Proposed Solution

1. Reduction of Gov't Domestic borrowing
2. Gov't to de-risk Private Sector

Financial Incentives for Transaction Advisory

Constraint to access

High Interest Rate – 19% to 22% currently

Business viability

Type of FI

Debt

1. Debt
2. Equity

Investment Area

Solar- Grid

Type of Investor

Entrepreneurs

Challenges

1. Pre-investment studies
2. Support to reach finance close

Proposed Solution

Refinement of Rural Electrification Policy

Constraint to access

- Business sustainability
- Uncertainty on arrival date for grids

Type of FI

1. Equity
2. Loan

Investment Area

Type of Investor

Geothermal

Government

5. Biogas

Investment Area

Biogas

Type of Investor

Households

Challenges

Affordability Issues

- *Average costs for 6m³ plant – Ugx 1.8m (2017)
- *Average household income – Ugx 350,000 (2017)

Proposed Solution

Financial incentives from Gov't and donors

Constraint to access

Low Household Income

Type of FI

Debt

Investment Area

Bio-mass
Systems: Co-
generation

Type of Investor

Entrepreneurs

Challenges

Bankable projects

Proposed Solution

Financial Incentives
for Transaction
Advisory Services

Constraint to access

Business viability

Type of FI

1. Equity
2. Debt

Investment Area

Bio-mass Technologies
-(Briquettes, Improved Cook Stoves (ICS), waste energy)

Type of Investor

MSMEs

Challenges

1. Affordable credit
2. Institutional coordination

Proposed Solution

- Financial Incentives for targeted Business Development Services
- Sub-sector coordination by Gov't.



Constraint to access

1. Structure of the Private Sector
2. Existential issues such as poor credit profile and financial records

Type of FI

1. Debt
2. Equity

Conclusion

- 1. Financial Instruments are available for investment in Renewable Energy by the Private Sector.**
- 2. Application of Financial Institutions is subject to resolution of fundamental issues for each type of Renewable Energy Investment.**
- 3. The most feasible solutions to address the constraints include;**
 - Financial Incentives by Gov't or Donors**
 - Review of some Gov't policy positions**

Thank You for Listening!

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