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

Source: MSME Policy, 2015
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
2. Solar Off-Grid

**Investment Area**
- Solar – Off Grid

**Type of Investor**
- Commerce & Trade
- Manufacturing
- MSME

**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

**Constraint to access**
- High Interest Rate – 19% to 22% currently

**Type of FI**
- Debt
  1. Debt
  2. Equity

**Business viability**

**Financial Incentives for Transaction Advisory Services.**
3. Solar - Grid

Investment Area: Solar-Grid

Type of Investor: Entrepreneurs

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

Constraint to access:
- Business sustainability
  - Uncertainty on arrival date for grids

Proposed Solution:
- Refinement of Rural Electrification Policy

Type of FI:
1. Equity
2. Loan
4. Geothermal

**Investment Area:** Geothermal

**Type of Investor:** 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

Source: Africa Biogas Partnership Programme/ Biogas Solutions Uganda Limited
6. Biomass Systems

**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 Fl**
- 1. Equity
- 2. Debt
7. Biomass Technologies

**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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