

**COMMUNITY ELECTRICITY:
EXPERIENCE AND OPPORTUNITIES**

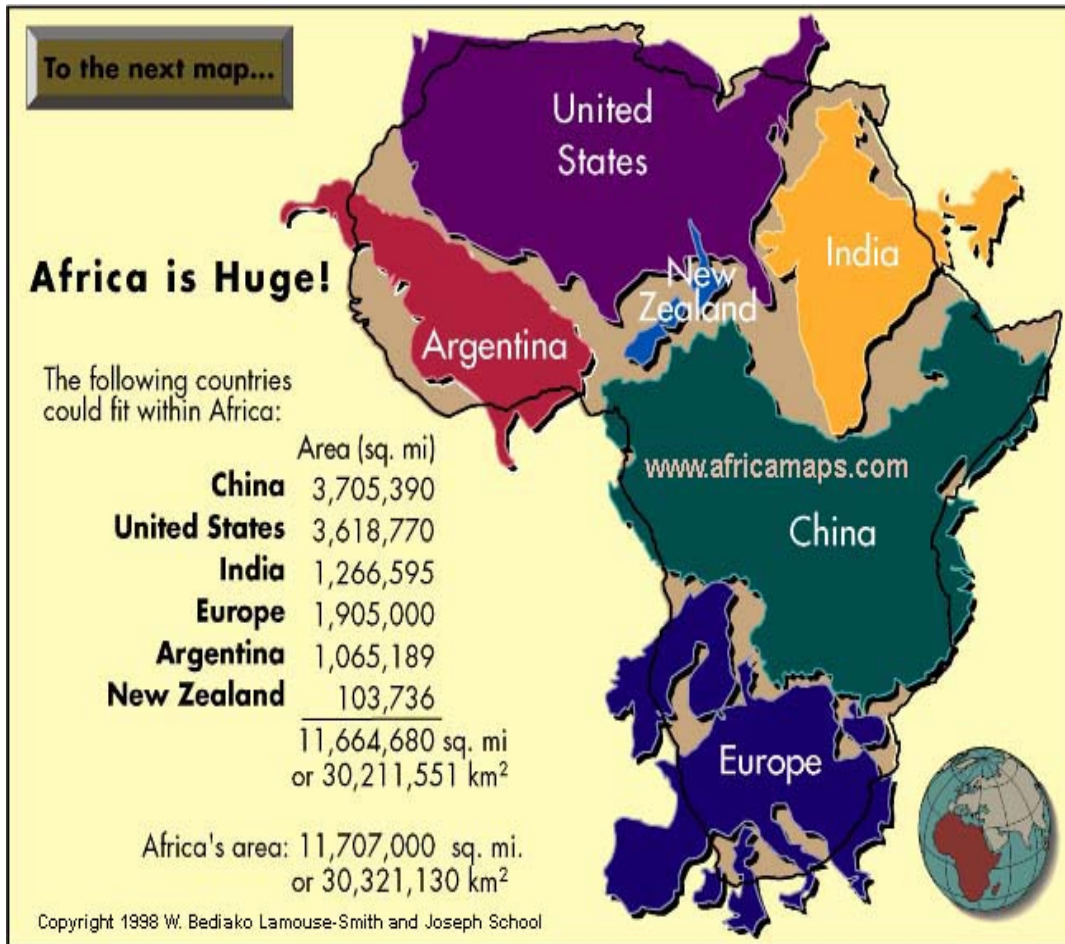
PROJECT FINANCING – ATTRACTING INVESTORS

BY

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EXECUTIVE DIRECTOR, UIA

**PACE PROJECT AGENDA -HOTEL AFRICANA, KAMPALA
2-3 SEPTEMBER 2003**

The 21st Century belongs to Africa

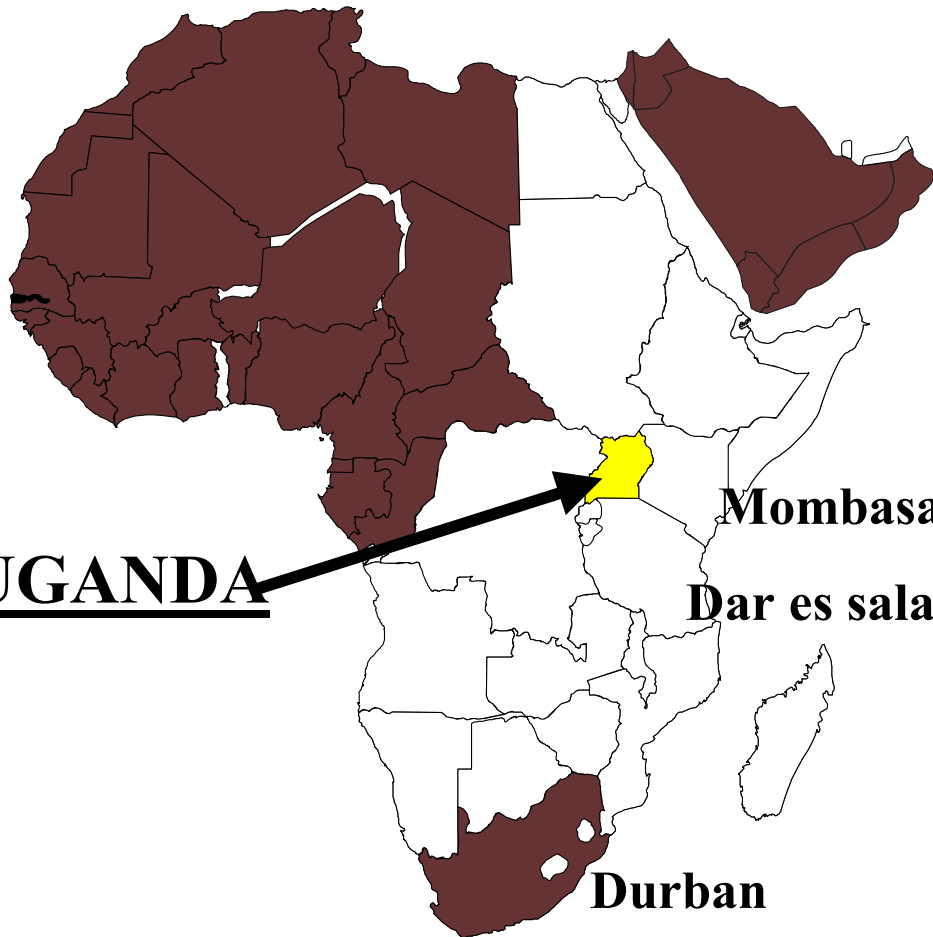


- *Leaders*
- *Vision*
- *Strategy*
- *Plan*
- *Land*
- *Human Resource*
- *Tourism*
- *Agriculture*
- *Minerals*



UGANDA A LEADING INVESTMENT DESTINATION

UGANDA'S STRATEGIC LOCATION IN THE HEART OF AFRICA



MARKET

Uganda	-	24.7 million
East Africa	-	90 million
Great Lakes Region-		159 million

COMESA

- 20 member countries
- 380 million people.
- Imports over US\$ 170 billion annually.

AGOA

EU – Preferential Treatment of Exports

NATIONAL VISION

- **Vision 2025**
“Prosperous People, Harmonious Nation, Beautiful Country.”
- **Poverty Reduction Strategy Country Paper (PRSCP)**
- **Poverty Eradication Action Plan (PEAP)**
Target: By 2017 Poverty will have been reduced to less than 10%
- **Private Sector Led Economy**

Economic reforms in the Eastern African countries included:

- relaxation or abolition of foreign exchange controls;
- significant currency devaluations;
- removal of protectionist measures;
- removal of export taxes;
- replacing state monopolies for agricultural commodities with free markets;
- removal of price controls;
- reduction in public expenditure;
- civil service staff reductions; and
- ending controls on interest rates.

UIA – VISION, MISSION AND ROLE

■ VISION

“Make Uganda the leading Investment destination”.

■ MISSION

“Make a significant and measurable contribution to Uganda’s development process by promoting private Investment”.

■ ROLE

✉ *To promote, facilitate and monitor investment in Uganda*

✉ *To provide advisory services to Government on policies which affect investment*

RESULTS OF ECONOMIC REFORMS IN UGANDA

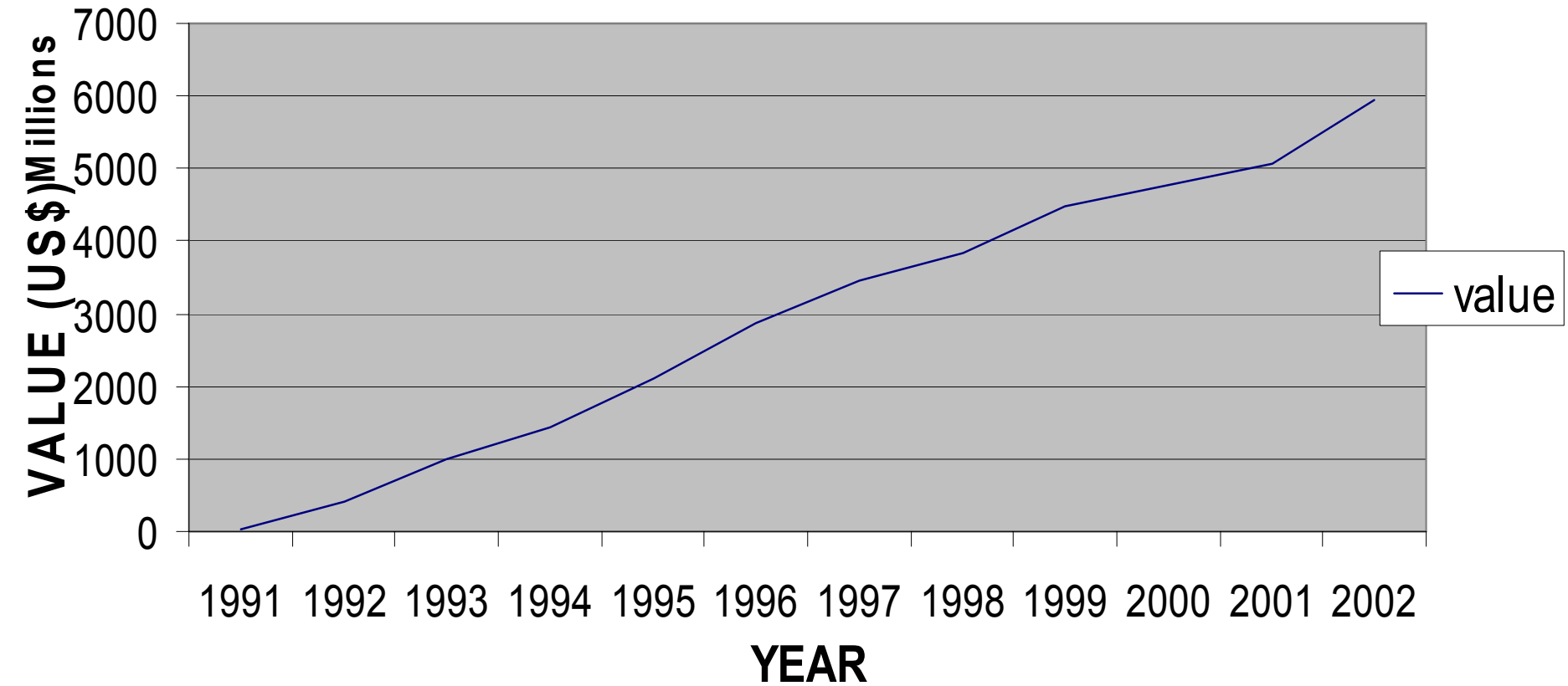
1990/91

2001/02

☰ Total GDP (US\$ Billion)	3.73	5.90
☰ GDP Growth rate	5.0%	6.25%
☰ GDP Per Capita (US \$)	150	248.5
☰ Total Investment as % GDP	13.5%	20.7%
☰ Inflation	243%	-2.0%
☰ Lending rates	40-60%	6-14%
☰ Exports (m US\$)	510	444.2
☰ Imports (m US\$)	531	1,085
☰ Poverty	56%	35%

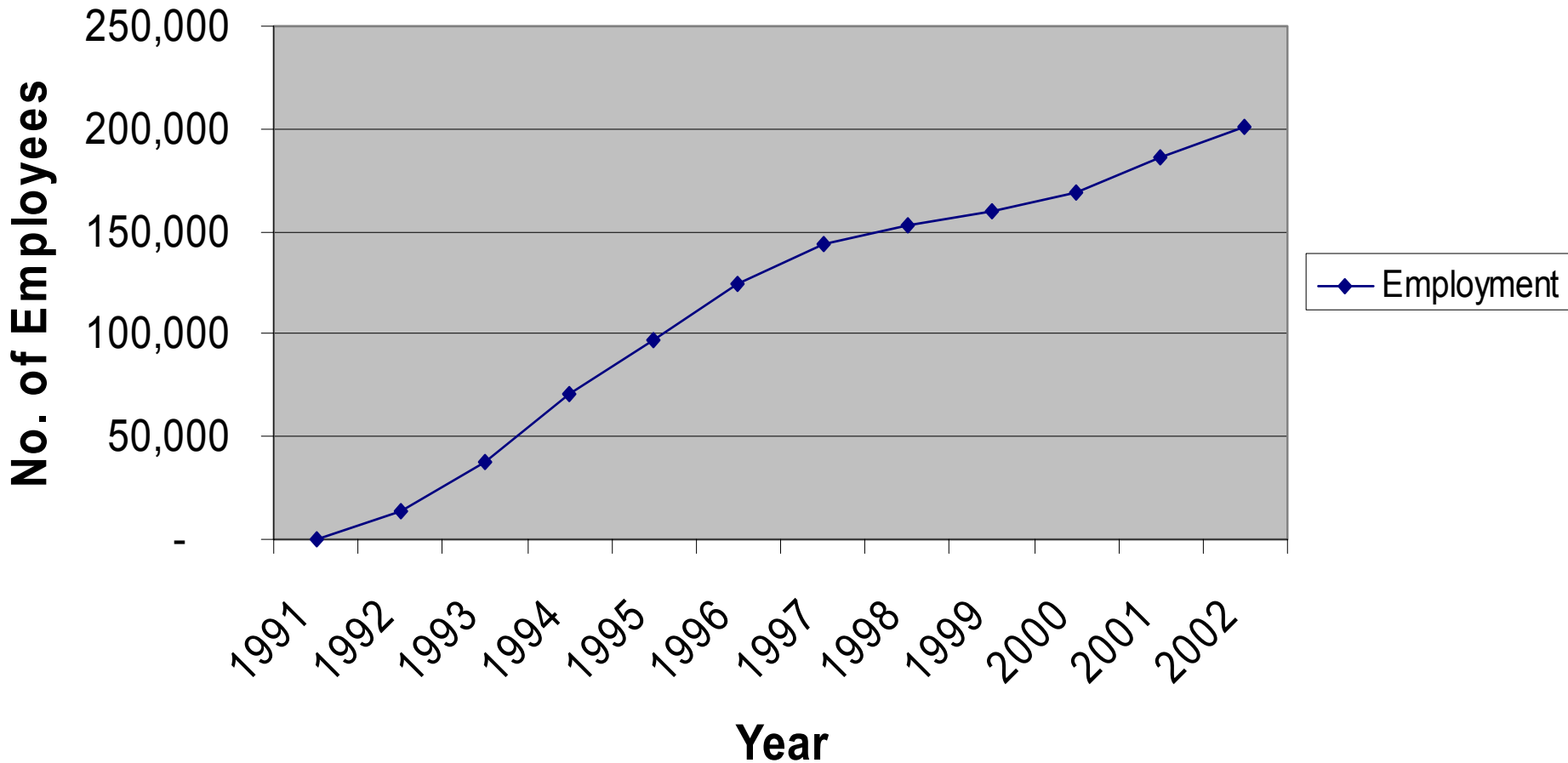
UIA ACHIEVEMENTS

Cumulative values of Planned Investment 1991-2002



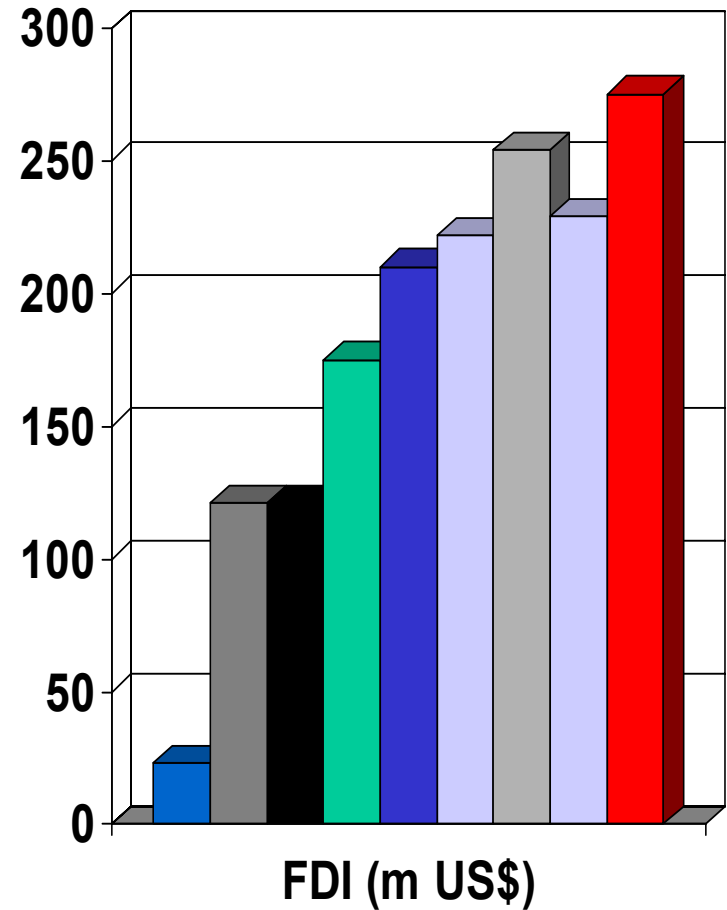
UIA ACHIEVEMENTS

Cummulative figures of Planned Employment 1991-2002



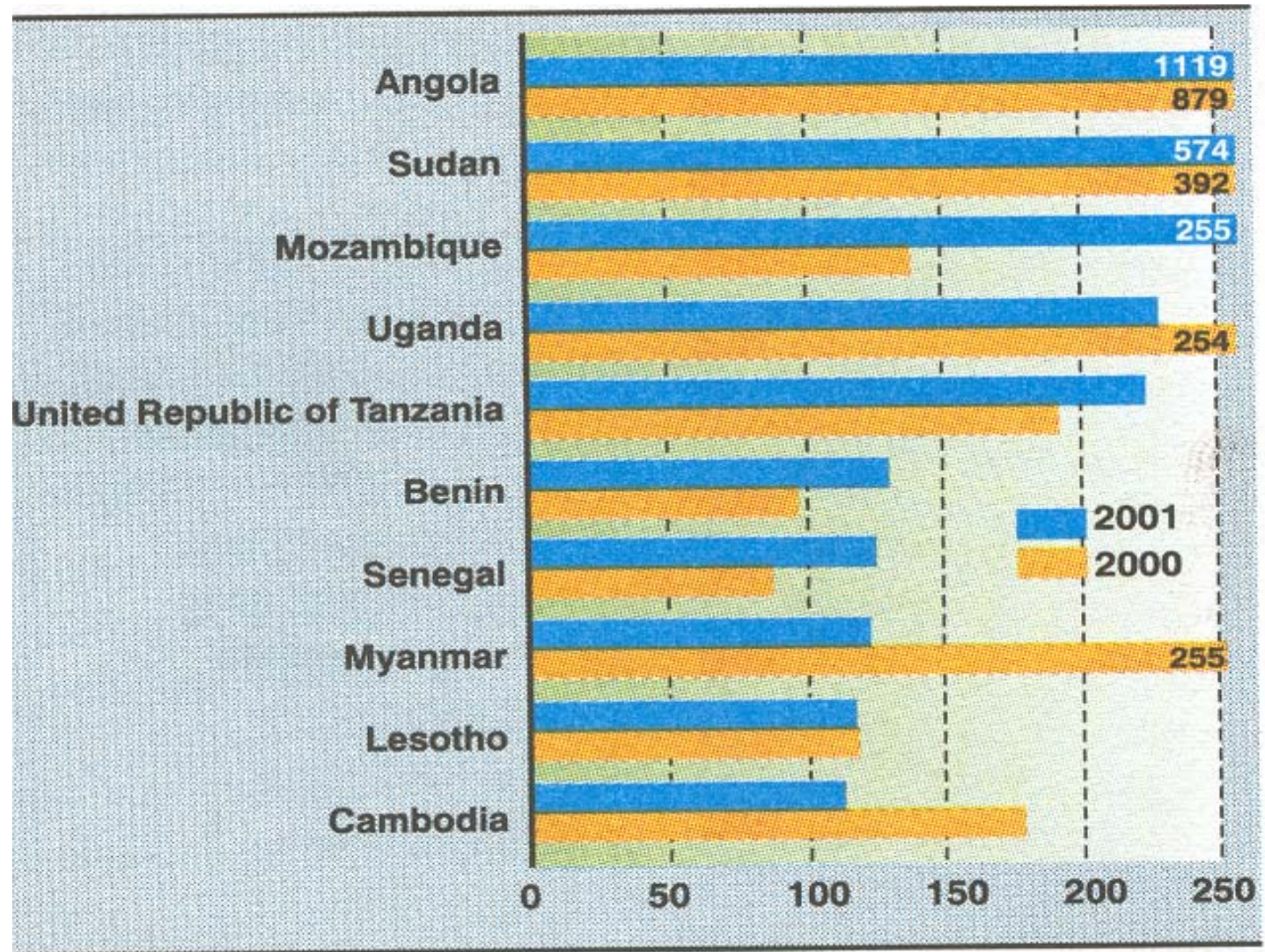
FDI inflows to Uganda (1989 – 2002)

Year	FDI m\$
1989/94 (avg)	23
1995	121
1996	121
1997	175
1998	210
1999	222
2000	254
2001	229
2002	275



Source: WIR 2002, UNCTAD

LDCs: FDI inflows, top 10 countries, 2000/2001 (mUS\$)



Source: UNCTAD, WIR 2002

Uganda inward FDI position *world rank according to annual average inflows of FDI*

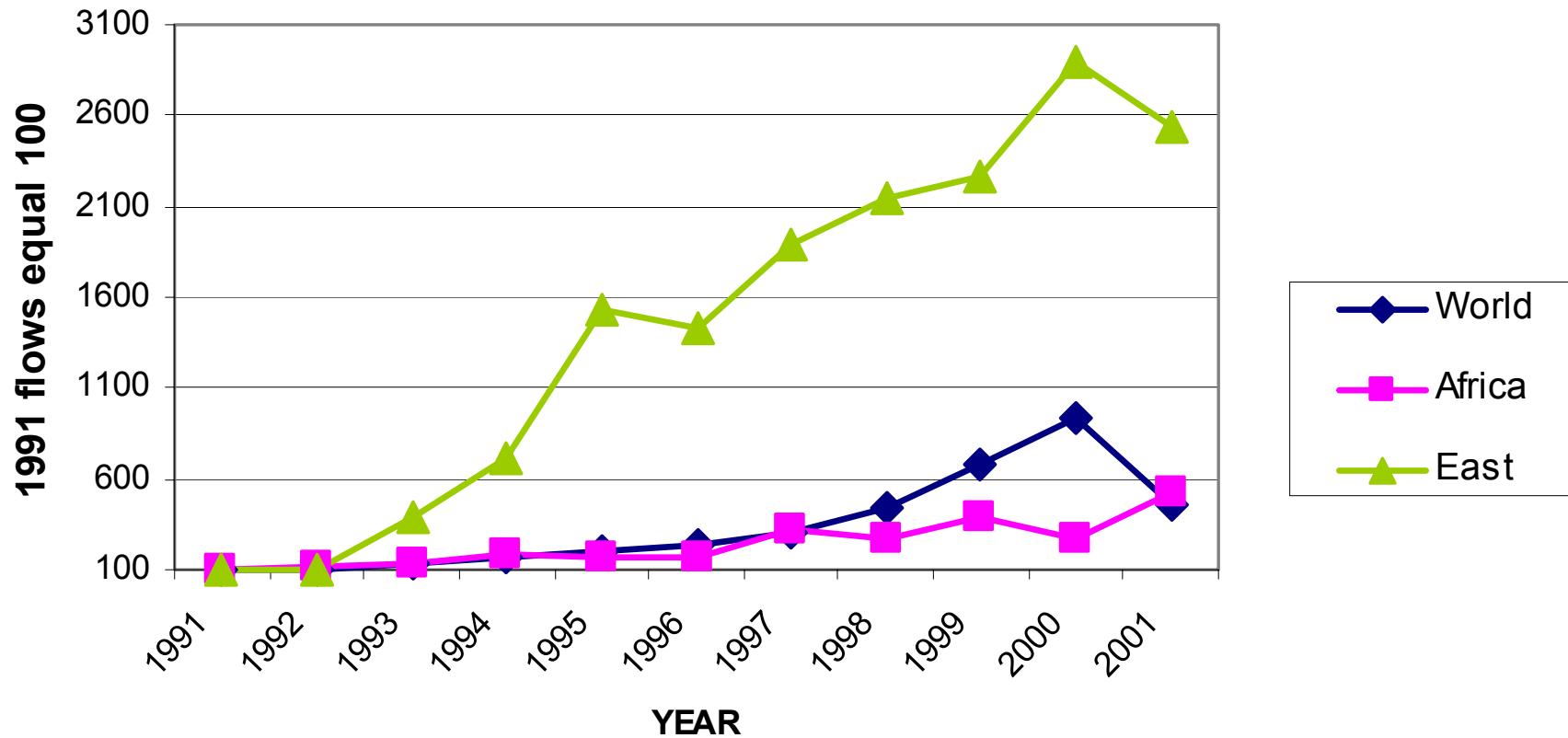
1990-1995	1995-1999	1999	2000	2001
			Nicaragua 81	Lebanon 81
			Uganda 82	Brunei D. 82
			Bahamas 83	Qatar 83
		Tanzania 87	Myanmar 84	Uganda 84
	Tanzania 91	Uganda 88	Guatemala 85	Azerbaijan 85
	Uganda 92	Papua N.G. 89	Lesotho 86	Tanzania 86
	Uruguay 93	Zambia 90	Sri Lanka 87	Syria 87
	Zambia 94	UAE 91	Morocco 88	Latvia 88
			Zambia 89	Gabon 89
			Papua N.G. 90	Honduras 90

Armenia 159
Macao 160
Uganda 161
Somalia 162

Between the first and the second half of the 1990s, Uganda reported the fourth largest improvement in its FDI position, and the 11th largest inflows, in Africa.

Growth in FDI flows to East Africa

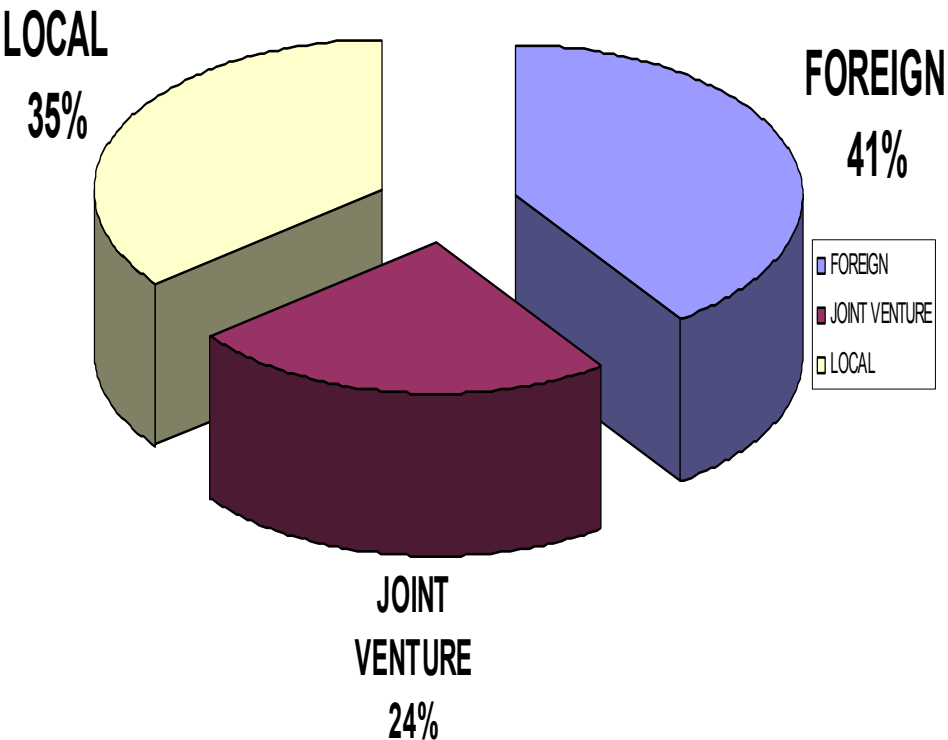
FDI INFLOWS PERFORMANCE SINCE 1991



Source: MIGA

UIA ACHIEVEMENTS

OWNERSHIP OF PROJECTS LICENSED (1991-2002)



TEN MAJOR FDI COUNTRY SOURCES (1991-2002)

1. **United Kingdom**
2. **Kenya**
3. **India**
4. **Canada**
5. **United States of America**
6. **Japan**
7. **South Africa**
8. **Norway**
9. **Egypt**
10. **Mauritius**

PROJECTS LICENSED BY UIA IN 2002.

- 161 Projects have been licensed.
- Planned Investment – US\$ 896m
- Planned Employment – 15,085

PROJECTS LICENSED IN THE ENERGY SECTOR

- 15 Projects have been licensed.
- Planned Investment – US\$ 285M
- Planned Employment – 5,262

Investment Opportunities

- **Agro Processing** e.g freeze drying, Sun drying, tea bags, coffee roasting etc
- **Education**
- **Energy Rural Transformation**
- **Health Services** e.g. Gulu Independent Hospital
- **Information Communication Technology**
 - Back end operations
 - Software engineering
 - Hardware
- **Mining:** Vermiculite, Gold, Diamond, Zinc, Limestone, tungsten, Iron Ore, Salt, Silica Sand
- **Textiles and Apparel**
- **Tourism**

Power sector reforms in Uganda – Milestones and Status

- Cabinet approval of the Power Sector Restructuring & Privatisation Strategy (Jun 1999)
- Electricity Act passed by Parliament (Nov 1999)
- Commencement of the implementation of the Uganda Electricity Board – UEB - privatisation (Apr 2000)
- Appointment of Commissioners of the Electricity Regulatory Authority, ERA (Apr 2000)
- Unbundling of the of the UEB and establishment of Generation, Transmission and Distribution Companies (Apr 2001)
- Issuing of Final RFP with Transaction Documents (Apr 2002)
- Final Proposals submitted (Jul 2002)
- Signing of Electricity Generation Concession (Nov 2002)
- Negotiation of Electricity Distribution Concession (ongoing)

Investment opportunities in the power sector

- Clean Development Mechanism (CDM)
 - The global purpose of the 10 year ERT programme is to contribute to global environment protection by reducing GHG emissions
 - It will benefit from the Global Environment Facility and the Prototype Carbon Fund
 - Develop renewable energy to replace diesel/petrol generated power
 - Improve energy efficiency through better transmission practises and use of more efficient appliances
- Geothermal & other new and renewable sources
 - Estimated national geothermal potential is 450 MW

MEDIUM HYDRO SITES

Site	River	Estimated Capacity (MW)
Musizi	Musizi	10
Bogoye	Mubuku	7.5
Nengo Bridge	Ntungu	12.0

SMALL HYDRO SITES

Site	River	Est. Cap. (MW)
Lake Bunyonyi	Bunyonyi	1.0
Nsongezi	Kagera	2.0
Paidha A	Nyagak	1.0
Paidha B	Nyagak	2.0
Ishasha A (West)	Ishasha	2.4
Ishasha B	Ishasha	3.6
Nyamabuye A	Kaku	1.5
Nyamabuye B	Kaku	0.7
Maziga Gorge	Maziba	0.5
Kaka	Ruimi	1.5
Mbarara	Muzizi	0.7
Sogahi A	Sogahi	2.7
Sogahi B	Sogahi	3.3

MICRO HYDRO SITES

Site	River	Est. Cap. (MW)
Arua	Anyau	0.3
Heissesero	Bunyonyi	0.3
Kitumba	Nyakabuguka	0.2
Mpanga	Mpanga	0.4
Nyakabale	Nyakabale	0.1
Moyo	Ataki	0.2
Kisiizi	Kisiizi	0.2

Geothermal areas of Uganda. Surface and reservoir temperatures in °C

District	Location	Surface Temp. (°C)	Reservoir Temp. (°C)
Kasese	1. Katwe-Kikorongo	71.0	160-230
	2. Kilembe	45.0	-
Kabarole	1. Rwagimba	69.0	80-100
Bundibugyo	1. Buranga	98.2	120-150
Hoima	1. Kibiro	86.5	>200
Bushenyi	1. Kitagata	67.0	120-140
Rukungiri	1. Ihimbo	70.0	80-120
	2. Minera	57.2	100-130
	3. Rubabo	60.0	125-140
	5. Birara	58.0	145-160
	6. Kiruruma	36.0	80-100
Kabale	1. Karungu	58.0	140-160
	3. Kagamba	37.2	-

INCENTIVES

1.0 Investment Capital Allowances

1.1 Initial Allowance on plant and machinery located:

Entebbe-Kampala-Jinja Area 50%

Upcountry (other districts) 75%

Start up costs spread over the 4 years 25% p.a.

Scientific research expenditure 100%

Training expenditure 100%

Mineral exploration expenditure 100%

1.2 Initial Allowance on Hotel and Industrial buildings 20%

2.0 Deductible Annual Allowances (depreciable assets)

Depreciation rates of assets range 20-40%

Depreciation rate for Hotels, Industrial
Buildings and Hospitals 5%

Example: Computer & data handling equipment 40%; Locomotives, office furniture 20%

Incentives (for industrial zones)

- 10 year Corporation Tax holiday
- Duty exemption on raw materials, plant & machinery and other inputs
- Stamp duty exemption
- Duty drawback to apply on import of goods from domestic tariff area
- No export tax on goods exported
- Exemption of withholding tax on interest on external loans, and
- Dividends repatriated to get relief from double taxation

Investment-related Agreements

Uganda is Signatory to main international investment-related instruments:

- ☒ Convention Establishing the Multilateral Investment Guarantee Agency (MIGA)
- ☒ Convention on the Recognition and Enforcement of Foreign Arbitral Awards (CREFAA)
- ☒ Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID)
- ☒ Agreement on Trade-related Investment Measures (TRIMs)
- ☒ General Agreement on Trade in Services (GATS)
- ☒ Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs)
- ☒ Signed several IPPA and DTA

Source: UNCTAD WIR, 2002

REMAINING CHALLENGES

- Ø Modernize agriculture
- Ø Develop larger markets through regional trade
- Ø Improve efficiency and reduce cost for port handling and transportation between Uganda and the coast
- Ø Rebuild and expand the road network
- Ø Improve availability and reliability of power and telecommunications
- Ø Further strengthen the financial sector
- Ø Eliminate corruption in the Public sector
- Ø Maintain and Improve Political Stability

WHAT AN INVESTOR NEEDS

- 1) Political Stability
- 2) Economic Strength/Fundamentals
- 3) Attitude of Welcome - from Minister to most junior civil servant and public
- 4) Supportive Government Policies
 - a) Equity
 - b) Employment of Expatriates
 - c) Ownership of Assets/Land
 - d) Tax Appeal Tribunal
 - e) Institute of Corporate Governance
- 5) Improving Infrastructure - Electricity, Telecoms, Land, Water ... Availability, Costs, Quality etc...
- 6) Availability of Labour - Trainability, Education, Work Ethic, Harmony, Productivity
- 7) Liberalized Banking and Finance
- 8) Streamlining Government Machinery
- 9) Friendly Local Business Environment
- 10) Quality of Life

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Thank you