



Company Report 2022

Financing Access to Clean Energy



SNAPSHOT FROM ENGAGEMENTS WITH STAKEHOLDERS



UECCC Director Transaction Execution, Roy Nyamutale Baguma makes a submission during an engagement of the Ministry of Energy and Mineral Development with the Parliament of Uganda Committee on National Economy.

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MESSAGE FROM THE BOARD CHAIRMAN



Dear Members,

The Company closed the year 2022 with a clear growth path in terms of capitalisation and service delivery for our customers.

The Government of Uganda, with funding support from the World Bank, concluded structuring of the Electricity Access Scale-up Project (EASP) under which the Company will access grant funding to the tune of US \$ 110 Million, to further strengthen the Company's ability to provide financing solutions tailored to support Government's priority of universal access to clean energy by 2040 (Vision 2040).

Our strategy under the EASP is to address market barriers constraining access to clean energy at the very grassroots. Price subsidies of up to 50% will be provided under the Project on solar systems, clean cooking solutions and productive uses of solar such as solar drying, cooling and irrigation to unlock access to clean energy technologies

at the very grassroots. This is in line with the ongoing engagement for our communities through the Parish Development Model to transform our society.

As we look forward to another year of progress, the Board of Directors extends thanks to our Members for the ongoing trust, Development Partners, especially the World Bank for the funding support and to all Partners, Management and Staff of the Company for their contribution towards realisation of the Company's goals.

Ramathan Ggoobi
BOARD CHAIRMAN

MESSAGE FROM THE MANAGING DIRECTOR



Dear Members,

Major milestones in the evolution of UECCC as a provider of innovative financing solutions for Renewable Energy development and increased access to clean energy were registered in the Year 2021/2022.

Specific highlights include:

Grant Funding of US \$ 110 million approved under the Electricity Access Scale up Project to implement blended financing solutions (grants and credit facilities) for targeted beneficiaries nationwide, to enable access to clean energy technologies. The target beneficiaries include households, commercial enterprises, and public institutions (schools, hospitals and rural water schemes). End user grants will address the affordability constraints inhibiting access to clean energy.

The ORIO Mini Hydro Power Project entailing construction of nine mini hydro power sites with a combined capacity of 6.7MW, a distribution network of 288 km and 71,081 last mile connections as a single project progressed well, with 95% completion of the land acquisition and

procurement of civil & hydromechanical contractor and electromechanical contractor near completion. Construction works are planned to start in FY2022/2023. Upon completion and commissioning of the Project, UECCC will have a steady source of revenue for implementation of future programmes.

We are therefore excited to continue our journey of successful and sustainable provision of innovative financing solutions for increased access to clean energy technologies for the years to come.

We wish to express sincere gratitude to the Members and Board of Directors of the Company for their support. We also wish to recognize our partners, comprising of Participating Financial Institutions, Private Energy Companies and other stakeholders, for the continued collaboration as we pursue our common vision of providing mutually viable solutions to enable access to clean energy technologies.

Specioza Kimera Ndagire
MANAGING DIRECTOR

COMPANY OVERVIEW

Background

Prior to the enactment of the Electricity Act 1999, Government was using savings from the Consolidated Fund, loans obtained from multilateral lenders, and grants from bilateral development partners in order to scale up access to electricity.

To achieve the set targets for electricity access, there was need to complement the above traditional sources of funding with financial resources from the private sector through equity and commercial debt.

Under the Electricity Act 1999, Government adopted a new strategic approach to the power sector. The Act liberalised the power sector and introduced private sector participation both in existing operations as well as the financing and management of future investments in the power sector.

Effective private sector participation was however hampered by several challenges including:

- i) Local financial institutions' inability to finance renewable energy and electrification projects without mechanisms that address the key concerns of Financial Institutions such as risk sharing guarantees.
- ii) Lack of experience and general unfamiliarity by local lenders with regard to providing credit for renewable energy and electricity projects, and skills gaps to appraise renewable energy projects.
- iii) Skills gaps and experience on the part of local private sector project developers to package renewable energy projects, leading to lack of bankable projects to be financed.

The Uganda Energy Credit Capitalisation Company

In order to address the above challenges and support the Private Sector to effectively participate in the energy/power sector, Government set up the Uganda Energy Credit Capitalisation Company (UECCC) to facilitate financing of renewable energy development with particular focus on enabling private sector participation.

UECCC provides a menu of Credit Support Instruments, including but not limited to partial credit guarantees, lines of credit to participating financial institutions, Result based grants and technical assistance/transaction advisory services to private sector players (local financial institutions and private energy companies) to facilitate provision of credit to the renewable energy sector.

Objectives of the Company

- To Serve as a Credit Support institution to promote private sector led Renewable Energy infrastructure development
- To Introduce into the Ugandan Financial Market new and innovative financing modalities including Credit Enhancement Instruments.
- To Provide financial, technical and other support to renewable energy projects in Uganda

The Company provides a "Special Purpose Vehicle" set up, which targets and creates a linkage between the private sector energy players and renewable energy development and/or access to electricity.

COMPANY VISION AND MISSION



COMPANY VALUES



GOVERNANCE STRUCTURE

The Company's Governance Structure promotes accountability to the mainstream Government Ministries as follows:

Members



MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Represented by the Minister



MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

Represented by the Minister



Business growth is our business

PRIVATE SECTOR FOUNDATION OF UGANDA

Represented by the Board Chairman

Board of Directors



Mr. Ramathan Ggoobi

Permanent Secretary / Secretary to the Treasury (PS/ST)

BOARD CHAIRMAN



Mr. James Byagaba

Retired Senior Banker

BOARD VICE CHAIRMAN



Eng. Irene Bateebe

Permanent Secretary, Ministry of Energy and Mineral Development (MEMD)

BOARD MEMBER



Mr. Stephen Asiimwe

Executive Director, Private Sector Foundation Uganda (PSFU)

BOARD MEMBER

Board of Directors



Mr. Robert Mukiza

Executive Director, Uganda Investment Authority (UIA)

BOARD MEMBER



Professor Laura Orobia

Representative of the Institute of Certified Public Accountants of Uganda (ICPAU)

BOARD MEMBER



Dr. F.A. Kabagambe Kaliisa

Renewable Energy Sector Expert

BOARD MEMBER



Ms. Specioza Kimera Ndagire

MANAGING DIRECTOR

Management Team



Ms. Specioza Kimera Ndagire

MANAGING DIRECTOR



Mr. Roy Nyamutale Baguma

DIRECTOR TRANSACTION EXECUTION

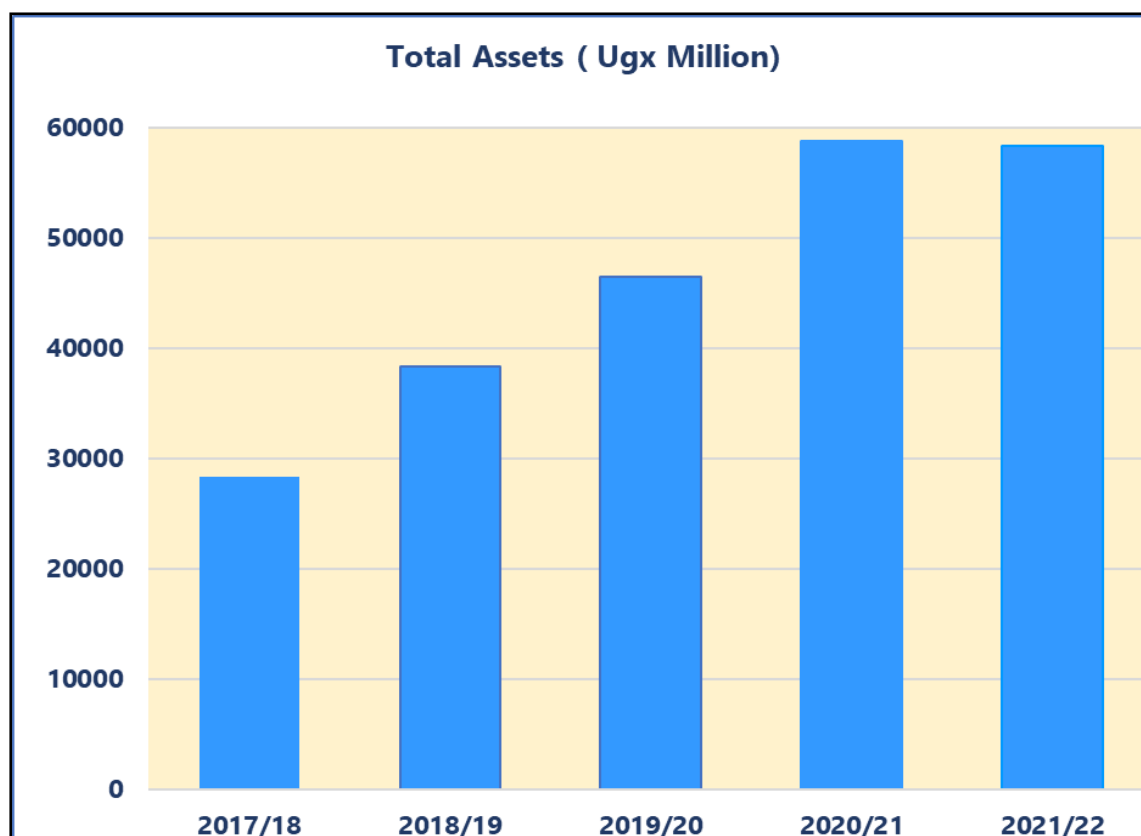


Mr. Patrick Owere

MANAGER FINANCE AND ADMINISTRATION

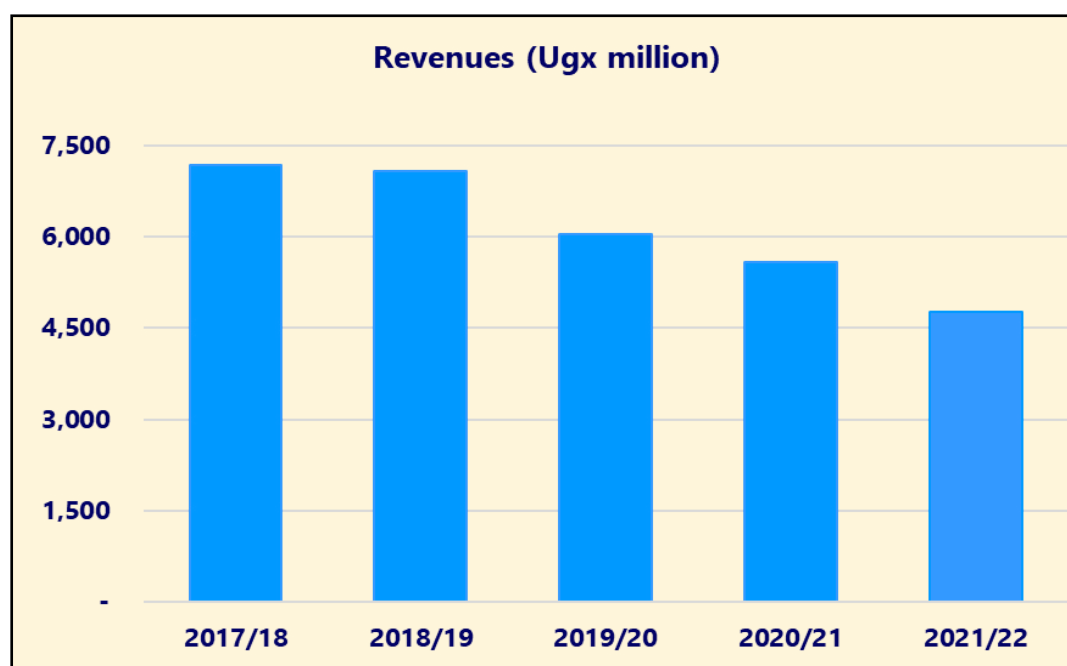
FINANCIAL PERFORMANCE

Figure 1: Total Assets over the 5-years from FY 2017/18 to FY 2021/22



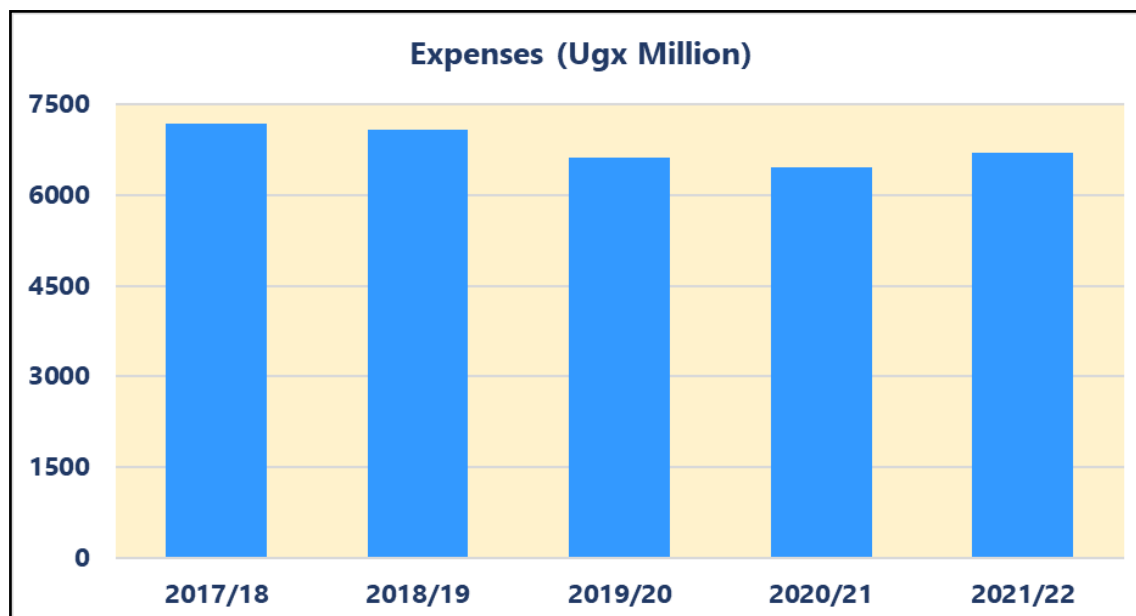
- Total Assets stood at Ugx 58.4 billion as at June 2022. The reduction from June 2021 (Ugx 58.8 billion) was attributed to lower realisation of releases from GoU due to budget cuts across all sectors.
- The growth over the last four years is mainly attributed to:
 - Growth in the credit support facilities extended to Participating Financial Institutions to on-lend for acquisition of clean energy technologies.
 - Implementation of the ORIO Project with increasing work-in-progress over the years.

Figure 2: Total Revenues over the 5-years from FY 2017/18 to FY 2021/22



The company has experienced a downward trend in annual revenues over the five year period on account of declining releases from GoU and a reduction of on-lending activities by Participating Financial Institutions explained by the effects of Covid-19 pandemic in FY2019/2020 and FY2020/2021 and post pandemic budget cuts in FY2021/2022.

Figure 3: Annual Expenditures over the period FY 2017/18 to FY 2021/22



The expenses were managed over the five year period in line with the level of activities and corresponding revenues realized as shown in Figure 2 above. The trend of expenses reflect the slow down of activities in FY2019/2020 and FY2020/2021 and resumption of business activities in FY2021/2022.

BUSINESS PERFORMANCE

KEY RESULTS FOR FY2021/2022

Financing Programme	Result for the year FY 2021/2022
Solar Financing Programme	<ul style="list-style-type: none"> UGX 4.95 billion disbursed to Participating Financial Institutions (PFIs) as lines of credit to facilitate access to off-grid solar. 2,500 solar loans/connections valued at UGX 3.8 billion were realised out of a target of 3,500 connections for the year.
Connection Loan Financing Programme	<ul style="list-style-type: none"> UGX 750 million disbursed to Participating Financial Institutions (PFIs) to facilitate on-grid connections. 121 loans/on-grid connections valued at UGX 645 million were realised out of a target of 250 on-grid connections for the year. This programme was affected by the public expectations of the free connection provided under the Electricity Connection Policy 2018.
Pilot Biogas Financing Programme	<ul style="list-style-type: none"> During the period, UECCC installed five (5) biogas systems for demonstration purposes. By the end of the financial year, a cumulative 55 systems had been installed for demo purposes.
ORIO Mini Hydropower Project: <ul style="list-style-type: none"> Construction of 9 Mini Hydro Power Plants (combined capacity of 6.7 MW) Local distribution network (288 KM) in the project area 71,081 last mile connections in the project area. Located in the districts of Kasese, Bushenyi, Mitooma, Hoima, Kabarole, Bunyangabu and Bundibugyo. 	Implementation of Resettlement Action Plan (RAP): <ul style="list-style-type: none"> (95%) Project Affected Persons (PAPs) that opted for cash compensations fully compensated. Six (6) PAPs opted for resettlement houses. Construction of resettlement houses planned to commence in first quarter of FY 2022/23. As a post period report, construction of the houses has been completed. A sample picture is shown below. Procurement of the Civil Works and Electro-Mechanical Contractors near completion. Construction works to commence in FY 2022/2023

BEFORE



AFTER



PAP Masereka Gilbert at Igassa ORIO site (2 Rooms, Store, External kitchen and an eco san toilet)

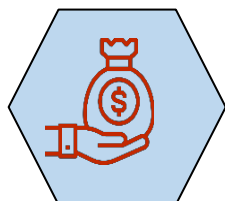
CUMULATIVE IMPACT OF UECCC FINANCING PROGRAMMES



Partnerships
with 18
Financial
Institutions

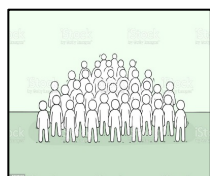
Catalysing Lending for Renewable Energy

UECCC has facilitated eighteen (18) local Financial Institutions to take on energy lending as part of their day to day lending business, with stand-alone Energy Loan Products, such as Cente Solar at Centenary Bank, Equi-Green loan at Equity Bank, Biogas Loan Facility at EBO SACCO and Cente-Power Loan Product for On-Grid Connections at Centenary Bank.



UGX 29.7 Bn
deployed to
facilitate
access to clean
energy

UECCC deploys limited Public resources on business principles to leverage Private Sector capital towards meeting the country's financing requirements for increased access to modern energy services. UGX 29.7 Bn has so far been committed as concessional funding to PFIs, projected to leverage PFIs' own funding of UGX 28.2 Bn, thus enabling a total of UGX 57.9 Bn to be availed towards clean energy financing.



More than 1.2M
Ugandans
connected

Through the various financing programmes implemented by UECCC, over 1.2 million Ugandans have so far been enabled to access clean energy.

6

BUSINESS GROWTH

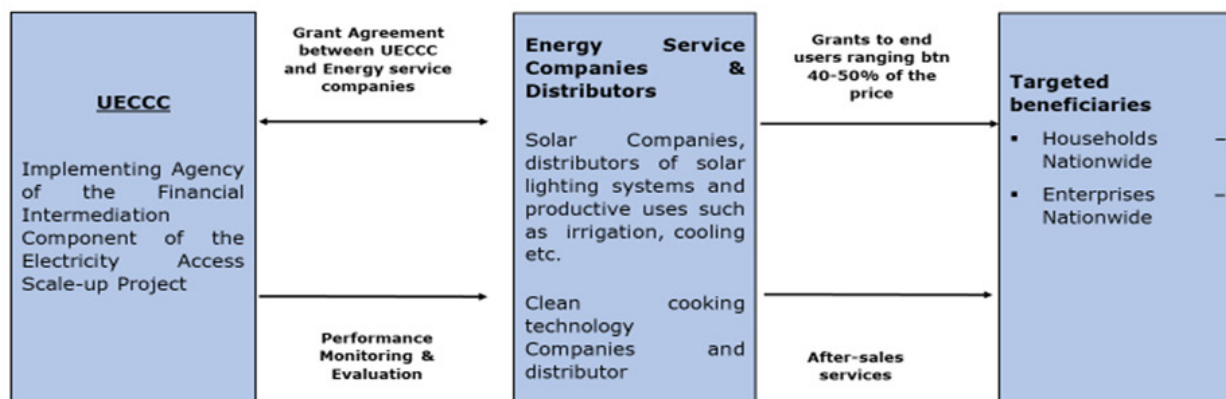
The Government of Uganda (GoU) and the World Bank concluded structuring of the Electricity Access Scale-up Project (EASP) approved by the World Bank Board on 31st March 2022, which aims at increasing access to energy for households, commercial enterprises, industrial parks, and public institutions nationwide, including in refugee hosting districts.

The EASP will support the GoU's efforts to increase energy access to spur socio-economic transformation, in line with Uganda's Vision 2040, the third National Development Plan (NDP III), the 2018 – 2027 Electricity Connection Policy (ECP) and to meet the Sustainable Development Goal 7 (SDG 7) of achieving universal energy access by 2030. EASP activities build on earlier GoU initiatives in the energy sector, to support the expansion and strengthening of the electricity distribution network, scale-up connections within the network, and increase access to off-grid electricity, and access to clean cooking solutions and technologies.

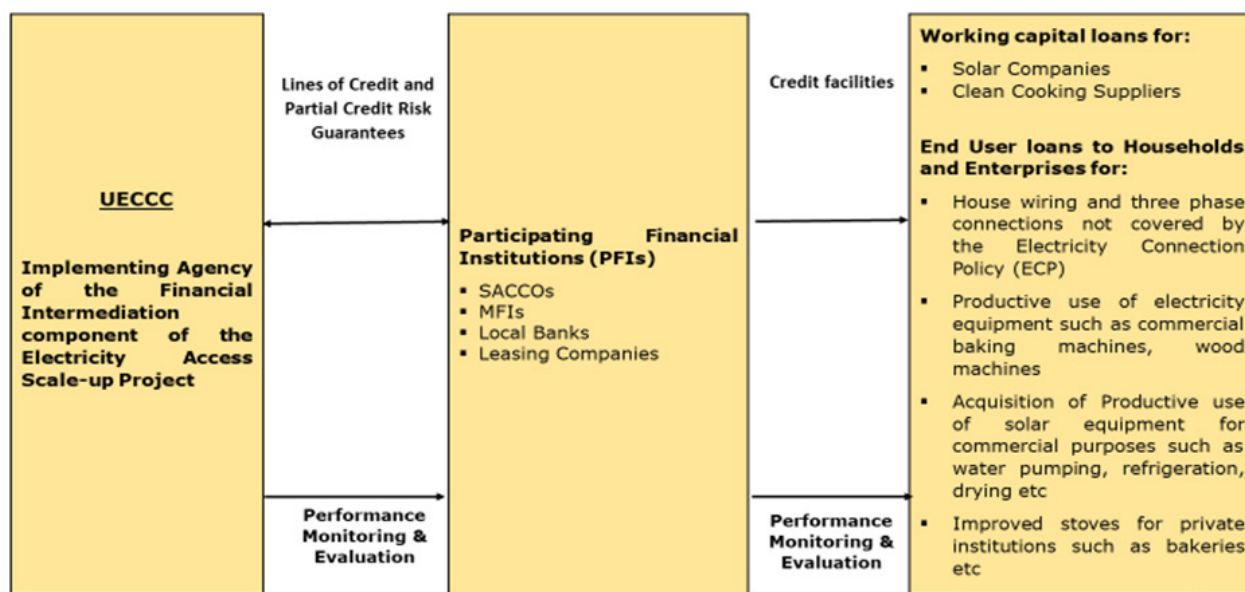
Grant funding totaling US\$ 110 million has been provided to UECCC under the EASP to provide tailored financing solutions targeting to address financing market failures inhibiting access and adoption of clean energy technologies. Off-grid energy access includes solar home systems, productive use solar equipment, clean cooking and electrifying public institutions (health clinics schools and water points). Financial instruments to be employed by UECCC include lines of credit, grants and guarantees. Participating Financial Institutions (PFIs) will include commercial banks, microfinance institutions, financial cooperatives (SACCOs), leasing companies and investment funds. The activities will cover projects and beneficiaries both inside and outside Refugee Host Communities.

The goal of the UECCC EASP financing interventions is twofold:

1. Grants to address affordability constraints of targeted beneficiaries



2. Credit facilities for increased access to clean energy



EXTERNAL AUDITOR'S REPORT

Article 10 of the Company's Articles of Association states that;

"The Auditors of the Company shall be appointed by the Office of the Auditor General (OAG) in accordance with its mandate under Article 163 of the constitution and the National Audit Act, 2008".

The OAG appointed the following audit firm to carry out the annual external audits for the Financial Year 2021/22.

Auditor / Audit Firm	Audit Opinion
Team & Co Certified Public Accountants	Unqualified Audit Opinion

SNAPSHOT FROM ENGAGEMENTS WITH STAKEHOLDERS



Managing Director, Specioza Kimera Ndagire and Director Transaction Execution, Roy Nyamutale Baguma at the Equity Bank High Level Engagement on Energy, Environment and Climate Change Financing in November 2021.

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