

	GET FIT Program Uganda	Overview Brief
	Facilitating Private Investments in Renewable Energy	

1. Background

The main purpose of the GET FIT Program Uganda is to fast-track a portfolio of up to 15 small-scale RE generation projects (1MW-20MW) promoted by private developers with a total installed capacity of roughly 125MW. This will help to add much-needed clean generation capacity, help to strengthen regional grids and result in emissions reductions of 11 million tons of CO₂.

The GET FIT Program Uganda consists of three instruments: the **GET FIT Premium Payment Mechanism** (a results-based top-up on the existing REFIT in Uganda on a per-kWh-basis), a **Guarantee Facility** to secure against offtaker and political risks, as well as a **Private Financing Mechanism** that will offer debt and equity at competitive rates. In conjunction, these three instruments will help to address the key hurdles that are currently blocking more private investment in renewable energy generation capacity in Uganda.

Implementation of the GET FIT Program instruments will be led independently by different entities; however, implementation will be closely coordinated to minimize transaction costs and to maximize impact:

- Government of Uganda and KfW will be implementing the GET FIT Premium Payment Mechanism, supported by a Secretariat based at the Electricity Regulatory Authority (ERA).
- The World Bank has been requested by Government of Uganda to explore the use of a Partial Risk Guarantee (PRG) mechanism to secure against political and commercial risks associated with investments in renewable energy generation projects.
- Deutsche Bank is working with selected local commercial banks in Uganda to offer long-term debt and equity products to projects that need to plug financing gaps..

Given a shortfall of energy generation capacity as early as 2014, rapid action is required. A fast ramp up of the GET FIT Program has the potential to add tremendous value with regard to promoting socio-economic development on the one hand and carbon abatement (replacing/ avoiding thermal generation) on the other.

2. FIT Premium Payment Mechanism: Basic Outline and Status of Preparation

The GET FIT Premium Payment Mechanism is designed to make small-scale renewable energy generation projects (between 1MW and 20MW in installed capacity) promoted under the Renewable Feed-In Tariff (REFIT) system financially viable, thus enabling a large portfolio of projects to move to financial close and into implementation. GET FIT Premium Payments are additional payments per kWh, above and beyond the regulated REFIT tariff levels as published by ERA. Payments will be availed on a grant basis, following an open and transparent Request-for-Proposal process.

2.1 **Governance Structure**

The GET FIT Premium Payment Mechanism is governed by operational guidelines. Its main governing body is the Steering Committee. The Steering Committee comprises of one representative from each development partner contributing to the GET FIT Premium Payment Mechanism and one representative from Government of Uganda. KfW, the World Bank and the GET FIT Secretariat have non-voting representation on the Steering Committee. The Steering Committee has the responsibility for determining the basic principles of the FIT Premium Payment Mechanism which includes the final approval of the operational guidelines and the nomination of members of the GET FIT Investment Committee.

Members of the GET FIT Investment Committee appraise applications for eligible small-scale

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renewable energy generation projects (1MW to 20MW) submitted to the GET FiT Premium Payment Mechanism in response to consecutive Request for Proposals. The Investment Committee comprises of 6 independent experts with backgrounds in renewable energy and project finance in Sub-Saharan Africa:

- Jim Cohen, Consultant (former executive director of Balfour Beatty plc and Executive Chairman of Empower Advisors Limited)
- Dr. Thomas Duve First Vice-President Africa, KfW Bankengruppe (Chair of the Investment Committee)
- Professor Anton Eberhard (Director: Management Programme in Infrastructure Reform and Regulation Graduate School of Business University of Cape Town)
- Siyanga Malumo (Head of Africana Finance and Investments)
- Truls Holtedahl, (Senior Project Finance Analyst, Norconsult)
- Silvia Kreibiehl (Head, UNEP Collaborating Center, Frankfurt School)

The Secretariat for the GET FiT Program has been established and is based at ERA. The Secretariat supports the implementation of the GET FiT Premium Payment Mechanism (see contact details below).

2.2 Selection criteria and process

Selection of renewable energy projects to be considered for support by the GET FiT Premium Payment Mechanism will not be random. Instead, all projects will be selected as part of an open and transparent process that builds on the REFiT system in Uganda.

All projects that hold a valid development permit from ERA and that are sufficiently advanced in project preparation (e.g. feasibility study concluded) are eligible to apply under a Request for Proposal (RfP) procedure. Projects will have to demonstrate that they a) are financially and economically sustainable (including GET FiT support), b) are technically sound and c) comply with IFC Performance Standards on Environmental and Social Sustainability (2012). In addition, a comprehensive legal due diligence will be performed. The detailed selection criteria will be part of the RfP documentation.

Bids received on the basis of the RfP will be appraised by independent qualified experts. The consultants will make a financing recommendation to the GET FiT Investment Committee. The Investment Committee will take a final decision regarding support from GET FiT.

Support under GET FiT will be provided on a first-come-first-serve basis until funds are exhausted.

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2.3 Scope of FiT Premium Payments

The table below provides an overview of GET FiT premium payment levels:

Technology	Current REFiT Tariff (US\$/kWh)	GET FiT Premium (US\$/kWh)	Payment Period (Yrs)	Max. Capacity Factor (in %)
Hydro (9 >= 20 MW)	0.085	0.014	20	60%
Hydro (1 <= 8.9 MW)	0.115 - 0.085	0.014	20	60%
Hydro (500kW <= 1 MW)	0.109	Not included	20	n/a
Bagasse	0.081	0.01	20	40%
Biomass	0.103	0.01	20	40%
Biogas	0.115	No premium required	20	n/a
Landfill gas	0.089	Not included	20	n/a
Geothermal	0.077	Not included	20	n/a
Solar PV	0.362	No premium required	20	n/a
Wind	0.124	Not included	20	n/a

Note: The premium payment determination was done based on the 20 year PPA projects receive from UETCL. As explained below, the premium disbursement period will be reduced to 5 years in order to reduce the funding requirements for GET FiT.

While different technologies attract different FiT premiums, actual top-up levels will not vary across individual projects in the same technology group. A flat rate FiT per technology is in line with the general REFiT approach adopted in Uganda.

Renewable energy projects that qualify for support under the GET FiT Premium Payment Mechanism will then be offered a top up payment calculated on the basis of the expected electricity output of the individual project over 20 years.

2.4 Contracting and disbursement modalities

Government of Uganda (represented by KfW) will sign Financing Agreements with private developers that will receive support from the FiT Premium Payment Mechanism. Payments will be made directly by KfW to private developers.

A two-staged disbursement model will be implemented for the FiT Premium Payment Mechanism, where 50% of the FiT premium will be disbursed upon Commercial Operation Date (COD, thus after successful completion of plant and demonstration of ability to produce, as certified by the Uganda Energy Transmission Company Limited (UETCL, single buyer) in accordance with the PPA), and disbursement of the remainder of FiT premium alongside the PPA against energy delivered, but limited to a 5-year period. Support to projects under GET FiT will thus follow a results-based logic. In addition, the disbursement approach will also incorporate a formula to share a portion of the hydrological risk associated with the premium payments limited to a 5-year period.

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2.5 Current Status of FiT Premium Payment Mechanism

The GET FiT Premium Payment Mechanism in Uganda is currently supported by the Government of Norway, the UK Government as well as the Federal Government of Germany.

The first round of Request for Proposals was successfully launched in April 2013. The number of applications by RE developers exceeded expectations both of the Government and Development Partners and underlines the strong private sector interest to invest in the Ugandan electricity sector.

The success of GET FiT has led the Ugandan Regulatory Authority ERA to increase the REFiT for small hydro in order to leverage a bigger number of projects under the GET FiT Premium Payment Mechanism. This is a first important step towards fully cost reflective REFiT tariffs.

A second round of Request for Proposal is expected to be launched before the end of this year. Interested developers are encouraged to contact the GET FiT Secretariat.

For more information on the GET FiT Premium Payment Mechanism, please contact:

ERA	KfW Office Kampala	GET FiT Secretariat
Patrick J. Mwesige Director Financial & Admin Services Plot 15 Shimoni Road Nakasero P.O. Box 10332 Kampala, Uganda Phone: +256 414 341852 Mobile: +256 752 731777 p.mwesige@era.oe.ug	Stephanie Rieger Senior Project Manager Plot 6 a Accacia Avenue, Kololo P.O. Box 21425 Kampala, Uganda Phone: +256 204 3488 863 Mobile: +256 794 700 211 Stephanie.Rieger@kfw.de	Rene Meyer GET FiT Secretariat ERA House Plot 15 Shimon Road, Nakasero P.O. Box 10332 Kampala, Uganda Phone +256 414 341 852/646 Mobile +256 793 529 831 secretariat@getfit-uganda.org

3. World Bank Group Guarantees: Basic Outline and Status of Preparation

Government of Uganda has officially requested the World Bank to explore the use of a Partial Risk Guarantee (PRG) mechanism for projects benefiting from the REFiT. The PRG would be used to facilitate the provision of short term liquidity support (Letter of Credit from a commercial bank). This will provide greater certainty over timely receipt of payments that are due from UETCL in line with the Power Purchase Agreement.

In addition, private developers will also be able to avail of further cover from the World Bank for other obligations of the government (including, for instance, guarantees on termination). Such further guarantees would be direct to lenders to projects. MIGA political risk insurance is also likely to be made available.

The timeline for preparation of the World Bank guarantee program will be driven by readiness of initial projects, as World Bank approvals will be for supporting specific projects.

For more information on World Bank Guarantees, please contact:

World Bank - Washington	
Raihan Elahi Senior Energy Specialist relahi@worldbank.org	Mustafa Zakir Hussain Senior Energy Specialist mhussain2@worldbank.org

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4. Private Financing: Basic Outline and Status of Preparation

Deutsche Bank - as initiator of the GET FiT concept - is working with international and local commercial banks to facilitate project financing transactions. The terms and conditions will reflect the improved risk profile of projects supported by GET FiT premium top up and guarantee mechanisms as well as the improved quality of business plan material following the review by the GET FiT public facility experts. The set-up of a dedicated fund vehicle to finance GET FiT projects only is not planned. There is no exclusivity for the Private Facility and private developers are free to approach other financiers for debt and equity financing.

For more information on the Private Facility please contact:

Deutsche Bank AG	
Deutsche Bank GET FiT Team get.fit@db.com	GET FiT Implementation Advisor for DB Silvia Kreibiehl Head of FS-UNEP Collaborating Centre for Climate & Sustainable Energy Finance Frankfurt School of Finance & Management Sonnemannstr. 9-11 60314 Frankfurt am Main Germany Phone +49 69 154008 860 S.Kreibiehl@fs.de