

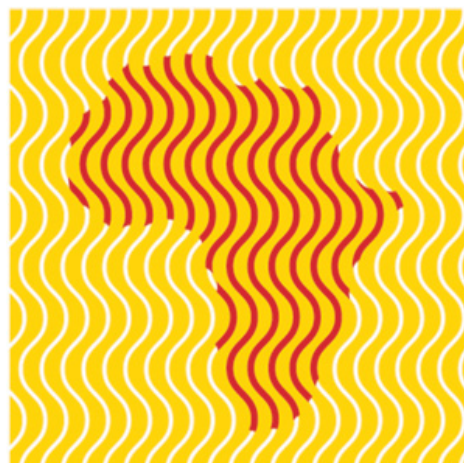
GET FiT UGANDA

ANNUAL REPORT 2015



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GET FiT UGANDA

ANNUAL REPORT **2015**

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EXECUTIVE SUMMARY

The GET FiT Uganda Program was formally launched in May 2013. The Program is designed to target the key barriers confronting investors looking at potential investments in small renewable energy projects (1-20 MW) in Uganda and thereby fast-track up to 20 projects¹, representing up to 170 MW and 830 GWh/year. The main feature of the Program is a front-loaded results-based premium payment designed to top-up Uganda's own Renewable Energy Feed in Tariff (REFiT) and be paid out over the first five years of operation.


The initiative is being spearheaded and implemented by Uganda's Electricity Regulatory Authority (ERA), the Government of Uganda (GoU) and the German Development Bank KfW, with funding contributions from the Governments of Norway, Germany, UK and the European Union (EU). The World Bank supports the Program through a Partial Risk Guarantee facility.

In 2015, six GET FiT hydropower projects started construction. Following a series of delays, this represents an important milestone for the Program. The remaining projects in the portfolio are expected to break ground in 2016, which is vital to meet the time-bound targets of the Program. Moreover, the first and only biomass (bagasse) project was officially commissioned in July, resulting in the first premium payment being disbursed by the Program. Finally, the solar PV projects awarded support in late 2014 are progressing and one of the two 10 MW solar projects has reached financial close and will commence construction in early 2016.

The third and final RfP round was completed in July, resulting in approval of six additional hydropower projects. While funds are currently available to support up to five projects, the last project is placed on a reserve list. Should projects within the current portfolio dropout or, preferably, additional funds become available, this project may still be supported. Unfortunately, few biomass/bagasse projects applied in this final tender, and none were approved. GET FiT will thus remain with only one biomass power plant in its portfolio.

As a result of intense efforts to overcome legal and regulatory issues, which caused severe project delays throughout 2014, a range of projects have signed Power Purchase Agreements (PPA) and Implementation Agreements (IA) during the past year. Despite the delays, the discussion process has resulted in more viable agreements that will benefit future small RE developers in Uganda. With legal issues largely resolved, most developers can now concentrate fully on technical aspects. Hopefully this will enable

1) The estimate has increased from previous estimates of up to 15 projects. Mainly due to smaller average project size and introduction of four solar projects to portfolio.



As a result of intense efforts to overcome legal and regulatory issues, which caused severe project delays throughout 2014, a range of projects have signed Power Purchase Agreements (PPA) and Implementation Agreements (IA) during the past year. Despite the delays, the discussion process has resulted in more viable agreements that will benefit future small RE developers in Uganda. With legal issues largely resolved, most developers can now concentrate fully on technical aspects. Hopefully this will enable swift progress towards construction starts in the upcoming year.

Despite progress in 2015, challenges still remain. Issues relating to grid interconnection for several GET FiT projects have emerged as the most critical external risk to Program success. Comprehensive efforts are being made by GET FiT development partners to mitigate these risks, through i) financing critical power grid infrastructure, and ii) financing technical assistance to ERA for grid regulation. Furthermore, KfW and the GET FiT Secretariat are facilitating dialogue and coordination to achieve timely progress in line with implementation of the GET FiT portfolio.

Overall, GET FiT Uganda has so far managed to establish a promising project portfolio, with about one third having started or completed construction. A range of technical, legal and regulatory issues have been solved or at least highlighted, paving the way for future RE developers. Going forward, continuous efforts will be made to ensure that more projects break ground and that interconnection issues are resolved as soon as possible. 2016 is likely to become another interesting and challenging year for GET FiT.

Finally, we are encouraged to see that the GET FiT concept is likely to be rolled out in other countries. In 2015, 10 countries in Sub Sahara Africa have been assessed as potential partners for GET FiT implementation. Assessments are still on-going, and decisions to proceed towards programme establishment are expected in the second quarter of 2016.

MESSAGE FROM THE CEO OF THE ELECTRICITY REGULATORY AUTHORITY

The Electricity Regulatory Authority (ERA) has noted tremendous progress in the year 2015 with respect to the implementation of the Global Energy Transfer Feed-in-Tariff (GET FiT) Program.

This progress is demonstrated by the increase in the number of projects that have commenced construction works bringing the total number to six (6).



Dr. Benon Mutambi, CEO of ERA Uganda

During the same period, eleven (11) projects have executed Power Purchase Agreements.

It is on this backdrop that the Electricity Regulatory Authority continues to recognize the role the GET FiT program plays in the integration of least-cost renewable energy sources into the generation mix of Uganda.

Following successful conclusion of the third round of the GET FiT, the ERA gratefully notes that the program has to-date committed to support 17 projects with a combined capacity of 157 MW.

As we usher in 2016, the ERA will focus on monitoring projects under construction and ensure that the power evacuation lines are completed in time to ensure timely commissioning of the projects.

The GET FiT inventiveness has more than raised awareness in the private sector worldwide and has propelled private firms to invest in renewable energy in Uganda today and it is evident that this innovation will contribute to the economic development of the country.

With the above substantial milestones achieved, ERA will continue to cooperate with Development Partners, Government institutions and the private sector to license renewable energy generation projects in Uganda.

A handwritten signature in black ink, appearing to read 'Benon Mutambi'.

Dr. Benon Mutambi, CEO of ERA Uganda

MESSAGE FROM KFW

Dear readers,

we are looking back on an exciting and eventful year 2015, which has seen the expansion of the GET FiT portfolio as well as substantial progress in project implementation.

The third and last round of proposals for GET FiT Uganda was concluded in June 2015, and 6 promising projects were selected for support. Due to limited funding, unfortunately only 5 can be supported at this point.



Helmut Gauges, KfW Development Bank

This brings the portfolio up to 17 projects with an installed capacity of 157 MW of clean and renewable solar, bagasse and hydro power energy. Interest in GET FiT is still high, which could be witnessed through the high number of applications as well as continued inquiries about the programme by developers.

Project progress has been visible: 2015 saw commissioning of the first GET FiT project. The bagasse cogeneration plant at Kakira Sugar is now delivering 20 MW of reliable power to the national grid and received the first GET FiT premium payment. Six hydro projects started construction this year and several will start construction in early 2016. Two GET FiT projects reached full financial close, and a number of others will do so very soon.

Last year I mentioned the challenge of grid interconnection of GET FiT projects. I am proud to report that we have sourced additional funding from DFID and Financing Agreements with the Government of Uganda have been signed already. More funding from the German government (and potentially the EU) has been made available for additional critical transmission lines, which will assist in evacuating the power generated by GET FiT supported power plants.

Some challenges in the regulatory environment regarding grid-connected solar projects, such as the applicable tax treatment for solar projects as well as standard contractual agreements agreed under GET FiT, emerged last year. I encourage the Government of Uganda and ERA to continue seeking solutions to overcome regulatory

challenges to retain Uganda's reputation as a stable, reliable and attractive environment for private sector investment.

The reputation of GET FiT as an innovative and effective programme to increase generation capacity and power supply while at the same time addressing barriers to private investment and improving the regulatory framework has not gone unnoticed. I believe the continuous efforts of Government of Uganda, Government of Germany, KfW and other stakeholders have taken GET FiT from a promising concept to a role model facility for leveraging private sector investment into small scale renewable energy projects in Sub-Saharan Africa. GET FiT today is a permanent reference and subject of discussions at international investor conferences more than three years after its launch. This can only mean that something about GET FiT has "hit a nerve" in the sector and the tool box offered under the facility has been an appropriate response to current market challenges. This opinion is underpinned by the World Bank short stories essay award for "innovative solutions through public private partnerships" given to a submission by GET FiT.

To respond to this continued interest, we have commissioned a series of regional roll-out studies for similar support schemes with funding from the UK, and will create specific project proposals for a number of countries. We are also pleased that Zambia, supported by Germany through KfW, has been actively developing a GET FiT programme of their own and we were delighted to see the fruitful exchange between the Zambian delegation and the ERA team during their 2015 study tour to learn from the Ugandan experience.

Last year I mentioned Uganda's rank in the Bloomberg New Energy Finance's Climatescope report. 2015, Uganda has moved up again and is currently ranked 9th globally among emerging economies for clean technology investments. With this positive news I would like to conclude and wish us all a successful and exciting GET FiT year 2016.

A handwritten signature in black ink, appearing to read 'Gauges', with a stylized, flowing script.

Helmut Gauges, Member of the Management Committee
KfW Development Bank

GET FiT UGANDA

ANNUAL REPORT 2015



GET FiT UGANDA

GET FiT UGANDA

The GET FiT Uganda Program was officially launched on May 31st 2013. The Program, which has been jointly developed by the Government of Uganda, ERA and KfW, is designed to leverage private investment into renewable energy generation projects in Uganda. GET FiT is being supported by the Government of Norway, the United Kingdom, the Government of Germany and EU through the EU Africa Infrastructure Fund as well as the World Bank through their IDA Partial Risk Guarantee (PRG) instrument.

The main objective of the GET FiT Program is to assist Sub-Saharan African nations in pursuing a climate resilient low-carbon development path resulting in growth, poverty reduction and climate change mitigation. Roll-out of the Program has started in Uganda. In Uganda, GET FiT intends to fast-track a portfolio of up to 20 small-scale renewable energy (RE) generation projects, promoted by private developers. Depending on funding situation and progress of the individual progress, the portfolio may yield a combined installed capacity of up to 170 MW. This will correspond to up to approximately 830 GWh of energy production per year, transforming Uganda's energy mix within a period of 3-5 years, and resulting in:

- emission reductions of roughly 11M tons of CO₂ over the 20-year lifespan of PPAs;
- an increase in Uganda's energy production by about 20%, and thus a contribution to tackling an anticipated supply shortage in 2016;
- facilitating (or significantly improving) access to energy for at least 200,000 additional households (approximately 1.2M people), also in rural areas due to strengthening of regional grids;
- leveraging of close to USD 400M in private investments for renewable energy generation projects with a limited amount of results-based grant funding.

WHAT IS THE CHALLENGE?

There is a looming short term power-supply shortage for the Ugandan national power grid. As a result of power and fuel supply shortages during the power crisis between 2006-2009, Uganda saw its GDP growth reduced from 6-6.5 % to 4.5 %, costing the economy hundreds of millions of dollars. According to ERA (2015), a new supply-demand gap is now emerging. Unless new renewable power sources are brought online, the sector will again face load-shedding or become reliant upon expensive thermal generation. The emerging supply-demand gap is expected to grow steadily until the commissioning of the larger hydropower plants including Muzizi (46MW), Isimba (183MW) and Karuma (600MW). Even if these plants are commissioned on time (around 2020), thermal power generation will put a high cost on the system unless new sources are developed.

While the thermal capacity available to the Ugandan grid is still sufficient as to meet the current peak demand and avoid considerable load shedding, the utilization of these capacities represents high costs. ERA expects a significant increase in demand also throughout 2016. The GET FiT Program's ability to introduce additional renewable energy production is critical in order to avoid increased use of thermal power generation and eventually more frequent load shedding due to supply shortage.

While the Ugandan power sector has undergone considerable reform over the past decade, several challenges remain in terms of attracting investments, particularly in small renewables:

Patchy enabling environment for investment in small renewables. Uganda was ranked 122 out of 189 in the World Bank's Doing Business index (2015), which is a small, yet notable climb from the 132 ranking in 2014. Nonetheless, an up-hill battle still lies ahead for a Government and energy sector eagerly seeking foreign investment. Despite significant potential, especially in small hydropower and biomass, developers and investors have expressed frustration in terms of ensuring predictability, consistency and transparency in bringing their projects from concept to profitable investment.

Insufficient incentives to encourage investment in small renewables. While ERA has introduced (2007) a Renewable Energy Policy and a multi-generation type REFiT policy for promoting small-scale renewables, the proposed tariff levels have been widely viewed by investors as insufficient to unlock investments in the sector. These relatively low tariff levels combined with uncertain and often prolonged development processes have provided inadequate financial incentives especially for early-stage equity investment towards project development.

High demands on GoU as a counterpart in the timely realization of small renewables.

The demands and expectations placed on public authorities in light of private investment in renewables, especially those that are part of project non-recourse financing, is considerable. There are high demands especially from financial investors in terms of predictable policies and actions, transparency, responsiveness, analytical capabilities, coherent negotiations and ultimately guarantee backup for payments and defaults. Like in most countries in the region, Ugandan authorities are in a constant process to meet these expectations and generally require international expertise to complement their efforts.

Promoting renewables while minimizing public/end-user financial burden.

The Government of Uganda and ERA are committed to full cost-reflectiveness in the energy sector. However, balancing actual costs and the ability of Ugandan consumers to pay for their power is one of the key challenges faced by the sector. With an average of about EURc 15 per kWh, Ugandan consumers are already paying a high price for power, in comparison with neighboring countries. Supporting investments in renewables has long term financial impact and, while there is a clear economic incentive to promote small renewable generation with its relatively short lead times, ERA must take a closely considered and balanced approach to ensure an efficient level of support. The relatively weak enabling environment and perceived risk levels make the achievement of this balance particularly challenging for a regulator.

However, GET FiT has contributed significantly towards a better investment climate in the renewable energy sector. While one power plant has been commissioned so far under the Program, GET FiT has played a key role in e.g.

- i. improving the regulatory framework (standardized PPA and increased capacity at ERA, among other issues),
- ii. highlighting of interconnection bottlenecks and facilitating grid reinforcements, and
- iii. supporting developers toward financial close and construction start.

The positive developments in the sector in recent years was underlined by Uganda being ranked the 3rd best country in Africa for clean energy investments in 2015¹. It was ranked 9th worldwide among developing countries. Notably, Uganda now has the second highest number of IPPs in Africa south of Sahara, only beaten by South Africa².

1) <http://global-climatescope.org/en/>

2) Eberhard, A, Gratwick, K, Morella, E, Antmann, P (2015). Independent Power Producers in Africa. World Bank, Washington, DC

HOW DOES GET FIT ADDRESS THESE CHALLENGES?

The main purpose of the GET FiT Uganda Program is to fast-track a portfolio of about up to about 20 small-scale renewable energy generation projects (1 MW - 20 MW hydro and biomass/bagasse projects) promoted by private developers with a total installed capacity of up to 150 MW. An additional 20 MW was approved in the solar tender of late 2014, which has been implemented by ERA under the GET FiT Solar Facility. With the expected supply gap gradually increasing until commissioning of several large hydropower plants, GET FiT will represent a timely intervention, particularly through the supported bagasse plant commissioned and delivering electricity already combined with the range of hydropower plants in the GET FiT portfolio being commissioned from 2016 and solar PV capacity expected on-grid in mid-2016/early 2017. The multiple support levers of the Program, described below, are designed to address (simultaneously and somewhat flexibly) the specific challenges described above.

A successful Program will be characterized by: i) timely commissioning of up to 170 MW of renewable energy capacity (until 2018) representing approximately 20 percent increase relative to current installed capacity; ii) avoidance of significant costs for the sector and emissions from fossil fuel generation; iii) improved sector performance and investment attractiveness; iv) a sustainable exit, with cost-reflective and REFiT levels;

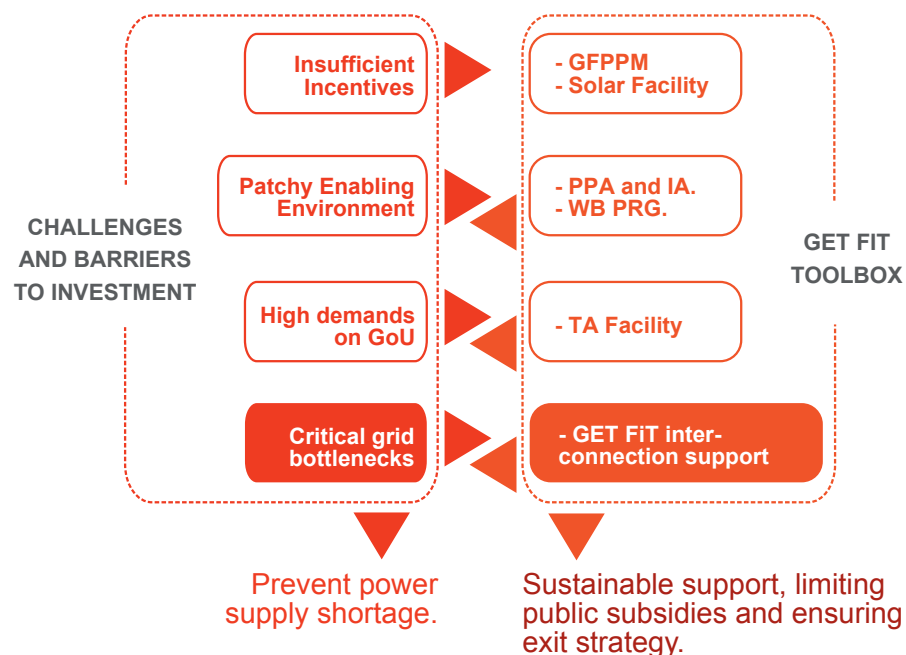


Figure 1: The GET FiT toolbox is designed to meet the primary challenges and barriers to energy sector investments

Each of the support and funding levers are critical contributions towards this success:

A. The GET FiT Premium Payment Mechanism. The primary support component of the GET FiT Program is the top-up payment provided to projects in terms of USDc/kWh (USDc 1.4/kWh for hydropower and USDc 1.0/kWh for biomass and USDc 0.5/ kWh for bagasse) for actual delivery of energy to the national grid over 20 years. However, the total support is front-loaded by discounting the total support over the 20 years and disbursing these funds through the first five years of operation. The intention behind this payment flow setup is to enable commercial lending to projects, by providing additional cash flow to project owners during critical (early) debt repayment periods.

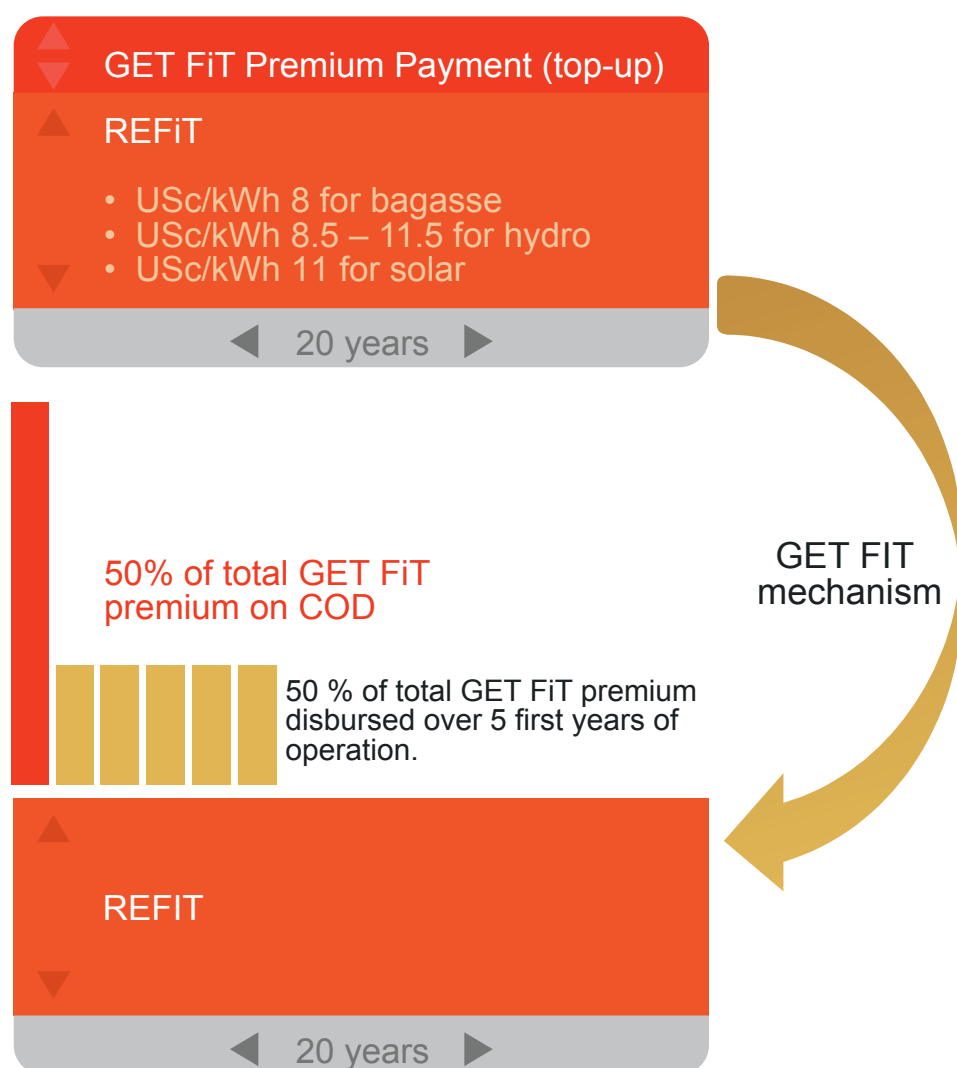


Figure 2: The GET FiT Premium Payment Mechanism provides additional cash to project owners in the critical, early phase of debt repayment

B. GET FiT Solar Facility. Technology costs for solar PV have plummeted in recent years, while investors show increasing interest for investment in solar PV in East Africa. The vast potential, the short lead-time and geographic flexibility of solar PV technology led ERA to approach KfW in 2013 to include a component targeting on-grid solar PV under the GET FiT Solar Facility. The funds for this additional component of the GET FiT Program are provided by the EU. The GET FiT Solar Facility involves a reverse auction approach, whereby ERA has defined a tariff of USDc 11 for its contribution per KWh and GET FiT will provide the required top-up / gap payments to the tariffs offered by successful bidders. Thus, the amount (MW) of PV installations supported by the available GET FiT budget is a function of the reverse auction outcome. The facility benefits from the design and administrative set-up of the overall GET FiT Program and is implemented under its umbrella. The first tender resulted in the selection of 4x5MWp installations in Eastern Uganda. Figure 3 illustrates the prioritized geographic areas of the country, as determined by UETCL, UMEME and ERA.

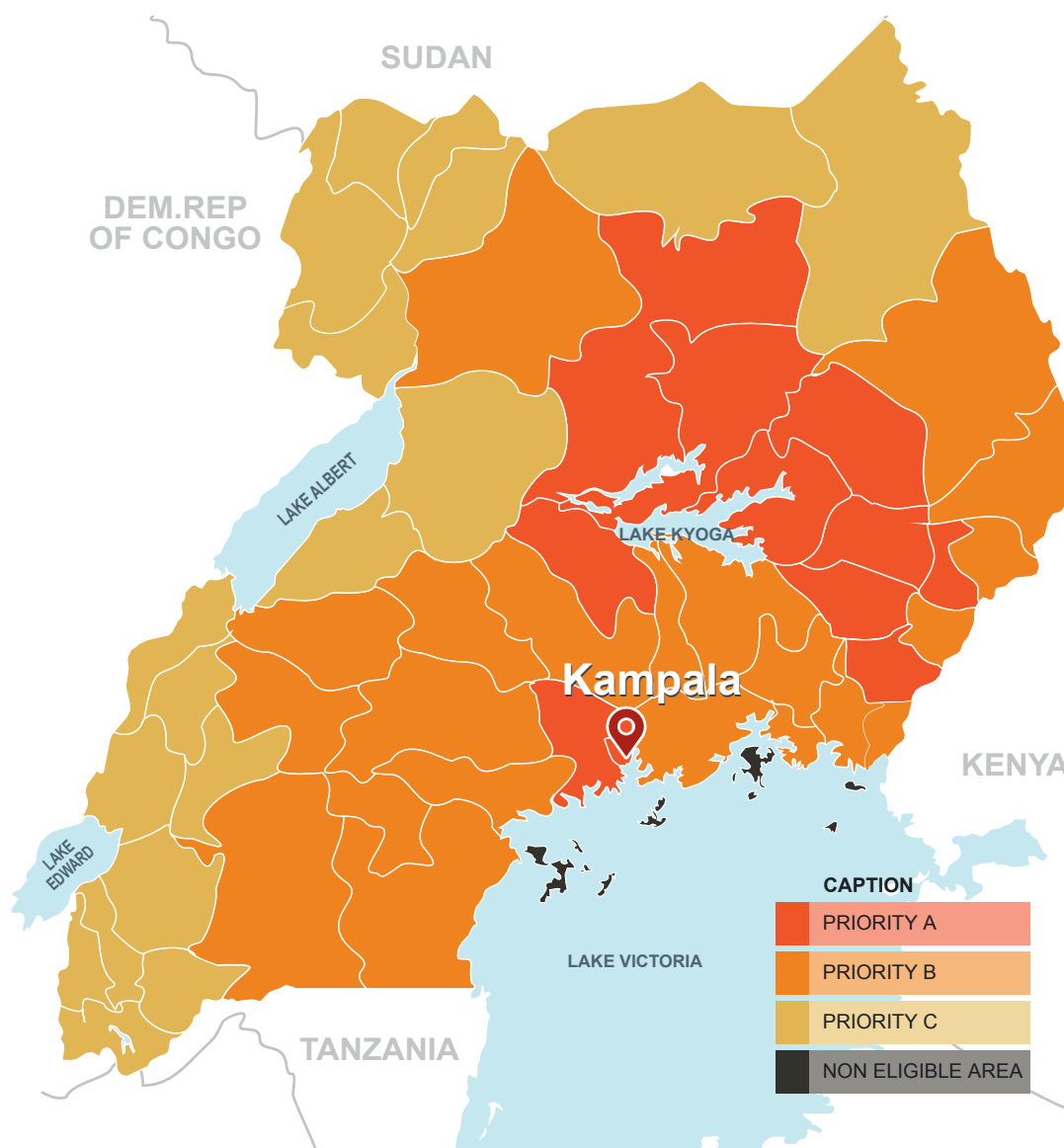


Figure 3: Priority regions under the GET FiT Solar Facility
(based on insolation conditions, demand and grid readiness)

C. Support to Standardization of legal documents. Bankable Power Purchase Agreement and Implementation Agreements as well as the related Direct Agreements are key for successful structuring of independent power producers¹, especially when they are project financed. While Uganda already had a standard set of legal documents before GET FiT, developers and their banks were not comfortable with the drafts leading to lengthy negotiations and case by case amendments. With the support of GET FiT an experienced law firm (Trinity International LLP) was contracted in 2012 to support UETCL, GoU and ERA in the review and standardization of PPA, IA and Direct Agreements for small independent power producers. In a consultative process, developers, their banks and lawyers were able to provide input, ensuring broad acceptance of the revised documents. By standardizing the documentation, transaction costs are reduced for both public and private stakeholders.

D. World Bank IDA Partial Risk Guarantee Facility. On March 18th, 2014, a PRG facility in support of small scale renewable projects in Uganda was approved by the World Bank Group Executive Board. The PRG Program design and implementation are critically dependent upon the systems in place to implement, manage and monitor the GET FiT portfolio. The USD 160M committed for the PRG facility will specifically be deployed as three complimentary risk-mitigating components;

- i. Facilitate the provision of short term liquidity support to the benefit of UETCL's Power Purchase Agreement obligations.
- ii. Termination compensation for events of governmental/utility default under the PPA / IA.
- iii. Commercial debt guarantee.

The World Bank PRG team utilizes the application and appraisal documents of GET FiT Premium Payment Mechanism for their PRG approval process and closely work with the GET FiT Secretariat. Both application and appraisal processes are synchronized in terms of timing, thus reducing transaction costs for independent power producers interested in both components.

1) An Independent Power Producer (IPP) is a non-public utility who owns a power generating facility, producing electric power for sale to utilities and end users.

- E. GET FiT Technical Assistance Facility.** The Technical Assistance Facility for ERA includes measures ensuring the long term sustainability of the arrangements for support to renewable energy in Uganda, including enhancement of skills for REFiT tariff modelling, least cost development planning, project due diligence expertise, strategic communication and negotiation. The Technical Assistance Facility finances targeted training for selected staff members and groups through external as well as on-the-job training.
- F. GET FiT Interconnection Support.** As the GET FiT portfolio of projects has increased, bottlenecks in the Ugandan transmission/distribution grid have emerged as an increasing risk to the Program. Construction of new grid infrastructure, as well as reinforcement of existing infrastructure, is needed to ensure adequate interconnection and power evacuation for several GET FiT projects. As a response, GET FiT development partners have committed financial support to the required grid investments, as well as associated Technical Assistance to ERA. The support has been designed to complement ongoing grid infrastructure programmes by several donors and intends to fill identified gaps in existing support. KfW and the GET FiT Secretariat are actively coordinating between the Ugandan entities, donors and GET FiT developers, to facilitate timely implementation.



Norway is proud to be a partner in the GET FiT Uganda program. Its success in leveraging private investments in the Ugandan renewable energy sector using limited donor funding is a model example of how smart development assistance can be done. Through its stimulation of private investments the program fits perfectly with the Norwegian strategy for development assistance to renewable energy.



Hans Peter Christophersen, Energy Councillor, Royal Norwegian Embassy in Uganda

WHAT ARE THE OPPORTUNITIES FOR SUCCESS IN UGANDA?

Uganda has **one of the most liberalized power sectors in Africa**. In 2007, GoU introduced the Renewable Energy Policy and a multi-generation type REFiT policy for promoting small-scale renewables. This REFiT policy provided a particularly attractive entry point – and exit strategy – for the GET FiT Program. Specifically, it was widely viewed in the market that the initial REFiT was slightly low to stimulate private investment in renewables in Uganda. Balancing end-user ability to pay and industry requirements, GoU and ERA committed to gradually increase the REFiT to a truly cost reflective level. This introduced a time-bound opportunity for cooperation to ensure fast-tracked promotion of new renewables in the light of the looming generation crisis.

There is increasing interest by a diverse range of **investors** in renewable energy in Eastern Africa. The 17 projects thus far approved by the Program all have more or less formal commitments for full investment needs – totaling some USD 400M. The observed interest by local and international developers, Development Finance Institutions, international equity investors and to a limited extent commercial banks in the GET FiT Program has been overwhelming, culminating with 35 applications from independent power producers in three RFP rounds (for hydro, biomass and bagasse) and 24 Expressions of Interest for the on-grid solar power tender launched by ERA under the GET FiT Solar Facility.

Given the above and the results-based design of the support, **development partners** have been highly positive and provided full support - matched by considerable expectations regarding results. The design ensures that donors will provide project-level payments only once projects are delivering increased production of renewable energy, coupled by reduced emissions and socio-economic benefits. The results-based design ensures alignment of incentives for all parties involved.

WHO HAS RALLIED BEHIND GET FIT?

Recognizing the prevailing challenges and opportunities facing the sector, **GoU and ERA** worked actively together with KfW to put the targeted and time-bound support to work. In order to ensure rapid and efficient implementation, GoU provided KfW with delegated authority in terms of implementing the Program. As the implementing agency, ERA has fully embraced the Program and maintained high expectations in terms of timely results. ERA participates in the Steering Committee as well as a range of critical discussions concerning implementation, often represented by senior management. In order to achieve sustainability of the GET FiT Program and full engagement by ERA staff, considerable effort is made to ensure full compatibility of the Program's governance, support, procedures, etc. with ERA's own systems and planning. ERA is actively utilizing the support and efforts provided by GET FiT in their daily operation.

Provided with delegated authority from GoU, **KfW** continues to operate as the dedicated implementing entity of the GET FiT Program in Uganda. KfW has invested considerable time, effort and reputation into the Program, ensuring proper financial management systems, developing and signing the required agreements with GoU, developers and consultants and actively engaging in the overall development of the Ugandan power sector.

The **Development Partners** of Government of Norway, Germany (BMUB and BMZ), UK (DECC and DFID) and the European Union are recognized for providing predictable funding commitments towards this innovative results-based funding scheme. Together, these partners have committed approximately EUR 94M thus ensuring full funding of the Program in order to meet the key targeted outputs.

The **World Bank** has contributed to the development and implementation of the Program and approved its IDA PRG facility which offers valuable risk mitigation tools to developers.

Finally, the Program will only prove as successful as the **developers and investors** promoting and implementing the projects. Thus, GET FiT has actively engaged in providing support, networks, opportunities, etc. to developers that are following the GET FiT Program. With 17 approved projects, these developers are everything from industrial to financial actors and generally include both domestic and international shareholders.

GET FIT UGANDA GOVERNANCE STRUCTURE

The governance structure of GET FiT is illustrated in Figure 4. As indicated here, underpinning this structure is the delegated authority given to KfW by GoU regarding all aspects of implementation of the Program. This ensures that KfW can run the tender process, sign the required agreements, manage funding commitments and disbursements from development partners and generally promote the Program. KfW is implementing GET FiT together with ERA, ensuring policy-conformity and consistent implementation of the Program.

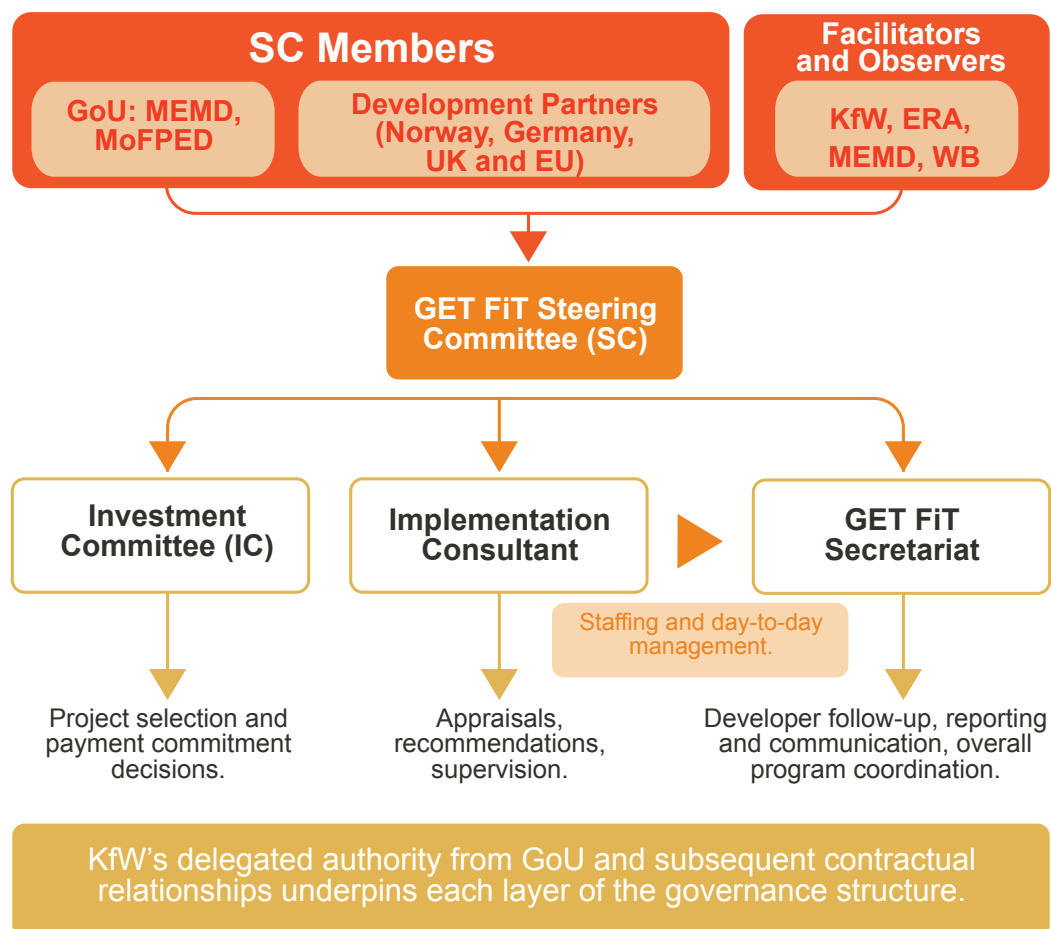


Figure 4: The governance structure of GET FiT is designed to ensure a fair tender/proposal process, thorough selection, high quality follow-up and efficient monitoring of approved projects

The main governing body of the GET FiT Program is the Steering Committee, which comprises of one representative from each development partner and two representatives from the Government of Uganda (Ministry of Energy and Mineral Development (MEMD) and Ministry of Finance, Planning and Economic Development (MoFPED)). KfW, the World Bank, ERA and the GET FiT Secretariat have non-voting representation. The Steering Committee has the responsibility for determining all policy-related principles of the GET FiT Program, which includes amendments or changes to guidelines on all operational levels of the facility.

SC MEMBERS	SC FACILITATORS AND OBSERVERS
Ministry of Finance	KfW
Ministry of Energy and Mineral Development	GET FiT Secretariat
Government of UK (DFID and DECC)	Ugandan Electricity Regulatory Authority
European Delegation	World Bank
Government of Norway	Invited Consultants
Government of Germany	

Table 1: Steering committee members, facilitators and observers of the GET FiT Program

The **Investment Committee**, consisting of seven international (renewable) energy sector and infrastructure investment experts, is the body in charge of the final appraisal and investment decision for projects applying under the GET FiT Program. Additionally, the Investment Committee makes proposals for changes and adaptations of GET FiT policies and guidelines for the consideration of the Steering Committee.

The **Secretariat** is tasked with day-to-day management, coordination and supervision of the Program's implementation. The Secretariat facilitates meeting points for relevant stakeholders, ensures smooth and timely running of the RfPs and subsequent appraisals and IC meetings, maintains a dialogue with developers, coordinates the Technical Assistance Facility, and follows up on action points from GoU, KfW, the SC and IC.

The **Implementation Consultant** namely Multiconsult of Norway, manages the day-to-day business of the Secretariat, performs independent appraisals during the RfP process, carries out supervision of the individual projects, assists KfW in managing actual and projected disbursements and cash balances, and provides regular reporting upon Program implementation.

The GET FiT **project cycle** is as illustrated by Figure 5. The selection of renewable energy projects to be considered for support by the GET FiT Premium Payment Mechanism and the GET FiT Solar Facility follows an open and transparent RfP. Projects need to be sufficiently advanced in project preparation (e.g. feasibility (pre-feasibility for solar), Environmental & Social Impact Assessment (screening for solar), Resettlement Action Plan, interconnection study concluded) to be eligible to apply. Projects have to demonstrate that they

- are financially and economically sustainable,
- technically sound,
- developed by a developer/sponsor with a reliable project record and
- comply with International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012).

In addition, a comprehensive legal due diligence is performed. Project Proposals under the GET FiT Program are appraised by the Implementation Consultant. Support under GET FiT is provided on a competitive, first-come-first-serve basis until funds are exhausted.

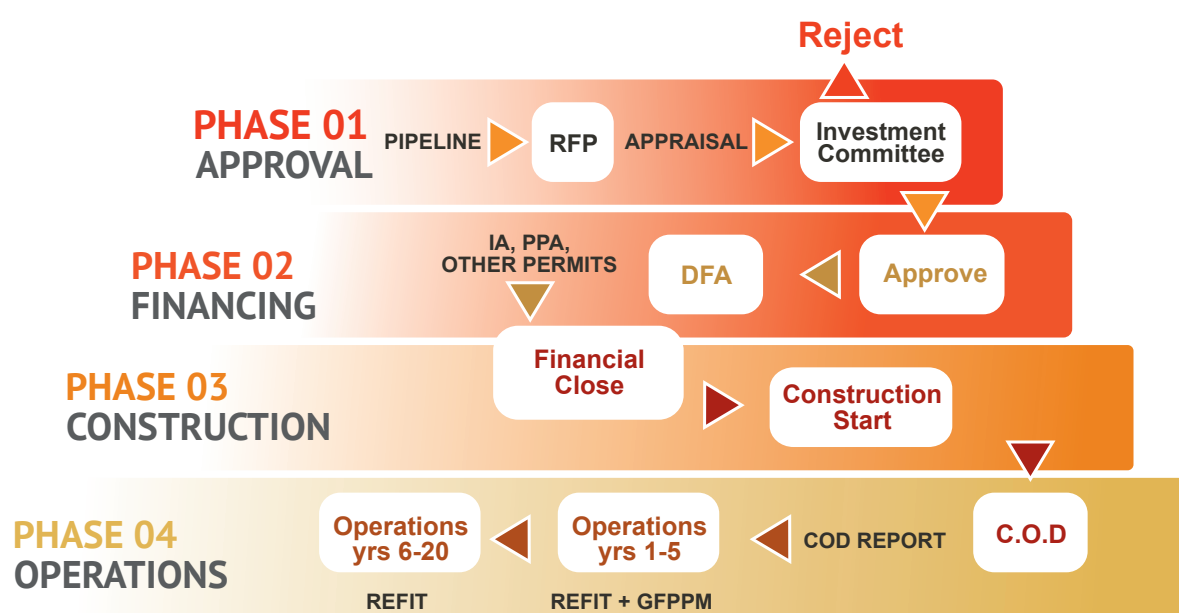


Figure 5: The GET FiT Project Cycle aims to efficiently bring projects from approval to operation, by providing a streamlined and transparent process with a set of distinct milestones.

GET FiT UGANDA

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KEY ACTIVITIES

PORTFOLIO DEVELOPMENT IN 2015

In 2015, the GET FiT portfolio grew through the third and final RFP Round, despite the exclusion of three projects approved in RFPs 1 and 2 (see chapter 3.1 for details). The portfolio now totals 17 projects: fourteen hydro, one bagasse and two solar PV power projects.

Overall, one project has been commissioned, six are under construction and four projects have reached financial close. Most other developers are on the verge of financial close and/or construction start. Nonetheless, continued progress and construction start for additional projects within 2016 is vital to ensure timely achievement of overall objectives.


The exit of the three projects totalling 15 MW and 140 GWh is unfortunate in terms of reaching the overall target for annual energy production. Further the exit of the only project using gasified maize farm waste for electricity generation takes the number of supported technologies down from four to three.

SIX NEW PROJECTS APPROVED, NO BIOMASS APPLICANTS

Of the 18 projects applying, six promising hydropower projects were approved by the Investment Committee. Five of these can currently be funded through GET FiT, representing a total installed capacity of approximately 42 MW and 200 GWh of annual production.

Five of the six hydropower projects approved through the third GET FiT RFP round are located in Western Uganda, while one is located in Gulu district in the north. While funding is currently available (partly or fully) for the Nyamaghasani I, Nyamaghasani II, Ndugutu, Kyambura and Nkusi projects, Achwa III is currently considered a reserve, and will receive funding if any becomes available.

PROJECT NAME	CAPACITY (MW)	ANNUAL PRODUCTION (GWh)
Nyamaghasani II	5	26
Nyamaghasani I	15	64
Ndugutu	4.8	22
Kyambura	7.5	37
Nkusi	9	51
Achwa 3	9.9	46
TOTAL	52	245



Notably, out of the 18 applicants in RfP 3, only two projects were reapplying (after a previous rejection through GET FiT), reflecting the significant uptake in activity in the small hydro sector in Uganda in the last years.

It should be noted that only one biomass (bagasse based) power project applied for GET FiT support in RfP 3. Unfortunately, the application was deficient and thus rejected and no bagasse projects were among the appraised projects. The reasons for the lack of biomass applications are not known. However, developers could have refrained from applying due to (i) the increased REFiT for bagasse or (ii) the very high and demanding standards associated with the IFC Performance Standard for projects with an agricultural supply chain. The Consultant currently carrying out the Evaluation and Performance Review of the Program is investigating the reasons for the low numbers of biomass-related applications.

CONSTRUCTION START FOR SIX PROJECTS

During the course of 2015, the first six GET FiT hydropower projects commenced construction activities. Representing a planned combined generation capacity of 37 MW and an annual energy production of 177 GWh, these groundbreakings represent a considerable step towards meeting the GET FiT capacity targets. In particular, the Siti I project (6.1 MW) in Eastern Uganda is moving quickly and seems to be on track for commissioning in Q2 2017. Western region projects Waki, Nyamwamba, Rwimi and Muvumbe have also commenced works and should be commissioned within the next two years. Other projects anticipated to begin construction in early 2016 are the Western Uganda hydropower projects Sindila and Lubilia, and solar PV project Soroti in Eastern Uganda.

In another milestone for 2015, the bagasse-based power plant Kakira (20 MW) was officially commissioned as a GET FiT-supported project and has received the first Get Fit premium payment.




Initial construction work at the dam site location of the Siti I hydropower project.
Photo: GET FiT



Initial construction work at Muvumbe hydropower project. Photo: GET FiT



Bridge at Nyamwamba project site reconstructed (right) after the severe flood damages in 2014 (left).



Due to various technical, environmental and legal reasons, several projects have delayed groundbreaking beyond what was expected upon entering the Program¹. In order to utilize the window of opportunity for GET FiT to supply clean energy to the Ugandan grid, supported plants need to move steadily and efficiently towards commissioning². Most delays are legitimate but they still present a risk to achieving the Program goals. Hence, while all stakeholders are delighted to have seen several projects accelerate in 2015, more groundbreakings must follow in 2016 to secure progress against capacity targets.

1) For more details regarding some of these issues, please have a look at the GET FiT annual reports for 2013 and 2014.

2) In particular to replace potential use of thermal power. Use of thermal plants may increase due to the emerging supply/demand gap, while awaiting large hydropower projects (Karuma, Isimba) to be commissioned around 2020.

FIRST GRID-CONNECTED SOLAR PLANT IN UGANDA WILL BE COMMISSIONED IN 2016

In November 2014, ERA and the GET FiT Secretariat announced the approval of two 10 MW solar PV projects to be developed under the GET FiT Solar Facility. This EU ITF-funded facility was launched as an additional component under the GET FiT program in order to include solar PV as a new, quickly implementable generation source to the Ugandan energy mix.

The projects were selected after the first-of-its-kind donor-subsidized competitive tender process, which attracted global interest from solar developers, renewable energy investors and development cooperation stakeholders¹.

In early 2016, the Soroti Solar project developed by Access Power reached financial close and announced immediate construction start. Unforeseen regulatory and financial obstacles restrained further progress on the second solar PV project in Tororo, implemented by a consortium of Ugandan Simba and Building Energy of Italy.

However, ERA, the GET FiT Secretariat and the developer have been working actively on a solution throughout 2015 and hope to resolve pending issues in the first quarter of 2016. The envisaged policy solution would also benefit the sector as a whole by providing a level playing field for different renewable technologies, which are currently attracting different tax treatments.



The GET FIT program illustrates that once you have a sound policy framework in place it becomes a lot less difficult to bring to life renewable energy projects. The Uganda model provides a compelling and successful template for other countries to replicate.

Vahid Fotuhi, Access-Power

SIGNING BOOM FOR PPAS AND IAS

2015 has been a catalyst year for signing of Power Purchasing Agreements (PPAs) and Implementation Agreements (IAs). A total of eleven PPAs and ten IAs have been signed between GET FiT-supported IPPs, UETCL and Government of Uganda respectively. It is expected that the remaining six PPAs and 7 IAs will be signed during the first half of 2016.

After the challenges with unclear taxation of small hydro projects were resolved in late 2014, developers quickly concluded the pending negotiation processes. Final approvals through the respective executive bodies of the Ugandan counterparties, as well as the Solicitor General, then followed. During 2015, it was observed that the negotiation process for “new” PPAs and IAs became increasingly time efficient as conclusion of key transaction documents in general did not require more than four to eight weeks, depending on the availability of the relevant executives of the Ugandan counterparties. While the solar IPPs were able to benefit from established negotiation procedures, they usually required additional time due to lack of a previous structured coordination and consolidation procedure for the technology-adapted standardized PPA.

Despite the overall success in 2015, the PPA and IA conclusion process also experienced a number of setbacks and difficulties due to bureaucratic procedures. GET FiT has facilitated exchange between Ugandan authorities and developers to fast track the process.

A further critical issue for all pending PPA negotiations is the stand UETCL has taken with regard to the letter of credit which the offtaker has to facilitate as a risk mitigating instrument under the PPA. To avoid providing the cash collateral required by banks for issuance of the letter of credit, UETCL instead urges developers to make use of the World Bank PRG payment component or other available guarantee instruments expecting that this would bypass the collateral requirement. While the potential impacts on developer financing and timing of this policy change still have to be evaluated, it is likely that it will result in delays. Together with ERA, the GET FiT Secretariat aims to coordinate the required process efficiently to minimize potential impacts on envisaged timelines.

EXPECTED PORTFOLIO OUTPUT BASED ON 2015 DEVELOPMENTS

Steady progress by several developers throughout the year has taken the Program a long way towards achieving its long term targets. However if we look at the composition of the current GET FiT portfolio, it has become unlikely that the initial capacity and annual production targets of 170 MW and 830 GWh can be met (figure 6). This is primarily due to the reduced value of existing commitments (due to foreign exchange rate developments), covered in more detail in chapter 4.2.

Secondly, as the Program has attracted a lower share of biomass power projects than originally expected, the estimated portfolio energy output has reduced. Due to the more stable energy generation of biomass power facilities, the energy produced (GWh) per unit of installed capacity (MW) is considerably higher than for hydro and solar power plants. As the original production target for the Program was based on a higher expected share of biomass/bagasse generation, the production target is now more difficult to achieve.

With the current portfolio, the Program is set to achieve approximately 85 percent of initial production capacity targets. This will equate to a similar percentage of GET FiTs emission reduction targets.

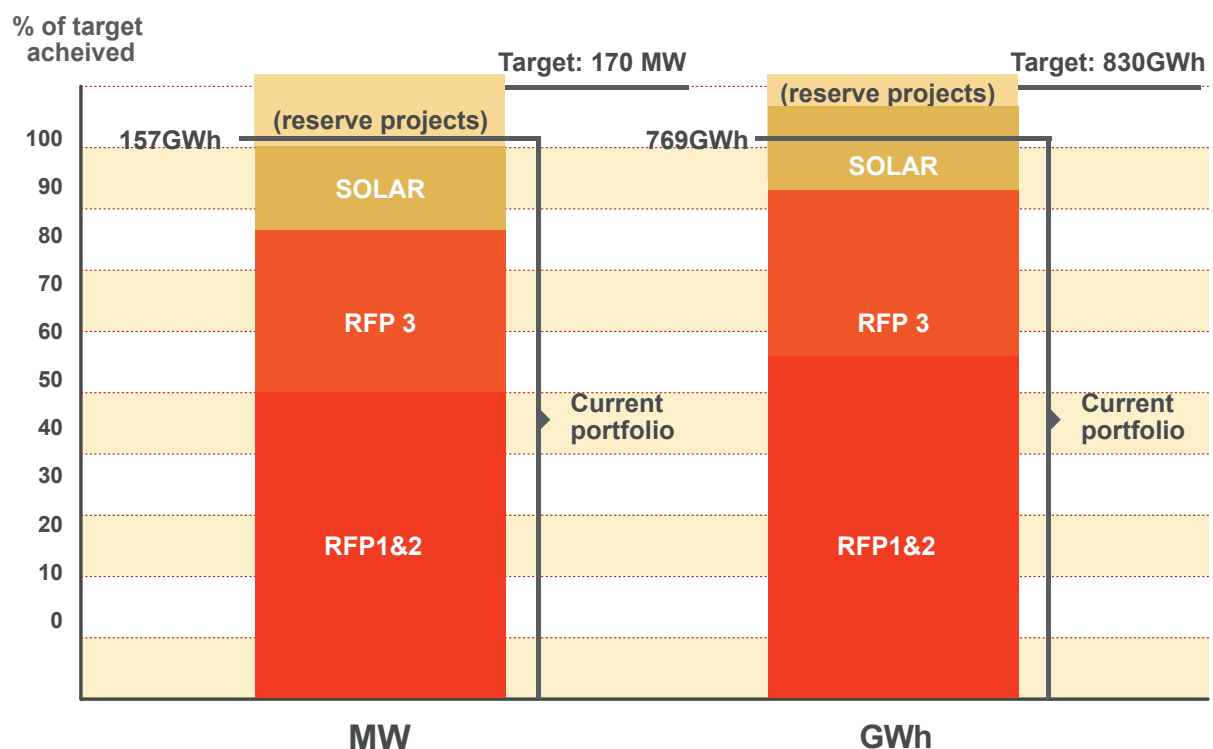


Figure 6: Overall status of the GET FiT portfolio vs. original capacity targets. With full utilization of the current portfolio and additional funding for reserve list projects, original targets may still be largely achieved

GRID INTERCONNECTION SUPPORT PROVIDED THROUGH GET FiT

To secure full power evacuation from all the projects approved under GET FiT, it is vital to address the critical grid bottlenecks identified through the Joint Interconnection Task Force¹ prior to commissioning of several of the projects. The task force has proposed a range of interventions, and several development partners have committed support to both infrastructure investments and related TA support. The total investment need amounts to some USD 90M. **It is important to note that the proposed investments are in line with Uganda's overall long term power system development plan**, and generally provide benefits to the national grid in addition to serving the GET FiT directly. Financing for most of the interconnection components has now been secured, following the comprehensive assessments carried out in 2014.

- A. The following investments are made in a wider grid development perspective outside the GET FiT programme umbrella but benefit interconnection of GET FiT projects:
- The EU has financed the feasibility study of the **Mbale – Bulambuli 132 kV** transmission grid extension through KfW, which commenced end of January 2016. Additionally, in December 2014, Germany committed to provide a concessionary loan of up to EUR 40M to the project (subject to positive appraisal by KfW based on the feasibility study). To ensure the full financing of the estimated EUR 50M investment costs, KfW intends to apply for additional grant funding from the EU for the transmission line and associated access-to-energy measures. The line is critical for power evacuation from the hydropower projects Siti I and Siti II in the GET FiT portfolio, but also for development of the regional grid in a wider perspective. In order to facilitate the timely evacuation of Siti I and II power plants, the Government of Uganda through REA has agreed to fund the upgrade of the 33 kV infrastructure in the vicinity of the power plants to Mbale substation. The more robust 132 kV line is expected in 2020.
 - The World Bank is in principle prepared to provide funding for the upgrade of transformer capacity at **Nkenda Substation** from the existing 40 MVA to 120 MVA. This upgrade is required for interconnection of several GET FiT hydropower schemes in Western Uganda.

1) The Joint Task Force (JTF) is comprised of technical experts from ERA, UETCL, Uganda's Rural Electrification Agency (REA), and the private distribution company Umeme, with the GET FiT Secretariat in an observatory role. The JTF is chaired by ERA.

- Additionally, the Governments of Norway, Germany and the World Bank are already involved in various transmission line extension projects in Uganda together with other development partners.

B. While also beneficial for the broader grid development, the following investments are to a large extent directed towards interconnection of GET FiT projects (**GET FiT interconnection Support Component**).

UK DFID has approved and committed funding through KfW for

- i. **33 kV grid reinforcements in Western Uganda** (USD 13M) critical to ensure adequate interconnection of several GET FiT hydropower schemes in Western Uganda. Award for supervision engineer is expected in February, followed by EPC tendering. Construction start is expected within 2016.
- ii. **Opuyo transmission substation upgrade** (USD 5.8M). This is a key substation for development of the vast solar power potential in the Soroti area of Eastern Uganda, where the Soroti I and II solar PV plants are being developed under GET FiT. Tender documents for a design and supervision consultant and as well required works are currently being developed by UETCL with help of a tender agent.
- iii. **TA support to ERA** (USD 3.7M) under the GET FiT TA facility. Evaluation of consultant bids for the development of an interconnection code and wheeling agreement is completed and contract award expected by early February 2016. Another tender on assisting ERA in improving the compliance monitoring of distribution companies is ongoing. See sections 2.3.2 and 2.3.3 below for more details.

The GET FiT Secretariat will continue in its role as an observing member of the Joint Task Force, and support ERA, UETCL, REA and distribution companies in the coordinated and timely implementation of grid upgrades. An important task for the Secretariat in the coming year will be to monitor progress of grid investments, and facilitate communication and coordination between all stakeholders.

TECHNICAL ASSISTANCE PROVIDED UNDER GET FIT

Implementation of the GET FiT Technical Assistance (TA) Facility (see chapter 1.2 for a general description) has progressed well in 2015. Notably, the components of the initial TA toolbox have nearly been completed and new components have been introduced as part of the interconnection support. TA activities conducted throughout the year include:

A. Tariff modelling

The Tariff Modelling TA provided by UNEP - Frankfurt School of Management and Finance was perceived very positively by ERA, in particular due to the broader aspects of tariff modelling and economic regulation addressed by the consultant experts. The remaining component – Review of Financial Models for Large Hydro projects – will be implemented in February 2016.

B. Interconnection Code and Wheeling Agreement

Upon inclusion and launch of the Interconnection Component under GET FiT, additional funds were allocated for associated technical assistance. Based on discussions with ERA, it was decided that a consultant should be procured for the development of an interconnection code and a wheeling agreement. Both components are integral steps for the further consolidation of the Uganda electricity supply industry. The interconnection will address technical requirements for the interconnection of small-scale generators, which are insufficiently covered by the existing grid code. The wheeling agreement will define responsibilities and associated costs for the wheeling of electricity through distribution networks to the offtaker UETCL. The consultant will be procured in the first quarter of 2016 and commence activities shortly thereafter.

C. Compliance monitoring

An additional consultancy currently under procurement is technical assistance for optimization of license compliance monitoring for distribution companies and the transmission company (UETCL). This activity is also financed under the GET FiT interconnection support component. The consultancy is of utmost importance to ERA as the regulator does not possess reliable data on the status and performance of distribution and transmission networks. This inhibits effective regulation of these sectors. The particular focus of this consultancy will therefore be the technical assessment of the network and the collection of actual performance data. The consultant is expected to develop a compliance monitoring framework, which will ensure efficient maintenance, operation and investments into these networks in the future. Targeted capacity building for ERA staff in aspects of technical and economic regulation of the transmission and distribution sector will also be provided. Considering ERA's challenges concerning increasing access and reliability of the networks, this training will be an important step for further development and consolidation of the electricity supply industry.

In general, it is prudent that TA to ERA is adapted more towards grid issues given their increased importance for the GET FiT programme. A sustained political focus on generation has most likely left grid development underprioritized to some extent. While grid infrastructure is now a major component of GET FiT support, the capacity of ERA to monitor operational compliance will be equally important to ensure a successful lifetime for the interconnected projects.

Uganda ranked 3rd in Africa on clean energy

By late 2014, it seemed that the Ugandan energy sector had overcome the most demanding phase of market transition and was sufficiently prepared for future challenges, in particular with regard to the procurement of generation capacity. The increase in investor interest in Uganda is considerable, and Sub-Saharan African partners and stakeholders closely monitor ERA's activities. Notably, *Bloomberg New Energy Finance* in 2015 ranked the country 9th in a 2013 global survey of investment climate in 55 emerging economies. Uganda was also ranked 3rd in Africa, just behind the significantly larger African economies of South Africa and Kenya (<http://global-climatescope.org/en/>).

Undoubtedly, GET FiT has played an important role in this achievement, both in terms of facilitating private investment through a tailor-made support mechanism, but also through comprehensive technical assistance to ERA and continuous technical support to project developers. Most of GET FiT's work with developers has centred on achieving compliance with high environmental and social standards. Hopefully this will contribute to a sustainable utilization of Uganda's vast potential for small-scale renewables.

MEASURES TO IMPROVE ENVIRONMENTAL AND SOCIAL PERFORMANCE

GET FiT expectations

Projects are expected to comply with national regulations as well as international standards, particularly the environmental and social Performance Standards (PS) of the International Finance Corporation (IFC). The IFC PS act as a global benchmark and are widely applied by international financing institutions, which also make these a convenient common reference point in multi-donor funded initiatives. The standards are widely applied by private investors seeking international finance. Importantly, the Ugandan regulations and the IFC PS overlap greatly. GET FiT acknowledges that compliance with these requirements is a demanding process.

Environmental and social performance

GET FiT has experienced that most of its project developers have limited practical experience with both Ugandan regulations and particularly IFC PS. Also, developers have often been unable to scrutinise and recruit capable consultants and thereafter guide the consultants.

It is important to note that some developers have made considerable progress over the past 1-2 years. This progress illustrates that commitment to integrate these issues into projects can produce beneficial results for local people and for nature. However, there is still considerable variation in terms of internal developer capacity to manage environmental and social issues, as well as variation among the competence of their consultants.

The first GET FiT request for proposals (RfP1) saw an average score of 57 % on environmental and social issues. Several projects scored below the 50 % cut off and were not approved. RfP2 saw an average score of only 45 %, probably because some of the more mature projects were approved in RfP1, while some less mature projects with poor project documentation applied in RfP2. The average score of 61% in RfP3 was a thus a positive surprise.

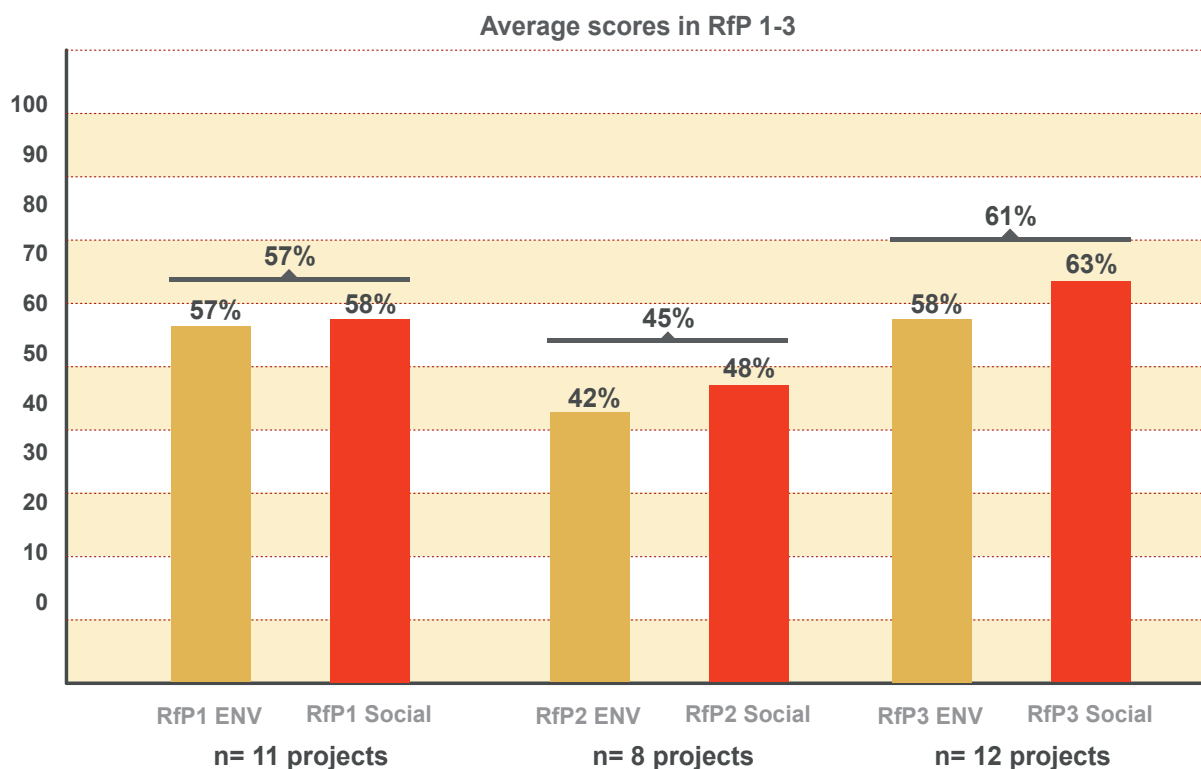


Figure 7 – Average E&S scores in RFP round 3.

It is worth noting that some applicants (developers) in RfP3 had experience from projects in RfP1 or RfP2, as did their consultants. Some of these developers addressed environmental and social risks more competently and proactively in their RfP3 projects, which resulted in higher scores. At the same time it should be noted that some technically and economically attractive projects in RfP3 failed on the environmental and social score and were therefore not approved by the GET FiT Investment Committee.

Conditions precedent

Low environmental and social scores resulted in GET FiT approvals with extensive conditions precedent (CPs). CPs were most frequently concerned with preparing more practical and specific environmental and social management plans, including resettlement action plans and livelihood restoration plans. Aquatic ecology studies, including assessments of environmental flows, were another recurring weakness in the project documentation. In total, more than 50 environmental and social CPs have been defined by the GET FiT Investment Committee across the three RfPs. Slightly more than half of these CPs had been cleared by the end of 2015.

The large number of CPs and the overall moderate environmental and social capability of project developers continue to require more resources from the Program than anticipated, as projects require considerable follow up.

Environment and social workshop

Building on experiences from the two GET FiT environment and social workshops in June 2014, GET FiT organised a very well attended two-day workshop for hydropower developers and their consultants in Kampala, 19-20 October 2015. The Electricity Regulatory Authority (ERA) and the Directorate of Water Resources Management (DWRM) also participated in the workshop and gave valuable advice to projects.

The purpose of the workshop was to improve developers' ability to manage a selection of priority environmental and social issues during project construction, the project phase most projects are now going into. Ultimately, this increases the chances of projects reaching the commercial operation date in a timely manner. Issues covered in the workshop were informed by a small survey among project developers prior to the workshop. Some findings from this survey are included in the text box below. Back-to-back with this workshop, developers were offered bilateral meetings with the GET FiT Implementation Consultant to discuss project specific issues in more depth.

In addition to the workshop, the GET FiT Implementation Consultant has continued to follow up developers through document reviews, discussions, meetings and supervision visits.

Some results from an environmental and social survey among GET FiT project developers

- The majority of developers did not have pre-GET FiT experience from external due diligence with reference to IFC Performance Standards.
- Developers need support to develop good ToRs for baseline studies, ESIA, ESAP, RAP, LRP and monitoring plans.
- Developers need support to manage community expectations and relations.
- GET FiT technical support through reviews, comments and at times assistance in resolving specific issues beyond review and comments had been helpful to developers.
- Due diligence processes by lenders had been facilitated and aided due to GET FiT.
- Progress could have been faster if GET FiT had adopted more of a facilitation role and engaged with developers beyond review and comments.
- There is considerable variation among projects in terms of the degree to which lenders do environmental and social due diligence.
- Rough budget estimates indicate very large variations in budget for environmental and social studies between projects.

Revocation of support on environmental and social grounds

One of the bagasse co-generation projects had their GET FiT approval of support revoked in second half of 2015. This 6.9 MW project was approved by the Investment Committee in March 2014 with several associated conditions precedent.

After a lengthy process of trying to improve management of a range of environmental and social risks, and despite external support provided to the project through the KfW-supported UECCC project preparation facility in form of studies and development of various management plans, the developer failed to adequately integrate important measures into project operation and ensure compliance with regulations and standards.

At the time when the recommendation to revoke support was made, not all the necessary Ugandan approvals related to environment and water resources were in place. For some of the approvals that had been secured, important conditions had not been met. Compliance with the IFC Performance Standards was not a management priority when it came to the actual operation of the project. GET FiT did not see adequate engagement and commitment by the developer to address the practical and operational aspects and considered it unlikely that the project would become compliant with the expected standards in the relatively near future.

The GET FiT Steering Committee thus decided to revoke the GET FiT support.

STATUS OF THE PRG FACILITY PROVIDED BY THE WORLD BANK

On May 26th, 2015, World Bank hosted a workshop on the Partial Risk Guarantee (PRG) component available to project developers and investors under GET FiT. The workshop was well-attended and received by the developer community and other GET FiT stakeholders. World Bank experts offered extensive guidance on the available guarantee options as well as procedural and financial requirements. The World Bank emphasised that their appraisal of applications for components of the PRG would overwhelmingly rely on project assessments and gap analysis undertaken by the Implementation Consultant's team.

So far, only one developer has opted for the payment component of the PRG. However, due to UETCL's potential shift in policy regarding the letter of credit requirement under the GET FiT PPA, the PRG might take a more important role in the GET FiT tool box in the course of 2016.

EVALUATION AND PERFORMANCE REVIEW

In September 2015, Castalia LLC was selected as consultant for the Evaluation & Performance Review of the GET FiT program. The procurement process for this consultancy was implemented by KfW on behalf of ERA, in close cooperation with the M&E experts of DfID and DECC. The expert team of Castalia will conduct a total of three performance reviews until 2019.

The overarching goal of the performance reviews will be to establish a better understanding of the outcomes and impacts of GET FiT in Uganda and to propose potential adjustments to the facility for eventual future rollout of the Program to other countries. In order to obtain reliable data on which to base their analysis, Castalia LLC will use a mix of qualitative and quantitative research tools including interviews and surveys of multiple stakeholders interacting with or impacted by GET FiT.

GET FiT UGANDA

ANNUAL REPORT **2015**



PROJECTS

UPDATED PROJECT STATUS

The GET FiT project portfolio has grown during 2015. While two biomass and one hydro power projects unfortunately have dropped out, new hydropower projects have been brought on board. Although dominated by hydro, the portfolio still comprises one biomass and two solar PV projects. The portfolio also remains diverse in terms of geography, now featuring 17 projects across 5 of the 10 Ugandan sub-regions. This section provides a brief status for each project.

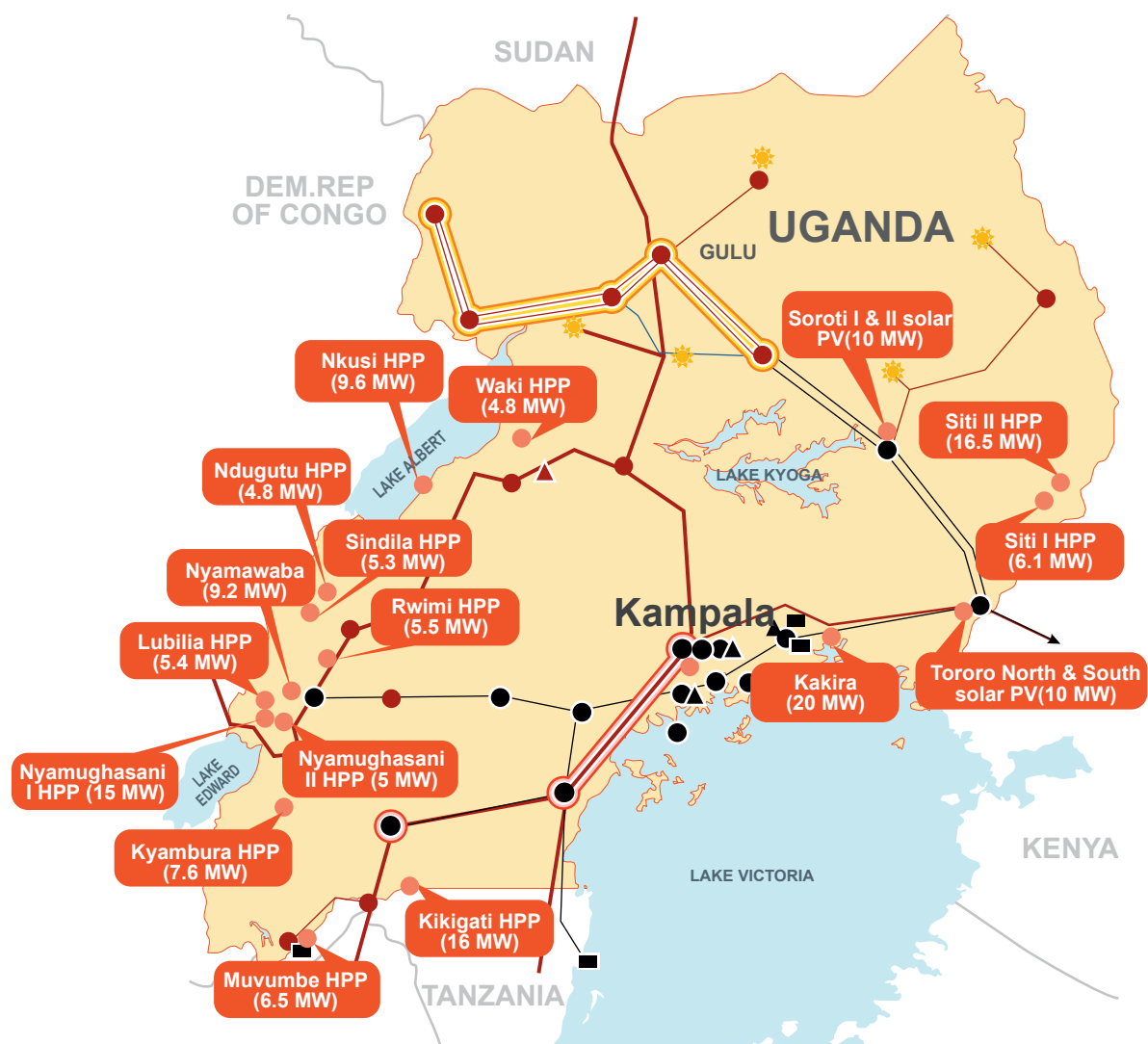


Figure 8: Geographic distribution of projects in the GET FiT portfolio

Nyamwamba. Run-of-river hydropower plant with a planned installed capacity of 9.2 MW and estimated 39 GWh annual production, located in Kasese district. Investment of USD 26.8M with USD 5.8M in GET FiT commitments. The project started construction in Q4 2015, and the expected commercial operation date is Q4 2017. While construction start was planned for June 2014, the project experienced significant delays due to flooding which damaged critical access infrastructure (road and bridge) and required redesign of the scheme. Nyamwamba will require a 17 km dedicated medium voltage line for interconnection to the national grid which REA is committed to construct. The project still has outstanding environmental and social issues.

Rwimi. Run-of-river hydropower plant with a planned installed capacity of 5.5 MW and estimated 27 GWh annual production, located in Kasese district. Investment of USD 20.8M with USD 3.9M in GET FiT commitments. Expected commercial operation date is Q2 2017. The project reached financial close and has initiated early construction works, with official groundbreaking in September 2015. The project is actively trying to clear some remaining environmental and social issues.

Kakira Cogeneration. 20 MW biomass (bagasse from sugar production) plant in Jinja District, Eastern Uganda. The plant is expected to deliver up to 147 GWh/year to the grid. Total investment is USD 60.7M with about USD 7.1M in GET FiT commitments. Kakira Sugar Ltd. signed the GET FiT financing agreement in April 2015, and reached official COD when the PPA was signed in mid-2015. Consequently, Kakira Sugar Ltd. became the first recipient of GET FiT premium payment in September.

Muvumbe. Run-of-river HPP with a planned installed capacity of 6.5 MW and 31 GWh annual production. The project located is in Kabale district. Investment of USD 14.1M with USD 4.5M in GFPPM commitments. Throughout early 2015, the developer Vidullanka struggled with the condition precedent compliance process. However, the project has now signed a financing agreement with GET FiT and the developer commenced construction works in September 2015. Expected COD is Q2 2017. The PPA and IA for the plant have been signed and project financing has reportedly been secured.

Lubilia. Run-of-river hydropower plant with a planned installed capacity of 5.4 MW and expected 25 GWh annual production, located in Kasese district. Investment of USD 18.7M with USD 3.2M in GET FiT commitments. The developer has signed all agreements and finalized negotiations with the EPC contractor. While some minor issues remain to be addressed, the project is expected to reach financial close and commence construction within the first half of 2016 after clearing the final environmental and social CPs. Expected commercial operation date is Q4 2017. In terms of interconnection, Lubilia is ideally placed only 3.2 km from the existing grid, and grid interconnection is not likely to represent any challenges.

Waki. Run-of-river hydropower plant with a planned installed capacity of 4.8 MW and estimated 25 GWh annual production located in Hoima and Bulisa District, Western Uganda. Investment of USD 18.1M with USD 3.6M in GET FiT commitments. All agreements for the project have been signed and the developer launched early construction activities in May 2015. The project struggled to clear environmental and social CPs and the early construction phase has seen environmental issues that require further follow up.

Siti I. Run-of-river hydropower plant with a planned installed capacity of 6.1 MW and estimated 29 GWh annual production located in Bukwo District, Eastern Uganda. Investment of USD 14.8M with USD 3.6M in GET FiT commitments. Construction was commenced in March 2015. Siti I is the most advanced hydropower project in the GET FiT portfolio, and expected commercial operation date is Q4 2016. The developer has faced environmental and social challenges, in particular concerning displacement/compensation and the Mount Elgon National Park. Notably, the developer has made considerable efforts to overcome these challenges.

Siti II. Run-of-river hydropower plant with a planned installed capacity of 16 MW and estimated 72 GWh annual production located in Bukwo District, Eastern Uganda. Investment of USD 33M with USD 10.2M in GET FiT commitments. Both DFA and PPA has been signed and all required legal documentation for the project has been executed. However, expected commercial operation date is uncertain, as construction will need to be aligned with the progress of the Mbale – Bulambuli transmission project, which is required for the power evacuation. An interim medium voltage solution to be constructed by REA has been proposed to ensure timely interconnection of the power plant (see section 2.5 for details).

Kikigati. Run-of-river hydropower plant with a planned installed capacity of 16 MW and 115 GWh annual production located in Isingiro district, Southern Uganda on the border to Tanzania. Investment of USD 51.1M with USD 12.3M in GFPPM commitments. After two years standstill, the Governments of Tanzania and Uganda signed the bilateral agreement for implementation of the project in July 2015. This enabled the new owner, Berkeley Energy, to resume preparatory work. Both the SC and IC have emphasized the importance of quick advancement of the project after the signing of the agreement, which GET FiT will aim to safeguard through imposition of strict deadlines for project advancement and CP compliance. A strict timeline with milestones has been imposed to get the project back on track, with construction start in within first half of 2016 and COD in first half of 2018.

Sindila. Run-of-river hydropower plant with a planned installed capacity of 5 MW and 27 GWh expected annual production located in Bundibugyo district. Investment of USD 17M with USD 3.3M in GET FiT commitments. Sindila was the last project to be selected from the second RFP round, after a re-appraisal of the project was conducted in October 2014. The developer signed the DFA with GET FiT in August 2015. Expected commercial operation date is in Q4 2017, with construction start expected in Q1 2016. Reinforcement of the 87 km long 33 kV line from Bundibugyo to Fort Portal will be required to ensure viable power evacuation from the power plant. This reinforcement is an item under the GET FiT interconnection support component, which will also benefit the recently GET FiT approved and neighboring project Ndugutu HPP. Funding for this reinforcement has been secured from development partners.



Javier Olaguibel,
Acumen Fellow for KMRI LLC

KMRI LLC, the developer of Sindila SHP, was recently awarded a fellow from the Acumen Fund, a US-based non-profit organization.

This fellow will be based in the Bundibugyo District of Uganda and fully dedicated to the creation of a comprehensive infrastructure access program that will be implemented alongside the hydropower project.

This program will entail the creation of a business model, funded by impact investors, to provide services such as lighting, cell phone charging, clean drinking water, medicine storage and information access points. Once implemented, this program will provide these services at a fraction of the cost to the local community while also enabling a low positive return on investment to the impact funds. After this proof of concept is proven in Bundibugyo, KMRI intends to scale this program throughout the rest of its portfolio in Uganda.

Soroti I & II. Ground mounted solar PV power plants, located in Soroti district , with a planned peak capacity of 10 MWp (5MWp each) and average annual energy production of 17.6 GWh. Investment USD 27M with USD 9.5M in GET FiT Commitments. The developer has signed all agreements, and financial close was obtained in early 2016. Construction start is planned for beginning of February 2016 with commissioning in Q4. Funding has been secured from development partners to upgrade the Opuyo substation, through which this and other pipeline solar projects in the Soroti area will interconnect to the grid.

Tororo South & North. Ground mounted solar PV power plants, located in Tororo district, with a planned peak capacity of 10 MWp (5 MWp each) and average annual energy production of 16.7 GWh combined. Investment USD 32M with USD 8.6M in GET FiT Commitments. If all permits and licenses as well as PPA and IA can be concluded within Q1 of 2016, financial close and construction start is expected in Q3, with commissioning during second half of 2016. DFA is in final stages of negotiation. However, unclarified regulatory issues concerning taxation are delaying progress.

Nyamagasani I. Run-of-river HPP with a planned installed capacity of 15 MW and 64 GWh in annual production. The project is located in the Kasese district. Investment of USD 36.7M with USD 9.4M in GFPPM commitments. Approved for GET FiT support in June 2015.

Nyamagasani II. Run-of-river HPP with a planned installed capacity of 5 MW and 25.5 GWh in annual production. The project is located in the Kasese district. Investment of USD 19.8M with USD 3.7M in GFPPM commitments. Approved for GET FiT support in June 2015.

Ndugutu. Run-of-river HPP with a planned installed capacity of 4.8 MW and 22 GWh in annual production. The project is located in the Bundibugyo district. Investment of USD 15M with USD 3.2M in GFPPM commitments. Approved for GET FiT support in June 2015.

Kyambura. Run-of-river HPP with a planned installed capacity of 7.6 MW and 36.7 GWh in annual production. The project is located in the Rubirizi district. Investment of USD 24M with USD 5.4M in GFPPM commitments. Approved for GET FiT support in late 2015.

Nkusi. Run-of-river HPP with a planned installed capacity of 9.6 MW and 50.8 GWh in annual production. The project is located in the Kibaale district. Investment of USD 23M with USD 6.5M in GFPPM commitments. Approved for GET FiT support in late 2015.

Dropped projects

PH Industrial Farm's. The SC decided to withdraw support for the 1 MW biomass (gasified maize farm waste) plant in Gulu in 2015. The decision was based on information from the project developer that the project would be severely delayed due to fuel supply insecurity. The funds allocated to PH Industrial Farm were reallocated to the RfP3 projects.

SAIL Cogen. The GET FiT Steering Committee decided to withdraw support for the 6.9 MW biomass (bagasse from sugar production) plant in Kaliro district in 2015, and reallocate it to RfP3 projects. Despite additional funding provided through the KfW-funded project preparation facility administered by UECCC, the project was unfortunately not able to reach timely compliance with IFC Performance Standards on environmental and social issues. This was confirmed through a supervision visit in June 2015.

Nengo Bridge. The Nengo Bridge Hydropower Project unfortunately did not reach financial close within the November 21st, 2015 deadline stipulated in the Developer Financing Agreement. The risk of the project not being able to reach COD before the end of 2018 GET FiT window was eventually considered too high. It was therefore decided to terminate the Developer Financing Agreement and reallocate funding to other projects on the reserve list.

TIME-FRAMES AND PORTFOLIO IMPLEMENTATION

All the approved projects are expected to reach commercial operation by 2018 latest. Figure 9 illustrates the expected build-up of installed capacity and annual generation from the GET FiT portfolio. These estimates include; i) all approved GET FiT projects and ii) estimates reflecting expectations for additional funding and realization of reserve list projects. It should be noted that the presented projection is subject to the uncertainty of one or more projects dropping out of the portfolio.

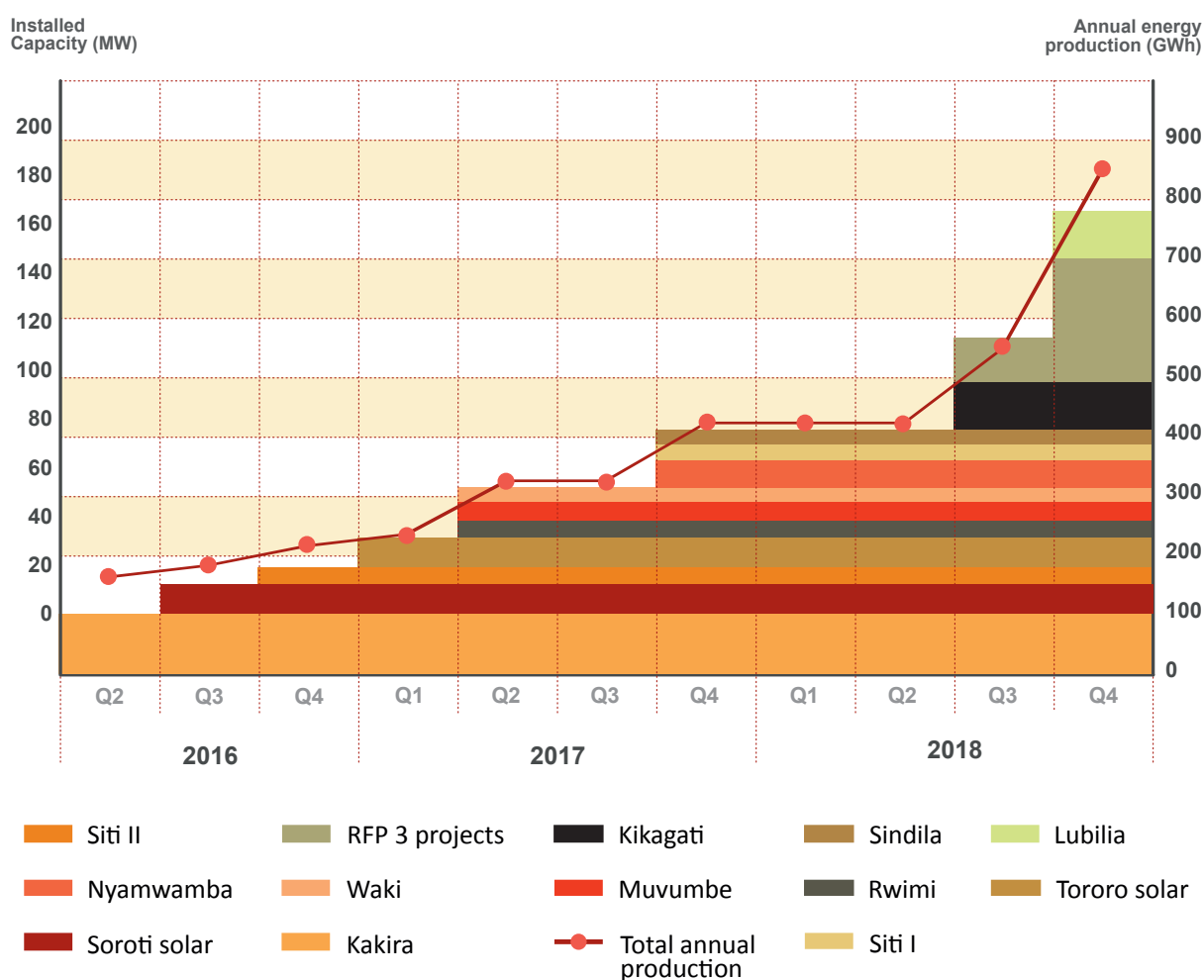


Figure 9: Implementation of the GET FiT project portfolio



Kyambura Hydropower plant is the first project of Ziba and Hydroneo-Omnicanne in Uganda. Our goal is therefore to successfully commission the Kyambura project in order to inject 7.6 MW on Bushenyi local grid.

In that perspective, GET-FiT contributes to make the project viable while notably ensuring it to meet the required standards in terms of Environmental and Social issues.

Hydroneo-Omnicanne and our local partner Ziba are not only committed to face with the numerous challenges of developing such a project but also to act like a reliable and dedicated developer for Ugandan hydropower sector/industry.



Thomas Fogue,
Hydroneo-Omnicanne

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DONOR	GROSS AMOUNT COMMITTED (NATIONAL CURRENCY)	NET AMOUNT COMMITTED (EUR)
Norway	140 000 000	15 918 151
IF	23 500 000	28 936 729
	11 100 000	14 128 113
	15 000 000	16 000 000

FUNDING

FUNDING COMMITMENTS

The results-based nature of the GET FiT Program is dependent upon predictable funding commitments. Four development partners provide GET FiT with the necessary funding; Government of Norway, Government of UK (through DECC and DFID), Germany (BMZ, BMU) and the EU (through EU ITF). To date some EUR 94.5M (subject to exchange rate fluctuations, as the Norwegian and the UK DECC funding are provided in Norwegian Krone and British Pounds respectively) have been committed to the Program. These funds are to be used towards the main overarching objectives.

Table 2: Overall donor commitments to GET FiT. Net amounts are based on funding disbursed to the Program thus far, projected exchange rates for undisbursed funds and deduction of management fees

DONOR	GROSS AMOUNT COMMITTED (NATIONAL CURRENCY)	NET AMOUNT COMMITTED (EUR)
Norway	140 000 000	15 900 000
UK DECC	23 500 000	28 900 000
UK DFID	11 100 000	14 100 000
Germany BMZ	15 000 000	15 000 000
Germany BMU	500 000	500 000
EU ITF	20 400 000	20 000 000
	TOTAL	94 400 000

FOREIGN EXCHANGE RATE ISSUES

As mentioned in chapter 2.4 and outlined in the GET FiT Annual Report for 2014, the ability of GET FiT to provide financial support has been reduced compared to what was planned. This is due to:


- i. depreciation of the Euro (in which GET FiT funding is available) versus the US dollar (in which developers receive their premium payments).
- ii. depreciation of the Norwegian Krone (in which funding from Norway is received) versus the Euro

Overall, exchange rate fluctuations have reduced the initial budget (in US dollars) available for GET FiT premiums by approximately 13 percent. This has resulted in a similar reduction in the generation capacity (planned MW and GWh) of the GET FiT portfolio.

Most importantly, the EUR/USD rate has depreciated by around 20 percent over the last two years. Effectively, since the developers are paid in USD, the Euro-based GET FiT budget can now support fewer projects than what was originally estimated. Furthermore, the NOK/EUR rate has depreciated in a similar manner, reducing the value of Norwegian contributions to the budget. This effect is limited to the Norwegian funds and thus less critical, but nonetheless significant.



Figure 10 - Illustrated depreciation of the Euro relative to the US dollar since original budgeting. Source: XE.com



To eliminate the risk of further depreciation of the Euro versus the US dollar and strengthen the programs ability to reach its targets, the GET FiT Investment Committee fixed the EUR/USD exchange rate for all remaining projects that had not yet signed DFAs in mid-2015.

On the other hand, GBP (in which UK funding to GET FiT is received) has appreciated versus the Euro within the same period, thus increasing the value of UK funds relative to initial budgets. Moreover, efforts by the UK and Norwegian partners to exchange currency earlier than planned has contributed to reducing the uncertainty related to future fluctuations. This also resulted in a funding gain for the Program, compared to original estimates for these funds.

Some level of uncertainty remains due to undisbursed donor commitments and pending decisions on additional funding. Nonetheless, overall budget uncertainty is significantly reduced as a result of efforts and progress made throughout 2015.

ADDITIONAL FUNDING NEEDED TO SUPPORT RESERVE PROJECTS

As a result of the currency depreciation, current funding commitments will not enable GET FiT to fully achieve several of its key output indicators including MW, GWh and emission reductions. In order to fully achieve the overarching targets additional funding will be needed.

The figure below illustrates the allocation of the current GET FiT premium budget. It also estimates the additional funding needed to support all reserve list projects, assuming full utilization of the current budget. These estimates are highly uncertain due to the risk of projects not materializing. Notably, should one or more projects within the existing allocation drop out, the reserve list project may be supported (at least partially) within the existing budget.

MW/ million Euro

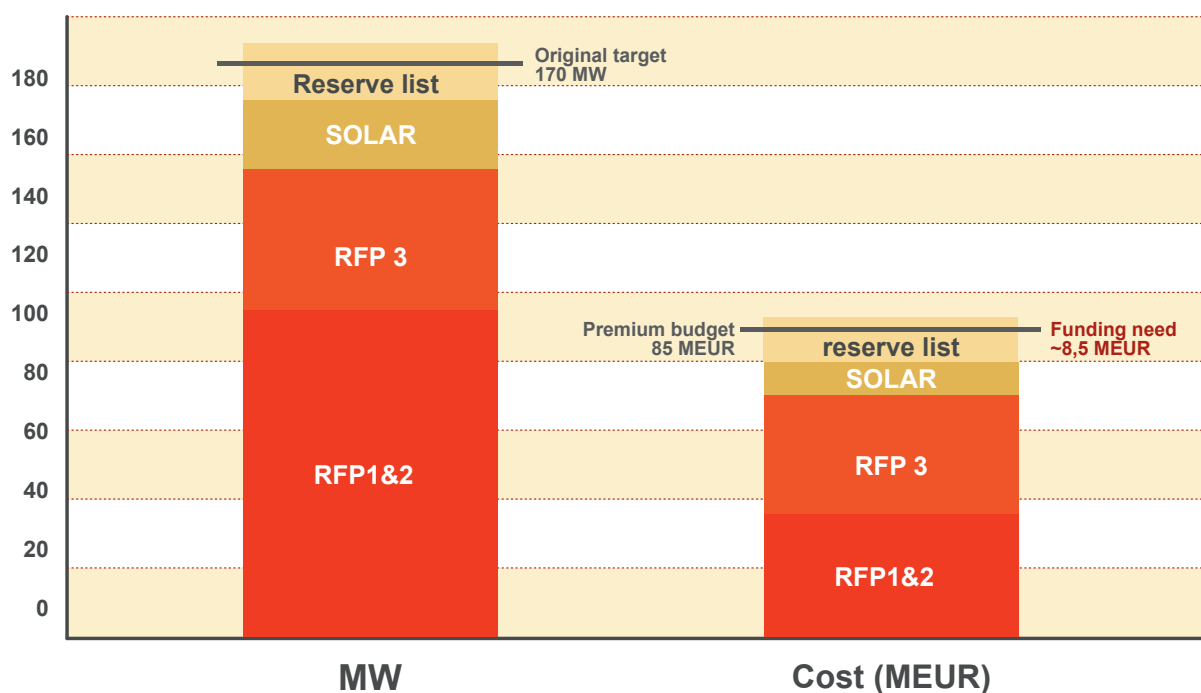



Figure 11 - While some funds are expected to be available for reserves list projects, additional funding is needed to provide full support. Provided that these and the current portfolio fully materializes, it is possible to achieve original GET FiT targets.



The currently available funding would allow the program to achieve support for up to approximately **157 MW of installed capacity and 769 GWh of renewable energy production per year**. Combined with timely implementation of the portfolio, this amount of installed capacity is expected to allow for full utilization of the funding commitments by 2023. Moreover, if additional funds are provided for reserve list projects, the program could potentially approach the original 170 MW capacity target, and annual production of more than 800 GWh. However, this also depends on the successful implementation of projects already being supported.

DISBURSEMENT PROJECTIONS

Figure 12 illustrates the actual (up to and including 2015) and expected distribution of committed payments for the first years of the Program. Payments under the Technical Assistance Facility and to consultants represent a high share of total disbursements in the early years. However payments to project support are expected to take up the lion's share of the disbursements going forward. Given the expected timing of the current portfolio, most COD payments are expected in 2017-2018. Due to result-based structure of disbursements during first five years of operation, the final payments from GET FiT cannot be expected before 2023.

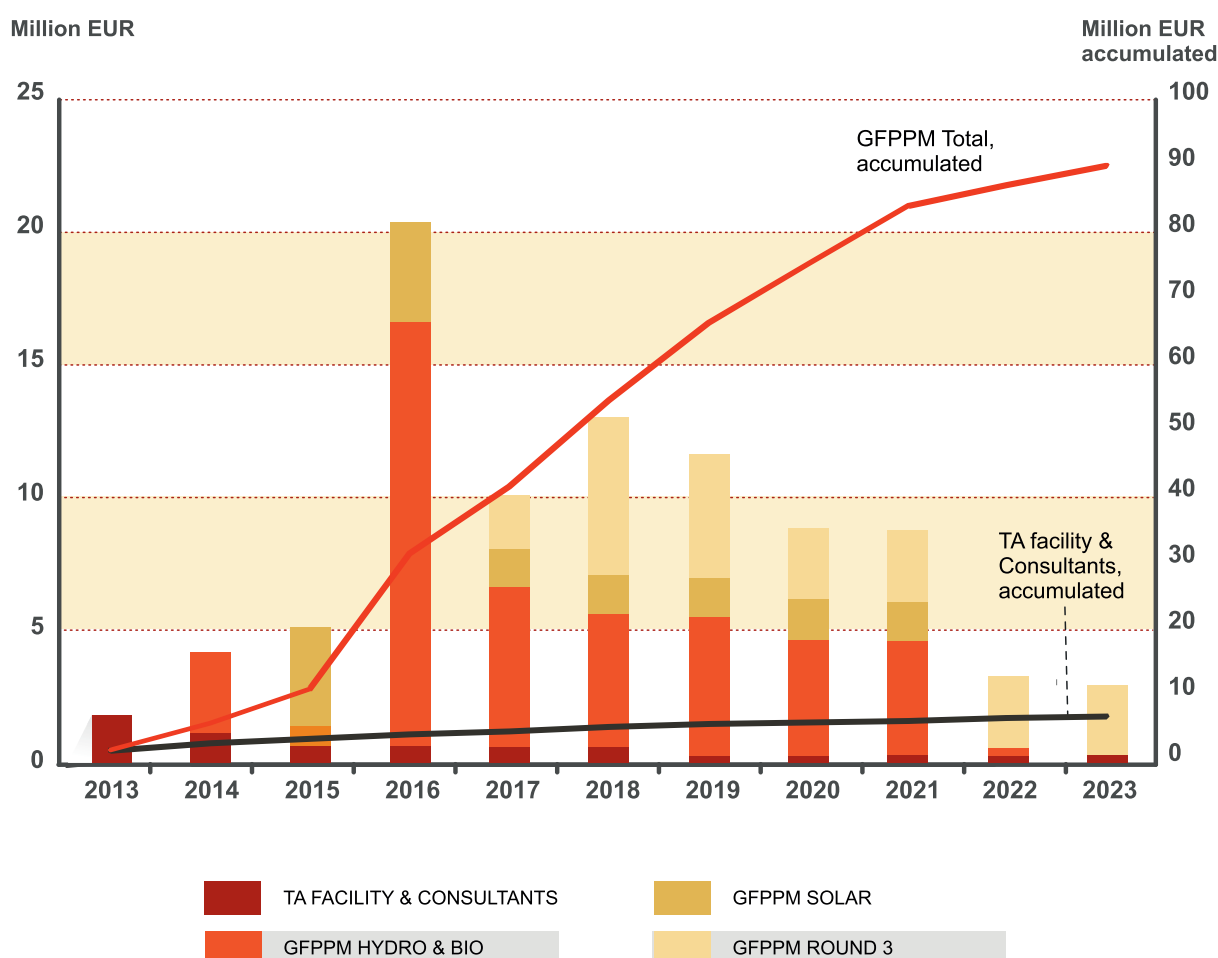


Figure 12: Projected annual payments (premium payments and consultants) under GET FiT. Projections are subject to uncertainty, mainly related to individual project progress.

Figure 13 shows the relative shares of the various cost components under the GET FiT Program. Roughly 10 percent of the overall funds are tied to management, implementation and the Technical Assistance Facility, while the rest is expected to be disbursed as premium payments.

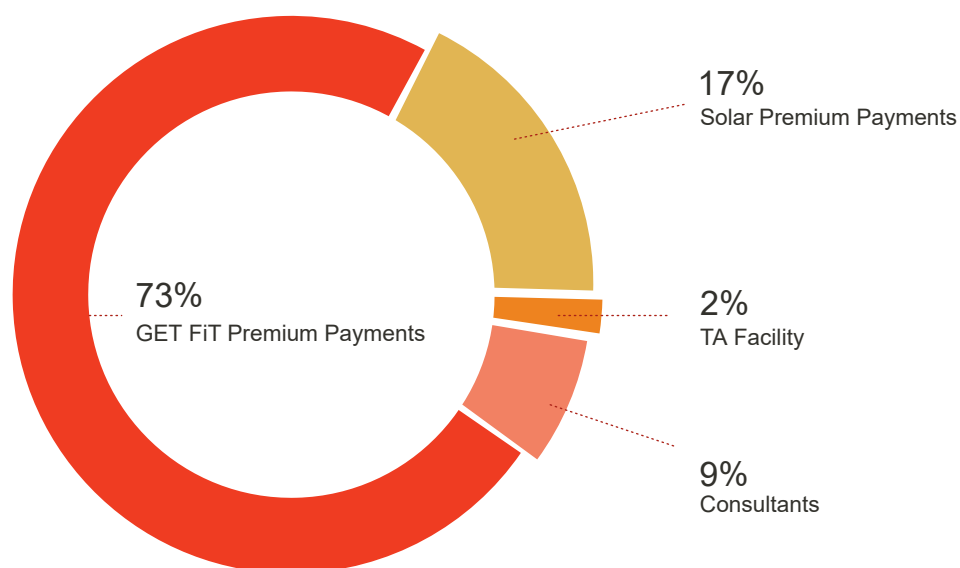


Figure 13 - Approximately 90 % of commitments to GET FiT are projected to be disbursed as premium payments

CASH FLOW PROJECTIONS

In projections for the cumulative cash balance of the Program, funds are fully utilized by 2023 (when final premium payments will be made). The reason for the high cash balance of the GET FiT Program in early years, is due to the fact that commitment to developers cannot be made before funding is made available (disbursed to the Program) by donors.

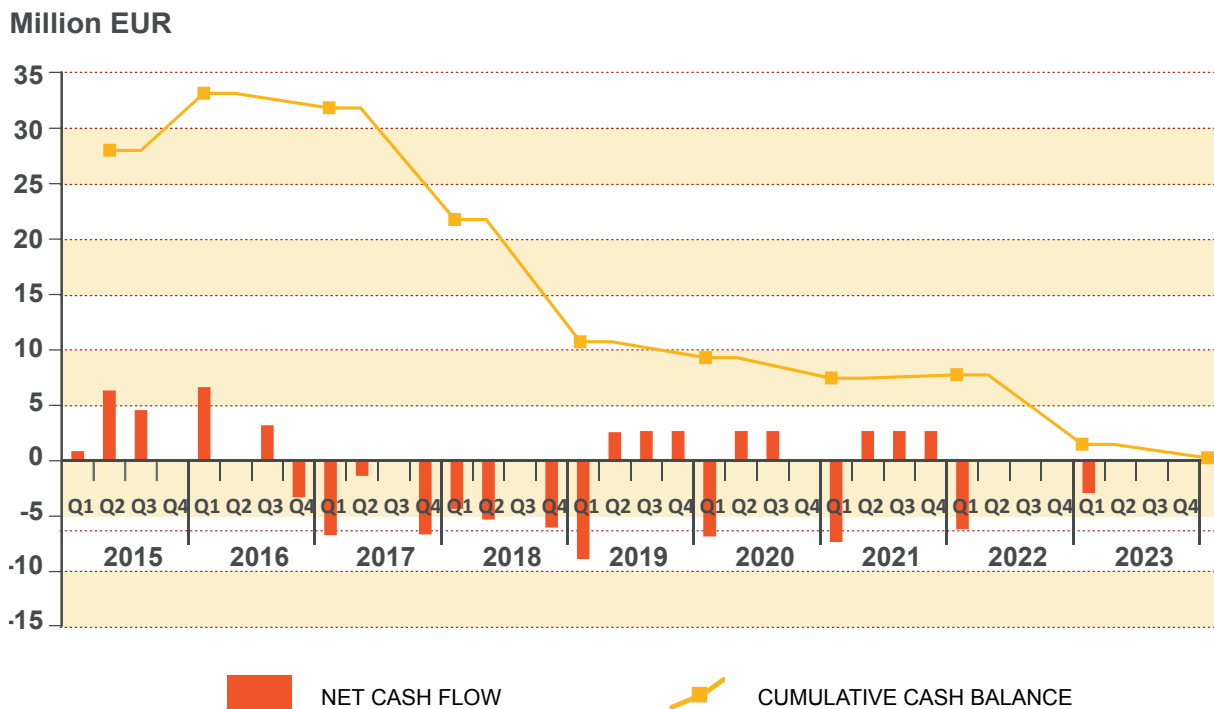


Figure 14 - Projections of cash flow and cumulative cash balance indicate that GET FiT will be able to maintain a positive, healthy cash balance until funds are exhausted by end of 2023. The high positive cash balance in early years is due to DFA signing with developers, requiring that funds are disbursed to the Programme by donors.

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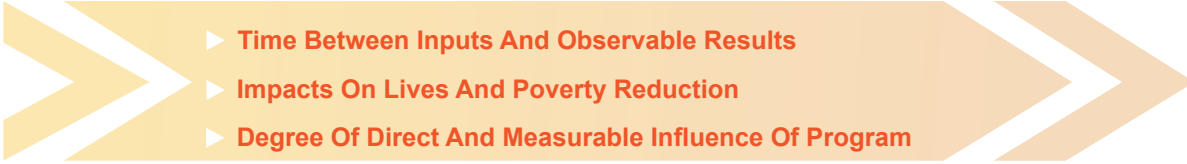


PROGRAM MONITORING

PROGRAM MONITORING

The GET FiT Monitoring and Evaluation framework monitors the outputs, outcomes and impacts generated by the Program (table 3). Achievement of these is determined through one or several quantitative indicators, which are collected from project developers and key sector stakeholders semi-annually. On this basis and through additional data collection, bi-annual performance reviews and evaluations are conducted by an independent consultant. The objective of these reviews is to critically and independently assess whether GET FiT is meeting its output targets and milestones. The first performance review started in Q3 2015 and is currently on-going (see section 2.6 for more details).

Table 3: Outputs, outcomes and impact of GET FiT



OUTPUTS	OUTCOMES	IMPACT
1. Increased small scale RE capacity & generation.	1. Improved private sector investment environment for renewable energy in Uganda.	Uganda pursues a low carbon, climate resilient development path, resulting in growth, poverty reduction and climate change mitigation.
2. Balanced portfolio of RE technologies.	2. Improved financial stability of energy sector.	
3. Reduced GHG emissions.	3. Improved local grid stability.	
4. Increased number of Ugandan national jobs.		
5. Increased capacity of ERA.		
6. Finance mobilised for GET FiT portfolio.		

While awaiting commissioning of projects, the actual results attributed to GET FiT in terms of installed capacity and electricity production are still uncertain. However, with one project commissioned and six now under construction, the portfolio has taken a considerable step towards achieving targets. This is further strengthened by the financial close obtained by four projects, and the many PPAs now signed. The overall progress of the Program in 2015 is presented in table 4 below.

Table 4: GET FiT log-frame showing status on overarching primary Program targets along with efforts made and results achieved in 2015

OUTPUTS			OUTCOMES		
Indicator	Target 2018	Status 2015	Indicator	Target 2018	Status 2015
The status for 2015 is based on i) expectations for the current portfolio of approved GET FiT projects and ii) the most recent status updates from developers and other stakeholders through the Programme monitoring. Thus, results below are not yet based on commissioned projects (as few projects have been commissioned under GET FiT yet), but what we expect them to deliver once operative.					
1.1 MW installed	170	GET FiT portfolio (17 projects) now at 157 MW with third and final RFP concluded	1.1 Number of commercial banks that invest in renewable energy with project finance	5	3 private banks involved in the current portfolio for financing of hydro, bagasse and biomass projects
1.2 GWh delivered to national grid	830	GET FiT portfolio now at 769 GWh/year (estimated average)	1.2 No. of development permits and generation licenses issued by ERA per year	8 permits / 4 licenses	6 licenses issued in 2015, a natural slow down is now observed, following a high pressure in recent years
2.1 Number of technologies supported by GET FiT.	4	3 Techs now in portfolio – hydro, bagasse and solar, following the exit of the only maize waste plant	1.3 Occurrence of annual UETCL event of default*None	None	N/A. WB PRG liquidity guarantee now available to GET FiT projects.
2.2 Number of sub-regions with GET FiT projects.	5	The current portfolio has projects located in 5 Ugandan sub-regions.	1.4 Average time for PPA negotiation and signing.	3 mths	Current average time is estimated to 5 months. With standardized PPA in place, average time was considerably reduced. 10 GET FiT projects now have signed PPAs
3.1 Net change in GHG emissions (Cumulative MtCO ₂ e)	4	Current portfolio estimated to yield a 3.5 MtCO₂e reduction through displacement of thermal generation	1.5 REFiT adjusted to be cost-reflective (%)100	100%	Adjustment was made in 2013 to est 92%, specifically to increase impact of GET FiT
4.1 Number of direct national construction and O&M jobs created in relation to the power plants	4200	Current portfolio (17 projects) estimated to some 3900 jobs	2.1 Subsidy paid (excluding capacity) by Ugandan Gov. for UETCL to cover thermal power use	0	No subsidies paid in 2015
5.1 Time taken by ERA to review generation licence for 1-20 MW RE application	1 month	Based on 8 latest reviews in 2014 and 2015. Notably this may be partly due to a reduction in number of applications during the past year	2.2 GWh purchased by UETCL from thermal stations (NOTE: 2023 target)	319	Approximately 90 Gwh purchased by UETCL in 2014. GET FiT implementation to reduce expected medium term growth

OUTPUTS			OUTCOMES		
Indicator	Target 2018	Status 2015	Indicator	Target 2018	Status 2015
The status for 2015 is based on i) expectations for the current portfolio of approved GET FiT projects and ii) the most recent status updates from developers and other stakeholders through the Programme monitoring. Thus, results below are not yet based on commissioned projects (as few projects have been commissioned under GET FiT yet), but what we expect them to deliver once operative.					
6.Private investments (MUSD) leveraged by GET FiT	500	Currently at 453 MUSD (estimate, several projects not yet financially closed). Leverage ratio at 1:5 as targeted, based on associated GET FiT premiums	2.3 Cost reflective retail tariffs in place.	100%	Currently at 92 %, as capacity payments to thermal stations remain part of GoU subsidy
6.1 Private finance mobilised for GET FiT (MUSD)	200	Current portfolio set up for 184 MUSD in private financing	3.1 % of time (in hours) local voltage level is outside Grid Code voltage standards at local substations	100% Reduction	N/A - as no voltage deviations has been observed at Kakira substation
6.2 Public finance mobilised for GET FiT (MUSD)	300	Current portfolio set up for 270 MUSD in public financing	3.2 Load lost in MWh at local substation100	100% Reduction	N/A - as no suppressed demand has been observed at Kakira sub-station

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RISK MANAGEMENT

RISK MANAGEMENT

Risk management is a continuous process running through the lifetime of the Program where risks are identified and categorized, and measures introduced to reduce or eliminate the risks. Risks are categorized according to the risk assessment table below. Probability of the risk occurring on the x-axis (low, medium or high probability) and level of potential (negative) impact on the y-axis combined determine the risk category i.e. : a) acceptable risks; b) ensure follow-up of risk; or c) reduce the risk.

Table 5 – Risk categorization tool

POTENTIAL IMPACT (NEGATIVE)	HIGH	B Ensure follow-up of risk	C Reduce the risk	C Reduce the risk
	MEDIUM	A Acceptable risk	B Ensure follow-up of risk	C Reduce the risk
	LOW	A Acceptable risk	A Acceptable risk	B Ensure follow-up of risk
		LOW	MEDIUM	HIGH
PROBABILITY				

The full risk matrix for the Program can be provided by the GET FiT Secretariat upon request. The risk assessment is subject to regular review and update. In 2015, no new major risks emerged but some were re-categorized. The following risks have been added and/ or re-assessed over the past year:

- 1. Risk of not achieving adequate and timely grid interconnection for GET FiT projects** (High impact, high probability). As outlined in chapter 2.5, progress has been made in terms of securing financing and moving towards implementation for critical grid infrastructure investments. However, progress on certain components remain uncertain due to financial or regulatory obstacles. Consequently, the risk of not being able to provide adequate grid interconnection for full power evacuation for some GET FiT projects has increased during 2015. The highest risk rating is thus maintained. Ensuring progress on these interventions will be a key priority of GET FiT going forward, to avoid severe negative implications for the portfolio and overall success.

2. **Exchange rate risk** (Medium impact, medium probability). As outlined in Chapter 4, exchange rate fluctuations have had a negative impact on the funds available for GET FiT premium payments. Exchange rate risks related to future disbursements is now reduced (from high impact) due to i) fixed DFA exchange rates for remaining projects and ii) early disbursements from donors to the Program. Nonetheless, a limited share of undisbursed donor commitments are still subject to fluctuations. KfW and the GET FiT Secretariat thus monitor developments and update budgets regularly.
3. **Lack of developers' capacity to implement projects according to IFC environmental and social standards** (High impact, high probability). This risk has increased from its original medium-to-low rating through several rounds of revision as it has become increasingly clear that the majority of developers lack experience and competence to manage their projects according to the IFC environmental and social performance standards. In 2015, GET FiT has maintained an active approach to enable developers to meet the IFC performance standards (see Chapter 2.9 for details). Nevertheless, E&S issues remain with a high risk rating.

As an increasing number of projects are moving into construction, the nature of E&S related risks will gradually shift from capacity gaps in studies and planning, to challenges related to implementation during construction. The GET FiT Implementation Consultant will oversee implementation of E&S measures through regular supervision visits to the construction sites.

4. **Delayed implementation of projects** (medium impact, high probability). Several GET FiT projects have already faced delays in reaching financial close and construction start. While these delays can partly be attributed to developers (i.e. failure to meet IFC Performance Standards), others are related to bottlenecks in the legal, regulatory and/or political framework. The latter includes delays related to signing of key agreements (IA, PPA). As several projects started construction during 2015, the overall pre-construction risk for the portfolio has been somewhat reduced. Notably, such risks appear to have been reduced as a result of the efforts made by GET FiT, Ugandan authorities and project developers to establish standardized agreements (see the GET FiT Annual Report 2014 for more details).

Furthermore, delays in CP clearance as set out in the DFA is a key driver to project delays. As mentioned above, E&S related CPs in particular have caused project delays thus far.

OUTLOOK FOR 2016

As an increasing number of projects are now moving into construction, the focus of the GET FiT implementation team will gradually shift towards construction supervision. Efforts will be directed towards overcoming technical, environmental and social challenges arising throughout construction, in order to achieve timely commissioning. The latter is vital to maximize the economic benefits and achieving the time targets of the Program. Timely construction of grid interconnection infrastructure to evacuate power still present a significant risk for several projects. Although these issues must be solved by the relevant GoU entities, KfW and the GET FiT Secretariat are prepared to take an active role facilitating dialogue and progress.

Key focus areas in 2015 will be:

1. Continued facilitation of dialogue, coordination and concrete solutions to the challenge of **interconnection and integration** of the GET FiT portfolio into the national grid.
2. Intensification of construction **supervision visits**.
3. Follow up preparation and construction phase for **solar PV projects**.
4. **Facilitation of progress** for the projects which have not started construction, in dialogue with developers and authorities, including signing of remaining DFAs and following up of conditions precedents for each project.
5. Follow up the Program **funding situation**, including potential support for **reserve list projects**.
6. Follow-up the implementation of the various **Technical Assistance Facility** components, including the up-coming REFiT review and proposed additional TA support components to ERA.
7. Support the on-going Performance Review and Evaluation of GET FiT, and ensure follow up of recommendations.

STATUS OF GET FiT ROLL-OUT TO OTHER COUNTRIES


Recognizing the positive experiences with the GET FiT Program in Uganda, public sector stakeholders in other parts of the continent have indicated interest to explore the potential of similar programs in their countries. Private developers, investors, financing institutions and technology providers have confirmed that the approach applied in Uganda has been particularly valuable and should be rolled out to other markets.

Accordingly, with financial support from the UK Government, KfW initiated market assessment studies to consider the interest and potential for a GET FiT intervention in 10 countries in Eastern, Southern and Western Africa in 2015. Thus, a consultancy consortium comprising *Multiconsult ASA* and the *FS-UNEP Collaborating Centre for Climate and Sustainable Energy Finance*, undertook market assessments in Ghana, Malawi, Mali, Nigeria, Kenya, Rwanda, Mozambique, Namibia, Tanzania and Ethiopia.

The overarching aims of the 10-country market assessment and comparative analysis were:

- Independently assess the readiness, political-will and economic justification which could motivate and underpin a GET FiT program implementation in each individual country.
- Prepare recommendation as to prioritization of the countries, based on a comparative analysis framework and consideration of funders' priorities.
- Based on the above, gain insight into the key barriers and provide a tentative outline for a GET FiT program, including potential country-specific tool-box and timeframes.

The studies showed that although there are some clear sector commonalities across most of the markets, there exists significant variation with regards to the rational, appropriate tool-box and optimal implementation design. These findings confirm that a “one-size-fits-all” approach would not be appropriate as GET FiT expands to other countries.



During 2016, Programme Concept Notes will be developed for those markets that were identified as most suitable for GET FiT. KfW will lead this process in close collaboration with the respective governments, donors and local stakeholders. These PCNs will test the hypothesis that the programme is sufficiently flexible so as to effectively address key barriers in different markets and contexts.

In Zambia, preparations for the GET FiT Programme are advancing well. The basic framework of the Programme has been agreed with the Zambian Government. The GET FiT Zambia Programme aims at supporting small RE projects (1-20 MW; solar PV, hydro and biomass) with a total capacity target of 200 MW. It contains the following components: 1) Tariff Support, 2) Standardised legal documentation, 3) Risk Mitigation, 4) TA Facility and 5) Support for Grid Integration. Due to the current electricity crisis in Zambia, it is envisaged to fast track a Solar PV auction under the GET FiT Programme in 2016.

A GET FiT Coordinator has been engaged to support the further preparation and implementation of the GET FiT Programme in 2016 and to be a first point of contact for any interested stakeholders.

Finally, in Vietnam, KfW on behalf of the German Government (BMZ) is financing studies to assess the feasibility of a renewable energy development facility following the GET FiT model.

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END

LIST OF ABBREVIATIONS & ACRONYMS

BMZ	Federal Ministry for Economic Cooperation and Development
BMUB	Federal Ministry for the Environment, Nature Conservation, Construction and Nuclear Safety
CP	Conditions Precedent
DECC	Department of Energy & Climate Change
DFID	Department for International Development
DFI	Development Finance Institution
DFA	Developer Finance Agreement
ERA	Electricity Regulatory Authority
EUR	Euro
EURc	Eurocent
GBP	British Pound
GET FiT	Global Energy Transfer Feed-in Tariffs
GHG	Greenhouse gas
GoU	Government of Uganda
IA	Implementation Agreement
IC	Investment Committee
IFC	International Finance Corporation
M&E	Monitoring & Evaluation
MEUR	Million Euros
MUSD	Million United States Dollars
NOK	Norwegian Krone (Norwegian currency)
PPA	Power Purchase Agreement
PRG	Partial Risk Guarantee
REFiT	Renewable Energy Feed-in Tariff
RfP	Request for proposal
UETCL	Uganda Electricity Transmission Company Limited
USD	United States Dollar
USDc	United States Dollar cents
VAT	Value-added tax
WB	World Bank

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