



**GET FIT
UGANDA**

LESSONS LEARNED FROM
**IMPLEMENTATION OF A SUCCESSFUL
PPP PROGRAMME**



3 PROGRAMME IMPLEMENTATION:
3 HOW DO YOU MAKE IT WORK?

PROGRAMME IMPLEMENTATION

How do you make it work?

GET FiT Uganda has created an enabling framework for renewable energy Independent Power Producers (IPPs), leveraging USD 450 million of investment and 158 MW of renewable power generation. These results were achieved through a combination of smart design and effective implementation arrangements. The day-to-day implementation has been instrumental to the Programme achieving highly ambitious targets, resulting in a positive, transformational change for the Ugandan electricity sector.

“KfW’s GET FiT programme facilitated the speedy tendering, financing, construction and completion of Access’ PV facility in Soroti, Uganda. The preparation to a high standard of key project documents prior to the tender significantly reduced both the risk and cost of development, while the concessionary element of the tariff enables us to deliver affordable grid-scale renewable energy to the state utility”.



Stephane Bontemps
Managing Director
Access Power

GET FiT Uganda has targeted and enabled lasting reform by working towards financial close and implementation of a portfolio of Renewable Energy (RE) projects.

Such an approach requires both attention to detail and a holistic approach, all underpinned by an appropriate implementation structure. Every element of this structure was carefully designed – the mandate and members of the Steering Committee, embedding the secretariat within the Regulator’s organisation, having an independent Investment Committee, and by having an integrated Implementation Consultant.

KEY IMPLEMENTATION ARRANGEMENTS THAT MADE GET FIT UGANDA WORK

At the time of GET FiT launching, Uganda had several of the key building blocks for success in place, such as a liberalised electricity sector, cost reflective tariffs, an independent regulator and a pool of developers working with specific projects. Nonetheless, the challenges confronting ERA and KfW in terms of successful implementation were daunting, and design of the implementation arrangements critical if the Programme was to succeed.

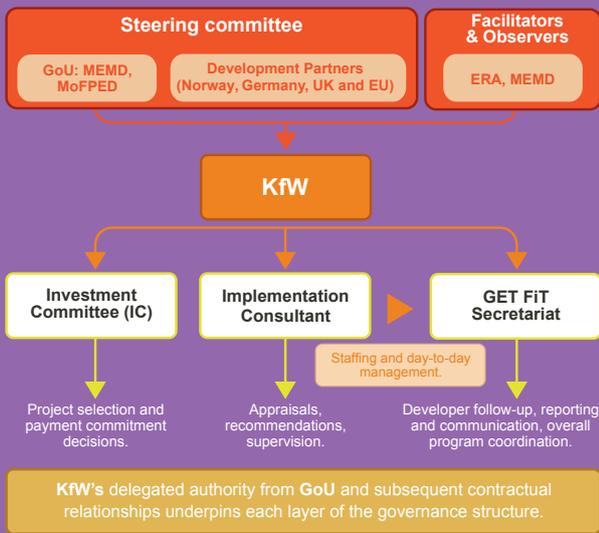
1 The Secretariat was embedded within the Regulator.

The starting point for GET FiT Uganda was the Government of Uganda's own target for grid-connected small renewables. In this regard, GET FiT became the government's small renewable Programme and the Secretariat set up office together with the regulator, ERA. The mandate and strategic placement of the Secretariat empowered it, with support from KfW's active management, international standing and sector credibility, to serve as a forward-looking problem solver.

The Secretariat could effectively get to the root causes of challenges, facilitate communication between stakeholders and be the "go-between" for private investors. The Secretariat represented a neutral part making the public apparatus accessible.

2 A well designed governance and management structure.

The governance and implementation structure has been well calibrated towards achieving a results-driven programme that proved to be highly robust. A summary of the governance and management structure and the key roles and responsibilities of the parties is provided below.



The Electricity Regulatory Authority (ERA) had an instrumental role as champion of GET FIT Uganda, giving the Programme legitimacy and clout in the energy sector. As host of the Programme's Secretariat and a member of the Steering Committee, ERA ensured a continuous connection between the Programme and Government of Uganda (GoU) priorities. ERA has been central in all aspects of implementation, while supporting and respecting the governance and decision making processes of the Programme.

The Steering Committee (SC) consisted of central government officials and funding partners. This body ensured that there was ongoing commitment to results from policy makers and funders. The Steering Committee met annually and was presented with key decisions and dilemmas related to implementation. The high-level Steering Committee created a formal feedback loop that allowed for both discussions around practical challenges during implementation as well as backing for major and/or controversial decisions. The embedded nature of the Programme within the sector meant that

many of the decisions had political implications.

The Investment Committee (IC) consisted of highly reputable international industry experts whose track-record, independence and integrity was central to the overall credibility of the Programme and robustness of the tender processes. The committee was fully empowered to make all funding and award decisions free of political influence, thus giving investors confidence that decisions would be made in a transparent manner.

KfW's delegated authority from GoU and hands-on approach has been vital. KfW handled all aspects of Programme management, and was active in facilitating dialogue, finding solutions and putting decisions into motion. Their role has created investor confidence, ensured effective, non-political problem-solving and access to decision makers in GoU. KfW fed the SC committee with relevant decision making material and presented proposed solutions based on detailed knowledge and insight.

3 Close and pragmatic project follow-up from A to Z.

Over a six year period, the GET FiT Uganda Programme is supporting the development of 17 renewable energy projects across the country. All of these projects face their own set of technical, environmental and social, financial and regulatory challenges.

In an emerging renewable energy market the capacity and country-specific experience of project developers is likely to be limited. In Uganda, it was discovered early on that many developers had weak capacity, particularly on compliance with environmental and social (E&S) performance standards. Despite considerable efforts to push progress for individual projects, severe delays occurred across the portfolio, compromising the time-bound targets of the Programme.

Negative impacts of delays were, however, held in check by tight supervision of development and construction, as well as allocation of significant additional resources towards E&S follow up, which in many cases involved actual coaching/ mentoring for developers by the Implementation Consultant's E&S team. Indeed, the Implementation Consultant was requested to provide flexible and on-demand project supervision across the entire portfolio, all the way from appraisal and selection, through construction and commissioning. The resources required for dedicated project follow-up should not be underestimated when planning the implementation of future Programmes.



REALITY-CHECKS

Experience from implementation has revealed several reality-checks that should inform future designs and implementation of PPP programmes.

1 In a multi-year PPP programme with ambitious goals, new and unforeseen challenges will inevitably arise.

It is thus critical that stakeholders, funders in particular, accept a flexible design that enables shift of focus and resources to keep the Programme on track. Funders are a part of the solution – not just watchdogs. Empowering implementation staff to maintain focus on the key risks should be a guiding principle. This requires flexible and easy access to expertise, which again needs to be properly reflected in the terms and budgets for implementation.

2 The devil is in the detail.

Reform efforts that are not closely tied to realising projects will not be market-tested. In the case of GET FiT, targeted reform efforts were essentially a means to an end – more installed capacity on an IPP basis. This approach has kept all parties engaged and truly forged a link between reforms and implementation. At times it was apparent that the necessary reforms were not always promoted due to a lack of expertise. This required agility from the implementation staff in terms of pursuing both installed capacity and lasting reform.

3 Reform efforts are demanding and dependent on appropriate human resources.

The amount of Technical Assistance, legal services and implementation services required to successfully implement the programme was extensive and more than originally foreseen, but essential to achieving results. In frontier markets, one should count on competence levels in the entire sector to be lower than expected. A successful private investment programme requires sufficient competence and experience not only among public authorities, but also developers, investors and consultants.

4 With the right design a PPP programme can shape the entire sector beyond the life of the programme.

The long-term success is dependent upon authorities adopting and building on the programme's processes and templates. To this end, ERA and GET FiT have continuously struggled to ensure that off-taker planning and investing is aligned with the grid requirements posed by the portfolio. Despite these challenges, Uganda has now institutionalised a cost-reflective renewable energy tariff framework and emerged as one of the leading renewable energy destinations in Africa.

KEY LESSONS

Concluding remarks to potential funders of future programmatic PPPs targeting leverage and long-term policy impacts:

Allow for flexibility in design and implementation.

Allow for flexibility in design and implementation to address changing policy environment and other emerging needs when planning your PPP programme. This should be reflected in budgeting contingencies and built-in flexibility in contracts. The implementation staff must be mandated and adequately resourced to proactively monitor the programme against its target outcomes.

Foster effective coordination.

When results are dependent upon shared responsibilities between public institutions (e.g. grid integration), the risk profile of the programme increases considerably. If this cannot be avoided, the programme must be designed to ensure an early and formal role in fostering effective coordination between the various stakeholders and thus timely performance.

A governance structure that caters for visible mandates and clear lines of communication is instrumental for streamlined decision-making.

The structure should allow for continuous engagement and regular coordination between all relevant institutions within the sector. A combination of political commitment, a dedicated local champion combined with delegated authority to KfW, solution-oriented donors and a well-funded Secretariat/ Implementation Consultant was a recipe for success.

Ensure integrity of award process.

One should not compromise when it comes to setting up a transparent and independent award process. For investors, this is essential for the credibility of the programme, even if politicians or off-takers may be reluctant to give up control of granting of awards. The integrity of this process must be secured.

Manage and communicate reform efforts.

Manage and communicate reform efforts strategically and as a means to an end, namely successful IPPs. This not only eases collaboration with authorities, but also ensures automatic market testing of the outputs. Reforms are not the primary goal, but may end up being the lasting impact.

ABOUT

The GET FIT Uganda Programme was officially launched on May 31st 2013. The Programme, which was jointly developed by the Government of Uganda, the Electricity Regulatory Agency (ERA) and KfW was designed to leverage commercial investment into renewable energy generation projects in Uganda. GET FIT is being supported by the Governments of Norway, the United Kingdom and Germany as well as EU through the EU Africa Infrastructure Fund. Multiconsult ASA of Norway is the Implementation Consultant.

The main objective of GET FIT Uganda is to assist the country in pursuing a climate resilient low-carbon development path resulting in growth, poverty reduction and climate change mitigation. The Programme is fast-tracking a portfolio of 17 small-scale renewable energy (RE) generation projects, promoted by private developers and with a total installed capacity of 158 MW. This will yield approximately 770 GWh of clean energy production per year and leverage close to MEUR 400 in investments for RE generation projects with a limited amount of results-based grant funding.

A more comprehensive description of the tools and approaches applied by GET FIT is found on www.getfit-reports.com.



GET FIT Secretariat @ ERA House
Plot 15 Shimon Road, Nakasero | P.O. Box 10332 | Kamp la, Uganda
Email: secretariat@getfit-uganda.org | web : www.getfit-uganda.org

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