

## **Statement by Uganda (5 May 2006)**

One of the pre requisites for investments in the energy sector is for individual recipient countries to have conducive long term policies which provide an attractive investment environment.

In Uganda, the necessary power sector reforms were put in place towards the end of the 1990s. A new Electricity Act which broke the monopoly of the vertically integrated public utility company was enacted by Parliament in 1999. This new legislation opened up the power sector to private participation in the generation and distribution of electricity.

An independent regulator was also established to license companies interested in the electricity production and supply business and also set the tariffs.

The vertically integrated public utility was unbundled, into three distinct companies for generation, transmission and distribution. The generation company was consessioned to a private operator. Similarly, the distribution company was also consessioned out to a private operator.

With a conducive investment environment in place, it was hoped that private capital would flow in to build new hydropower plants to meet the electricity demand of the country.

There were earlier efforts to build the 250 MW Bujagali project but this did not materialise. For the distribution concession, although it materialised, there weren't many companies expressing interest in the concession.

To date, none of the Vivtoria Nile sites has been developed despite the power sector reforms and conducive policies existing in Uganda.

In the meantime, since Uganda is mainly dependent on hydropower resources for electricity supply, the electricity supply for the country has been adversely affected by a prolonged drought which has been going on for the last three years since 2003. Generation from hydropower sources has dropped by more than 50%. Out of the installed capacity of 300 MW from hydropower, only 135 MW is being generated and is likely to drop further as the drought situation persists.

The country has had to resort to expensive thermal generation (using petroleum). 50 MW of diesel fuel generators have been in operation since May 2005 and 100 MW more is planned to be installed in the course of this year. The expensive thermal generation requires heavy Government subsidy for the end user tariff. With the soaring oil prices, the amount of money required in subsidies is enough to build new power hydropower plants along the River Nile.

The decrease in available electricity supply is affecting all economic and social sectors as different localities go without electricity for 24hours on alternating basis. Without quick solutions, the poverty eradication strategies and attainment of millennium development goals is certainly at stake.

Some of the measures which Government is undertaking include the following:

(i) Energy efficiency measures - installation of energy efficient bulbs and efficiency campaigns in industries (SMEs).

(ii) Reducing technical (as well as commercial) losses which are high.

(iii) Use of renewable energy resources like solar PV for lighting and solar water heaters.

(iv) Use of renewable energy resources like biomass in power generation (cogeneration in sugar mills) as well as development of small hydropower plants.

In the medium term Government is looking at development of the Victoria Nile hydropower sites like Bujagali and Karuma. There is also a need to have significant investments in the distribution and transmission networks.

In conclusion, for the developing countries, especially in sub Saharan Africa, special interventions are necessary to ensure that generation and distribution of electricity is enhanced. Otherwise at the current rate, it is unlikely that the number of people in these countries who are without access to electricity will reduce - in fact with growth in populations, this number is likely to rise.

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