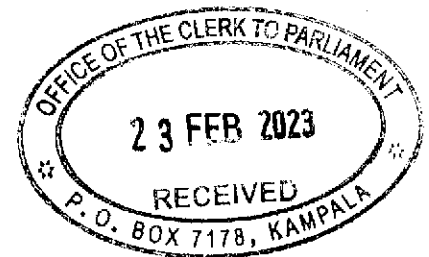




PARLIAMENT OF UGANDA



REPORT OF THE AD HOC COMMITTEE ON BUJAGALI TAX WAIVER

**Office of the Clerk to Parliament
December, 2022**

M. Mwanuzi
Chairman

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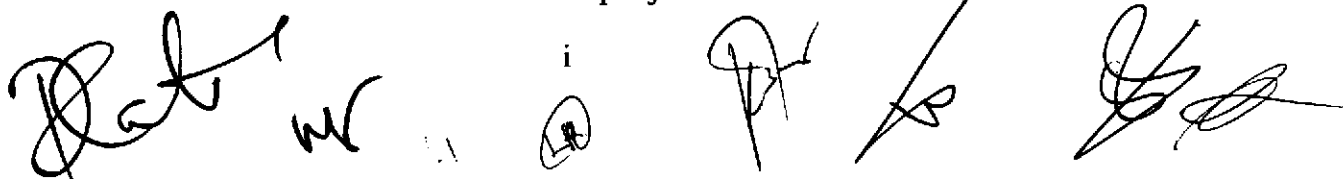


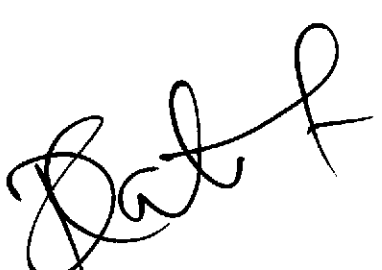


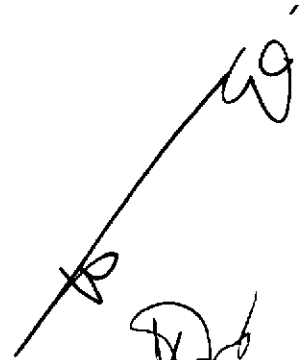




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List of Acronyms

BEL	Bujagali Energy Limited
BHP	Bujagali Hydro Power
CIT	Corporate Income Tax
CIT	Corporate Income Tax
CP	Capacity Payment
EPRA	Energy and Petroleum Regulatory Authority
ERA	Electricity Regulatory Authority
GoU	Government of Uganda
KenGen	Kenya Electricity Generating Company PLC
KP	Kenya Power
MCm	Monthly Miscellaneous Charges
MoFPED	Ministry of Finance, Planning and Economic Development
MW	Mega Watts
O & Mm	Monthly Operation And Maintenance
OTm	Other Taxes Paid in a Month
PPA	Power Purchase Agreement
RFP	Request For Proposals
ROE	Return on Equity
RTDm	Monthly Debt Repayment to lenders
TDM	Monthly Interest on Debt
TERRm	Tariff Equity Repayment and Return
UETCL	Uganda Electricity Transmission Company Limited
URA	Uganda Revenue Authority

1 INTRODUCTION

In accordance with Article 90 (1) of the Constitution of the Republic of Uganda (1995), as amended, and Rule 191 of the Rules of Procedure of Parliament mandates, Parliament constituted an Ad-hoc Committee on Bujagali Tax Waiver to investigate the Bujagali Energy tax waiver.

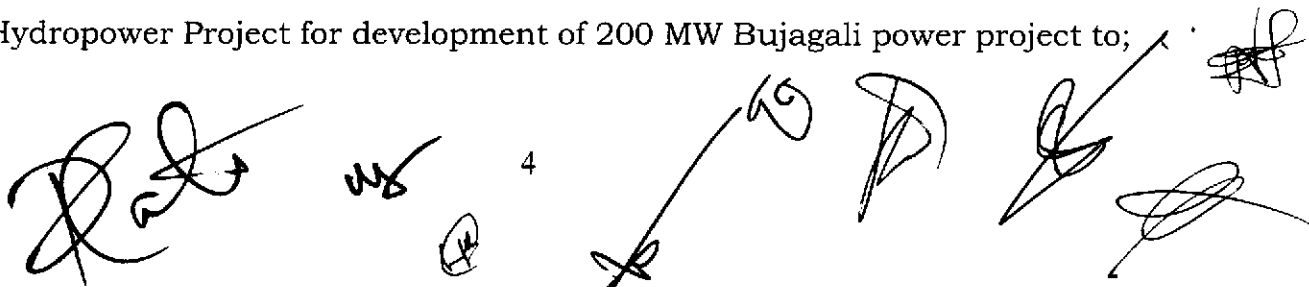
During the consideration of the Income Tax (Amendment) Bill 2022, at the 34th Sitting of the 3rd Meeting of the 1st Session of the 11th Parliament on Wednesday, 18th May 2022, the House stayed the extension of a five-year Corporate Income Tax (CIT) waiver. Instead, it granted one year, pending an investigation by the Ad-hoc Committee of Parliament to examine the intricacies of the agreements between Bujagali Energy Limited (BEL) and the Government of Uganda (GoU) and the effect of these agreements on the power tariffs to consumers, resulting from the public outcry on high electricity tariffs costs being incurred by Ugandans.

The Ad hoc Committee has undertaken its mandate and now reports.

2 BACKGROUND

The GoU has, over the years, demonstrated its commitment to improving the investment climate in Uganda by supporting the development of significant infrastructure projects with private partners. Increasingly, the economy's growth exacerbated the electricity demand and the government sought to develop its generating capacity by inviting proposals from private partners.

The GoU worked with AES corporation and its affiliate AES Nile Power Ltd between 1996 and the second quarter of 2003 to implement the power station and the development of the UETC line as a private sector project. On 16th January 2004, the GoU published a Request For Proposals/Prospectus (RFP) concerning the development of the Bujagali Hydropower Project for development of 200 MW Bujagali power project to;



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- i. Elicit expressions of interest from potential sponsors for the project and;
- ii. Provide a context for interested potential sponsors to comment upon, and seek clarification of the process of selecting a sponsor to develop the project.
- iii. Sell and convey all of its rights, title and interest in the power station to the GoU for the Sum of **USD. 1 (one)** plus any other overdue capacity payment upon conclusion of the 30-year term of the power purchase agreement.

Subsequently, the government acquired the IPS Consortium as a sponsor that was required to form a special purpose vehicle to implement the 250 MW Bujagali Hydro Power Electric project on Dumbell Island along the Nile River. On 17th August 2005, Bujagali Energy Ltd (BEL) was incorporated as the Special Purpose Vehicle to implement this power project.

It is noteworthy that over the years, the agreements between GoU and BEL have been amended to incorporate the new developments and changes necessitated by the passage of time during execution. These have been summarised in *Table 1* below.

Table 1: Chronology of BEL project events in the Bujagali Project

Date	Agreements	Purpose
2004	GOU, through competitive bidding, procures BEL consortium	Undertake the development of the 250 MW Bujagali Hydro Electric Power Project
7th October 2005	GoU, UETCL World Power Holdings group and the IPS group signed the Initialling agreement	To effect the Implementation Agreement (IA) and the Power Purchase Agreement (PPA) for the BEL project.
13th December 2005	UETC and BEL enter into a Power Purchase Agreement (PPA)	To purchase all power generated by the Bujagali Hydroelectric Power Project
25th May 2007	1st Amendment to PPA	<ul style="list-style-type: none"> To accelerate the development of the project to address power generation shortfalls through a fast-track loan by GOU to BEL of USD 90M

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		<ul style="list-style-type: none"> To agree to specific modifications to the Original PPA
6th December 2007	2 nd Amendment to PPA	<ul style="list-style-type: none"> To agree to some modifications in 1st Amended PPA to lower overall project cost Subsequently amending and restating the Implementation Agreement (IA)
8th December 2007	Execution of shareholders' agreement	Execution of shareholders agreement between Bujagali Holding Co. Ltd, SG Bujagali Holdings Ltd, BEL and GoU represented by the MoFPED. GoU qualifies for Class C shares value at USD 20M. The Class C shares did not give the government the right to dividends and the right to vote, but only the right to participate
July 2017	Parliament approves a 5-year exemption tax waiver to BEL to end on 30th June 2022	Waiver of the Corporate tax was an intervention of GoU to reduce the generation tariff payable to BEL and therefore reduce the end-user tariffs
18th June 2018	3 rd Amendment to PPA	To facilitate the refinancing of a particular debt.

Source: Agreements between GoU and BEL

In July 2017, under Section 21 of the Income Tax Act, Parliament approved a five-year corporate income tax exemption (ending 30th June 2022) of the income earned by BEL concerning the operation of the Bujagali Hydro Power Project as a government intervention to reduce end-user tariffs and the generation tariff payable to BEL. The introduction of the exemption did not, in effect, amend the agreement or formula used to compute the capacity charge.

The development of the Bujagali power project enhanced power supply and access, albeit at a high cost.

3 PROBLEM STATEMENT.

The GoU has increasingly invested in developing and generating hydroelectric power to ensure sufficient and stable supply to meet the increasing demand. This is critical for economic growth, poverty reduction and the social-cultural transformation of the country. For the financing of

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Bujagali to be secured, the government entered into a Public Private Partnership with Bujagali Energy Limited (BEL) through a Power Purchase Agreement (PPA) that would guarantee cash flows to repay the debt incurred. The government guaranteed to pay BEL the total capacity of the power plant, whether power is evacuated or not. Under Section 21 of the Income Tax Act, the Parliament of Uganda approved a five-year Corporate Income Tax exemption to BEL in July 2017. Despite all the interventions by the GoU, the power tariffs remain high until today.

Upon this background, an Ad hoc Committee on the Bujagali Tax Waiver was set up to investigate the intricacies of the agreements between Bujagali Energy Limited (BEL) and the Government of Uganda (GOU) to understand the effect of the arrangements on the power tariffs to consumers and now reports, under the following terms of reference:

- i. To ascertain the Government of Uganda's Equity contribution in Bujagali and the return on investment.
- ii. Establish the cost-benefit and value for money of the historical income tax exemption on Bujagali.
- iii. To assess the impact of the tax waiver on energy tariffs
- iv. To inquire into the merits of loan restructuring and its impact on the country
- v. To examine the Public Private Partnership Agreement and ascertain all parties' compliance with the terms of the agreement.
- vi. To investigate any other matters incidental to the Bujagali power tax waiver.

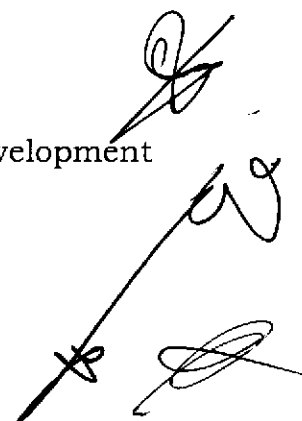

4 METHODOLOGY

The Committee held meetings, reviewed documents, and made visits.

4.1 Meetings

The Committee held meetings with the following;

- i. The Attorney General
- ii. The Auditor General
- iii. The Ministry of Finance, Planning and Economic Development (MoFPED)



- iv. The Ministry of Energy and Mineral Development
- v. The Uganda Electricity Transmission Company Limited (UETCL)
- vi. The Electricity Regulatory Authority (ERA)
- vii. Bujagali Energy Limited (BEL)
- viii. Uganda Revenue Authority (URA)

4.2 Document Review

The Committee studied and referred to the following documents;

- i. The Request For Proposals/Prospectus (RFP) concerning the development of the Bujagali Hydroelectric project dated 16th January 2004
- ii. The initialling agreement between GoU, UETCL, IPS group and World Power Holdings Luxemburg S. A.R.L dated 7th October 2005
- iii. The Memorandum and Articles of Association of Bujagali Energy Limited
- iv. The Certificate of Incorporation of Bujagali Energy Limited dated 17th August 2005
- v. The shareholders' agreement between Bujagali Holding Power Company Limited, SG Bujagali Holdings Ltd, Bujagali Energy Ltd, and the Government of Uganda dated 8th December 2007
- vi. The Power Purchase Agreements relating to the Bujagali Hydroelectric Project Uganda between UETCL and BEL dated 13th December 2005, 25th May 2007, 6th December 2007 and 18th June 2018
- vii. The Assumption and Novation deed dated 24th July 2018
- viii. The amended and restated Implementation Agreement relating to the Bujagali Hydroelectric project between GoU and BEL
- ix. The report of the Auditor General on the audit of tariff project costs for the Bujagali Hydropower plant dated 1st October 2014
- x. BEL audited annual accounts and financial statements for the years 2006 to 2021
- xi. All submissions and memoranda of invited witnesses and stakeholders.

4.3 Fact-finding missions

4.3.1 Local Field visits.

The Committee undertook a field visit to the BEL project in Jinja for an on-spot assessment of the Bujagali hydropower dam to observe and establish the physical state of the dam infrastructure.

4.3.2 Foreign comparative study visit.

The Ad-hoc Committee undertook a study visit to Kenya from 10th – 14th October 2022 where it held meetings with officials from the Ministry of Energy, Nairobi-Kenya, Kenya Electricity Generating Company PLC (KenGen), Kenya Power (KP), and the Energy and Petroleum Regulatory Authority (EPRA).

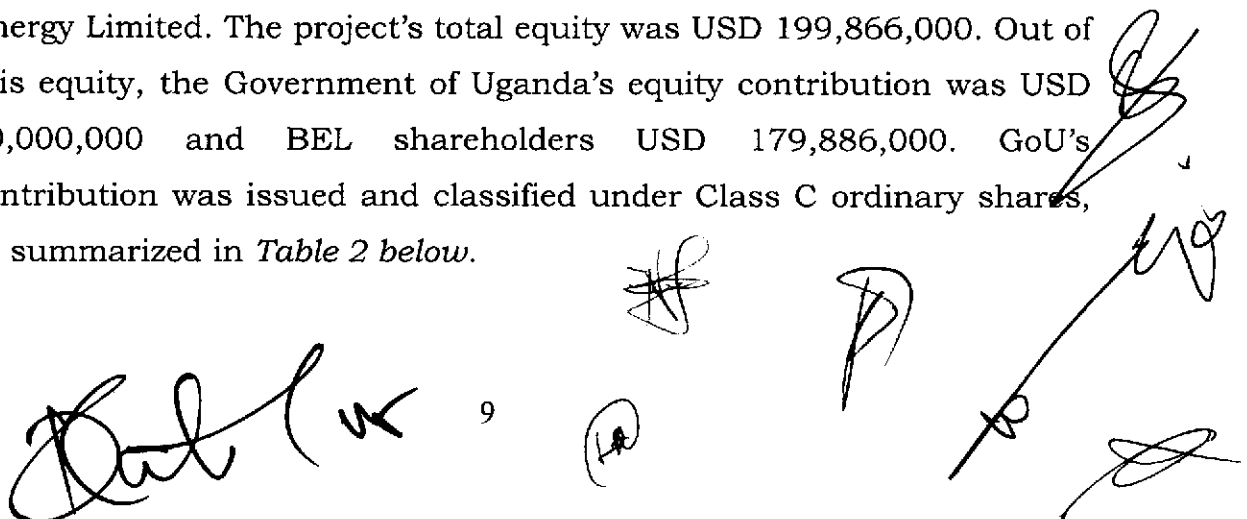
Under Rule 33 of our Rules of Procedure, I beg to lay the delegation's report.

5 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

The Ad-hoc Committee investigations elicited findings, observations and recommendations in light of the terms of reference as demonstrated below.

5.1 TOR 1: To ascertain the Government of Uganda's Equity contribution in Bujagali and the return on investment.

On 8th December 2007, the GoU entered into a shareholders' agreement related to the operation of Bujagali Energy Limited with Bujagali Holding Power Company Limited, SG Bujagali Holdings Limited and Bujagali Energy Limited. The project's total equity was USD 199,866,000. Out of this equity, the Government of Uganda's equity contribution was USD 20,000,000 and BEL shareholders USD 179,886,000. GoU's contribution was issued and classified under Class C ordinary shares, as summarized in Table 2 below.



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Table 2: Shareholding in the BEL project

Sn	Shareholding	Class A (USD)	Class B (USD)	Class C (USD)	Total Equity(USD)
1	GoU	0	0	20,000,000	20,000,000
2	BEL	10,000,000	169,886,000	0	179,886,000
	Total				199,886,000

Source: BEL shareholder's agreement

The equity contribution to the project by the sponsor were in two parts: expenditure incurred by the sponsors between 2005-2007; cash contributions from investor. Expenditure incurred between 2005-2007 amounted to USD 20,663,167, split between Sithe Global (USD 11,163,127) and Industrial Promotional services (USD 9,500,040). Further contributions to the tune of USD 159,222,833 were made in 2007, 2008 and 2012. The equity contribution of USD 20,000,000 by GoU was in kind.

For the GoU, the Certificate of shares number 6 issued under the Common seal of Bujagali Energy Limited to the Minister holding the Finance, Planning and Economic Development portfolio allotted a total of **360,000 Class "C" ordinary shares** at **UGX 100,000** each to GoU. This is the equivalent of a capital contribution to the project of **UGX 36.170 Bn** with no voting rights as a shareholder in the company, as per Clause 13.1(b) of the agreement.

Under the agreement in Clause 4.1 (f), the GoU's equity contribution is not entitled to payment of dividends and no redemption of Class "C" shares until the repayment of the Tariff Debt and Interest on the Tariff Debt components of the capacity payments to zero.

The Committee noted that BHPCL and Sithe were issued Class A shares equal to 50.25% and 49.75% of all authorised A shares, respectively. Additionally, BHCPL was issued Class B shares, including the share premium, provided their contribution for A and B shares does not exceed

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USD 60 million. On the other hand, Sithe was also issued A and B shares with a share premium subject to the company's Articles of Association.

The Committee established that the financing mechanism of the project was incorporated in the Tariff Equity Repayment and Return (TERRm) computation based on a standard amortization formula (*Figure 1* below) to derive regular payments for 30 years under Section 4.4 of Annex D of the PPA to maintain the return of 19% as per the PPA. The Committee could not establish how the 19% ROE was negotiated. However, the Committee established that the proposal evaluation criteria (first revision of 23rd Feb. 2005) set by GoU capped the IRR at 20%.

Figure 1: Amortization formula

The Tariff Equity Repayment and Return component of the Capacity Payment for any month 'm' shall be calculated by using the following formula:

$$TERR_m = \frac{AggTE \times \left[\frac{EY \times (1 + EY)^{-1/2}}{1 - (1 + EY)^{-30}} \right]}{12}$$

where:

TERR_m means the amount of Tariff Equity Repayment and Return component of the Capacity Payment for the month 'm';

EY means the Equity Yield; and

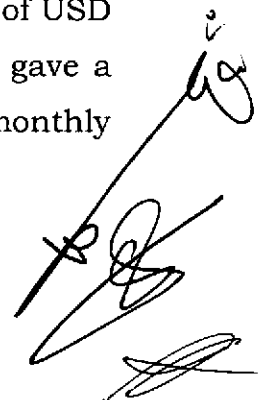
AggTE means the Aggregate Tariff Equity as of the Commercial Operations Date or the Final Determination Date, as the case may be.

Source: Power Purchase Agreement

The Committee noted that the Electricity Regulatory Authority used the above formula to compute the capacity payment based on aggregate equity of **USD 176,929,922** and projected an amortized interest of USD **206,544,707 for a period of 5 years**. The result of the above gave a future value of **USD 383.475 million** hence resulting in a monthly capacity payment (TERRm) of **USD 5,596,204.35**.







Observations

The Committee observes that:

- i. The issuance of Class "C" shares to GoU with no voting rights denies the government the latitude to contribute to the governance of BEL and a return on its investment despite GoU's investment of USD 20 million.
- ii. Under Clause 1.1 on the interpretation clause in Annexure D of the Power Purchase Agreement, the financial yield for BEL's shareholding is put at 19% per annum. Accordingly, BEL Class A and B shares are entitled to a dividend under the agreement. As at June, 2022, BEL had paid out dividends to the tune of **USD 475,740,964** as detailed in *Table 3*.

Table 3: BEL dividends payments at 19% to Class "A" and "B" shareholder

Sn	Year	Dividends paid (USD)
1	2013	4,141,513
2	2014	3,780,188
3	2015	26,442,739
4	2016	68,926,536
5	2017	65,449,998
6	2018	68,500,000
7	2019	72,000,000
8	2020	69,000,000
9	2021	65,000,000
10	2022	32,500,000
	TOTAL	475, 740,974

Source: BEL Directors reports and audited financial statements.

- iii. The **19% ROE** was very high given the bank lending rates at the time of 6.5%. ERA attributed the high rate to the country's low credit rating, coinciding with the global financial crisis (credit crunch) at that time. **The return on equity of 19% accounts for 52% of the capacity payment.**
- iv. The Committee established that at the commencement of the project, as part of the Implementation Agreement, Government of Uganda undertook to lend Bujagali Energy Limited USD 90m as a fast track advance loan payable after 6 months. Besides the fact that this loan was undisclosed in the loan payment schedules of BEL, the Committee established that only USD 75m was disbursed

to BEL, and the same was repaid back to GoU as agreed on 21st December, 2007. The Accountant General in his letter to the Managing Director of BEL of Ref. AGO/141/169/01 dated 14th December, 2007 (*Appendix 1*) guided that the reimbursement be effected in two batches on the accounts below;

Account Name (USD Acct)	Number	Amount (USD)
Energy Fund	299.227054.1	19,000,000
UETCL Line ESCROW	208.209283.1	56,000,000
TOTAL		75,000,000

On 31st December 2007, the loan was repaid in two batches of USD 55,999,993.96 on account number 208.209283.1 and USD 18,999,993.96 on account number 299.227054.1 (*Appendix 2*). The Committee was informed by the Minister for Finance, Planning and Economic Development that the balance of USD 15m was expensed to UETCL for other related costs such as VAT, NEMA, Stamp duty and insurance. The Committee was not provided with evidence of these expenses by UETCL.

- v. Whereas ERA considered equity injection of **USD 176,929,922** by BEL to compute the amortized interest and future value, the basis of which monthly payments of **USD 5.596 million** were being made, the actual equity contribution was **USD 179,886,000**. Table 4 provides the breakdown of how the contribution was brought in and its projected future return.

Table 4: Equity injection by BEL

Date of Equity Injection	No of Months from Date of Equity Contribution to Final Date	TEC = Act x (TE / ActE) (USD)	AEUDC(@19% EY) = TEC x $\frac{[(1+EY)^m/12 - 1]}{12}$ (USD)
24-Dec-07	55.3	170,063,127	209,016,599
04-Jan-08	54.9	821,725	999,520
07-Jan-08	54.8	1,148	1,396
28-Jun-12	1.1	7,736,000	124,664
02-Jul-12	1.0	12	20,368
Total		179,886,000	210,162,547
AggTE (USD) = TEC + AEUDC = 179,886,000 million + 210,162,547 million = 390.048.547 million			

Source: BEL's Report and Audited Financial Statements

- vi. Based on the formula and ERA's computation of **USD 5.596 million** capacity payment per month to BEL over a period of 30 years, the total financial obligation would amount to **USD 2,014,633,440 (2012-2042)**.
- vii. As indicated in *Table 2* above, by 2012, the Equity of BEL Class A and B shareholders was **USD 179,886,000**. The anticipated interest computed by BEL from 2007 to 2012 was USD 210,162,547 giving a **future value before tax of USD 390,048,547**.

Rt. Hon Speaker and colleagues, the projected future interest (supposed to be earned at ROE 19%) that was used to determine the future value indicated above was never subjected to tax. **The interest of USD 210,162,547 ought to have been offset by a provisional tax component at 30% amounting to USD 63,048,764**. Therefore, the future equity value of Class A and B shareholders by the end of 2012 should have been **USD 326,999,783** as illustrated below:

⇒ Net Income: - *Interest – Provisional tax component*

$$\text{USD } 210,162,547 - \text{USD } 63,048,764 = \text{USD } 147,113,783$$

Therefore, Net Income = USD 147,113,783

⇒ Aggregate equity: - *Net Income + Initial equity contribution*

$$\text{USD } 147,113,783 + \text{USD } 179,886,000 = \text{USD } 326,999,783$$

Therefore, Aggregate equity by 2012 = USD 326,99,783

- It is the USD 326,999,783 which should have been used to compute the TERRm for Bujagali during capacity payment calculation instead of USD 383.475m.
- If USD 326,999,783 had been used, it would have given a monthly TERRm of USD 4,771,970 in 2012, 3,749,090 in 2013, 2,814,414 in 2014, and 2,301,375 in 2015 onwards, instead of USD 5,596,204.

Rt. Hon. Speaker and colleagues, to make matters worse, BEL shareholders started redeeming (removing) their shares from 2013 up to 2015 as per *Table 5 below*:

Table 5: BEL Redeemed Shares

Year	Redeemed Shares (USD)
2013	70,358,500
2014	64,220,100
2015	35,307,400
Total	169,886,000

Source: BEL Financial Accounts

- Therefore, by **2015, the equity of BEL stood at USD 157,113,783 having removed a total of USD 169,886,000** in three years (326,999,783-169,886,000)
- Following the share redemption, computation of capacity payment should have been based on the remaining equity balances from 2013 to 2015. Unfortunately, computation of payments to BEL continues to be based on a wrong original equity value of USD 383,474,629.
- If the computation was to be done taking into consideration the redemption of shares as well as compliance with the tax provisions, the resultant capacity payments going forward would have been as demonstrated in the *Table 6*:

Table 6: Equity Redemption & Capacity Charge in USD

Year	Equity (USD)	Equity Redemption/Removal (USD)	Ideal Annual TERR (USD)	Ideal Monthly TERR (USD)	Paid monthly TERR
2012	326,999,783		57,263,634	4,771,970	5,596,204
2013	256,641,883	70,358,500	44,989,122	3,749,090	5,596,204
2014	192,421,186	64,220,100	33,772,969	2,814,414	5,596,204
2015	157,113,783	35,307,400	27,616,508	2,301,375	5,596,204
2016	157,113,783		27,616,508	2,301,375	5,596,204

2017	157,113,783		27,616,508	2,301,375	5,596,204
2018	157,113,783		27,616,508	2,301,375	5,596,204
2019	157,113,783		27,616,508	2,301,375	5,596,204
2020	157,113,783		27,616,508	2,301,375	5,596,204
2021	157,113,783		27,616,508	2,301,375	5,596,204
2022	157,113,783		27,616,508	2,301,375	5,596,204
Total			329,341,281		

- The total payment to BEL from **2012 to 2022 ought to have been USD 329,341,281**. Instead, GoU paid to BEL a monthly amount of USD 5,596,204 totaling to **USD 671,539,470 in ten years**. This wrong calculation resulted into an **excess payment to BEL so far of USD 342,198,189**.

Rt. Hon. Speaker and colleagues, based on this calculation amortized over a 30-year period ending 2042, GoU would pay BEL only up to **USD 881,671,441** instead of **USD 2,014,633,440** which is based on the current wrong calculation costing the country an additional **USD 1,132,961,999**.

Impact on Final Consumer Tariff

The critical impact of all this is how it affects the final consumer tariff. The current consumer tariff in Uganda stands at **8.49 cents per kwh**. This was after the refinancing agreement of July, 2018 and tax exemption given in July 2017. However, based on the **correct computation, the tariff would be US Cents 5.72 kWh** after the refinancing agreement of July 2018 and the tax exemption of July 2017. The Committee observed that even if the 30% corporation tax was to be imposed on BEL, still the tariff would be US Cents 6.55 per kWh, which is still lower than the current one of US Cents 8.49 cents per kWh.

The tariff is derived as illustrated below:

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Current capacity payment to BEL is composed of:

$$CPm = RTDm + ITDm + TERRm + CITm + OTm + OMm + MCm + GOUERRm$$

RTDm	-	2,276,921
ITDM	-	1,707,973
TERRm	-	5,596,204
CIT	-	0
OTm	-	0
O & Mm	-	400,234
MCm	-	247,009
Total	-	10,126,340

Current tariff: US Cents 8.49 kWh

Therefore, power sold based on the current power tariff and the capacity payment value above is 119,273,733 Kilo Watts (Capacity Payment divided by the tariff).

If the TERRm is **USD 2,301,375** effective 2015 as derived from the earlier computation (refer to Table 6 above), then the new CP would be **USD 6,831,511**

Therefore, with the same power generated at 119,273,733 kilo Watts, the tariff would be: - $Tariff = \frac{6,831,511}{119,273,733} = 0.0572$

Hence a tariff of **US Cents 5.72 cents per kWh.**

Assuming there was a corporate income tax of 30% in the capacity payment computation, the TERRm would be **USD 3,287,680** from **USD 2,301,375.**

The impact on tariff would be as follows:

$$\text{The new Capacity Payment} = \frac{7,817,816}{119,273,733} = 0.0655$$

Hence a tariff of **US Cents 6.55 per kWh**

These two tariff figures are much lower than the current tariff of **US Cents 8.49 per kwh.**



Recommendations

The Committee recommends that:

- i. BEL should refund to Government of Uganda the excess payment of USD 342,198,189 for the period of ten years since 2012 plus surcharges.**
- ii. BEL should be held liable for not declaring the provisional component of tax on the purported income earned before the commissioning of the project amounting to USD 63,048,764.**
- iii. Uganda Revenue Authority is hereby directed to recover all the taxes due from BEL prior to the exemption.**
- iv. ERA going forward should compute Capacity payments as per the adjusted equity of USD 157,113,783 after 2015 following the share redemption by Bujagali Energy Limited.**
- v. The Inspectorate of Government (IGG) should take interest in inquiring into the operations of the Electricity Regulatory Authority in the amortization of the return on equity of Bujagali Energy Limited to establish culpable officers of ERA who amortized a wrong return of equity for BEL with a view of prosecution.**
- vi. Government of Uganda should renegotiate the agreement with Bujagali Energy Limited.**
- vii. Government should institute a strong monitoring team to ensure the integrity of the facility until its handover.**
- viii. The IGG should investigate the USD 15 million expensed through UETCL to ascertain how, where and whether the money was spent.**
- ix. The Auditor General audits the application of USD 15 million expensed to UETCL.**

5.2 TOR 2 and TOR 3: Establish the cost-benefit and value for money of the historical income tax exemption on Bujagali and assess the impact of the tax waiver on energy tariffs

The Committee established that the Auditor General undertook a special audit on BEL in 2014 on a special request by the government to audit the Tariff Project Costs regulated by the Electricity Regulatory Authority (ERA). The procedures performed during the audit were solely to establish whether the Tariff Project Costs reported as USD 875.11 Million were:

- i. Reflective of the actual costs for the project
- ii. Prudently incurred following the original designs, and
- iii. Reflective of value for money.

The audit revealed USD 756.86 million as the final Tariff Project Costs to be reflective of the actual costs for the project, and this was prudently incurred per the original designs. However, the project's price appeared high compared to other Hydropower projects in terms of overall project cost, electro-mechanical cost, and turbine and transformer cost. The high cost was attributed to the fact that BEL borrowed USD 590,774,704, which included high debt financing costs such as the interest during construction of USD 111,695,338 and lenders' administrative costs of USD 23,765,026. Additionally, there was an interest to be paid after the commercial operations date of USD 334,591,153 equivalent to UGX 1,271,446,381,400.

The Audit also revealed that Bujagali Energy Limited met an insurance loss of USD 163,063.30 resulting from lost equipment of ALSTOM (a subcontractor of Salini), and that 70% (USD 114,144) of this cost which should have been met by the contractor Salini, was charged to the tariff project costs.

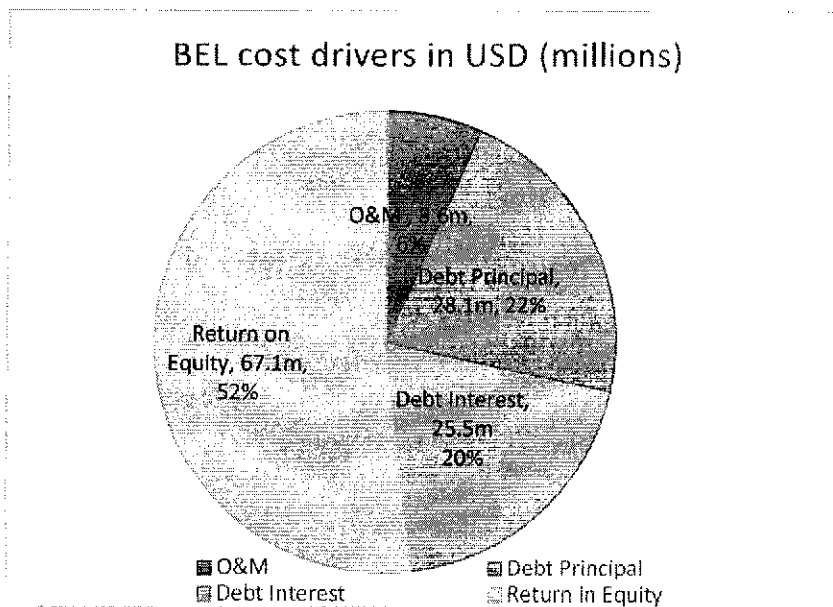
The Committee established that the license issued by ERA and the Power Purchase Agreement defines the BEL Capacity price to include the following and their respective percentage contribution;

- i. Debt repayment,
- ii. Interest on debt,
- iii. Return on Equity Payment,

- iv. Corporate Income Taxes,
- v. Other Taxes,
- vi. Operations and Maintenance Costs for the Power Plant,
- vii. Miscellaneous Charges, and
- viii. Government Equity Repayment.

Their respective percentage cost drivers are summarised in *figure 2* below.

Figure 2: BEL cost drivers



Source: MoFPED.

The total cost, as indicated in the ^{chart} above, is USD 129.3 million pa. Under Section 21 of the Income Tax Act, the Parliament of Uganda approved a five-year CIT exemption in July 2017. The exemption was on the income earned by BEL operating the Bujagali Hydro Power Project. According to URA, for the income tax exemption period commencing 2018 to 2021, BEL declared exempt income resulting in potential CIT foregone of UGX. 388,700,102,922 as per *Table 7*.

Table 7: Potential CIT foregone

Year	Exempted Income	Potential foregone CIT
2018	361,335,734,467	108,400,720,340
2019	333,466,927,758	100,040,078,327
2020	302,455,344,738	90,736,603,421
2021	298,409,002,778	89,522,700,833
TOTAL	1,295,667,009,741	388,700,102,921

Source: URA

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The waiver of the CIT to BEL was one of the interventions carried out by the government to reduce the generation tariff (Capacity price) payable to BEL and, by extension, a reduction of the end user tariffs. The cost driver of the tariff charged by BEL includes; debt service, Return on Equity, and operation and maintenance costs. The Ministry of Energy and Mineral development demonstrated the advantages of the waiver, including the reduction of the end-user tariff, as elaborated in Table 8.

Table 8: Impact of CIT waiver on the Bujagali Project Tariff

Period	BEL CIT waiver (US cents per kWh)		
	Before waiver	After waiver	Change
2018-2022	13.83	10.62	3.21

Source: Submission of Ministry of Energy and Mineral Development

The Ministry of Energy informed the Committee that the tariff for Bujagali in 2018 was US cents 13.83 per kWh and was one of the most significant contributors to the high-levelized tariff. This was set to increase to US Cents 14.23 in 2022. The waiver reduced the tariff by US Cents 3.21, which increased electricity by extra-large industrial consumers to 53% of their installed capacity. Additionally, the Finance Ministry informed the Committee that the electricity tariff for the extra-large industrial customer category was reduced from US cents 10 kWh to US cents 8.3 kWh representing approximately a 17% reduction with US cents 5 kWh for the off-peak time of use period. The extra-large industrial customers are large electricity users, with electricity contributing a significant component to the overall cost structure. High electricity tariffs pose a threat due to competition from the region for the export market. These are utilizing 53% of their installed capacity and have the potential to invest further to grow capacity and consume more electricity with favorable tariffs.

The affordability and availability of electricity in Uganda has slightly improved since the construction of the Bujagali Hydro Power (BHP)

project and the granting of a CIT waiver on the operations of BEL. The Energy Regulators Association in East Africa's economic report extracts (2020) shows how Uganda compares to its peers in the region on end-user tariffs¹, as demonstrated in Table 9.

Table 9: End user tariff for each member country as at December 2019

Category	Kenya	Rwanda	Tanzania	Uganda	Burundi	Zanzibar
	US cents/kWh	US cents/kWh	US cents/kWh	US cents/kWh	US cents/kWh	
Domestic lifeline	12.70	9.90	4.38	6.70	4.70	3.40
Domestic other	18.70	20.30	15.33	20.00	23.80	20.60
Small Commercial	18.50	21.40	12.79	7.70	17.30	8.20
Medium Industries	14.00	10.90	8.54	15.80	18.20	12.40
Large industries	13.10	10.70	6.66	9.70	12.40	7.70
Extra large Industries				8.10		
Street lighting	10.20	20.60	12.79	9.90	N/A	11.40

Source: Energy Regulators Association in East Africa

Since the Bujagali hydropower was completed and commissioned, the generation capacity is sufficient to avoid load shedding². Uganda's generation capacity in 2012 was 868.9 MW (862.5 MW on grid and 6.39 MW off-grid), consisting of 630 MW of large hydropower, 56.8 MW of small hydropower, 153.1 MW of thermal generation, and 29 MW of bagasse cogeneration³. Currently, the Bujagali power plant contributes 45% of the country's annual electricity generation⁴. The power generated from Bujagali has contributed to the needs of Uganda's population by enhancing access to reliable electricity supply. According to the World Bank Global Electrification Database (2020), the electrification of the urban and rural populations increased by 21.8%

¹ Energy Regulators Association of East Africa (2020). *End user tariffs for various consumer categories electricity taxes, levies and subsidies, demand and supply balances for EAC as at December 2019.*

²

Ministry of Energy and Mineral Development. (2015). *Uganda's Sustainable Energy for all (SE4All) Initiative Action Agenda.*

³ Ministry of Energy and Mineral Development, 2012 Statistical Abstract

⁴ Fact sheet: World Bank Group support for Uganda's Hydropower project

and 21.3%, respectively, between 2012 and 2020, as shown in *Table 10*. This can be attributed to the contribution of the 250 MW Bujagali hydropower dam to the total installed electricity capacity.

Table 10: Access to electricity in Uganda

Category	2020	2012
Urban Population	42.1%	20.3%
Rural Population	32.8%	11.5%

Source: World Bank Global Electrification Database (2020),

The Electricity Regulatory Authority estimates that as of December 2021, the installed electricity capacity in Uganda was 1,346 MW. However, with investments such as the Bujagali project, Uganda continues to have one of the lowest electrification rates in the world at 24%⁵ due to, among other factors, high tariff costs borne by the final consumer through a capacity charge. Despite the reduced power blackouts and lowered tariff costs, the power generated by BEL is still considered relatively high.

Observations

The Committee observes that:

- i. Even with the government intervention of the tax waiver on BEL operations and the refinancing of the Bujagali hydropower project, the current tariff (Bujagali's US cents 8.30 per kWh) is still over and above the government target of US cents 5 per kWh. The current Capacity charge of 8.30 per kWh remains costly to domestic consumers and is deterring industrial consumers' accelerated growth and competitiveness.
- ii. In the audited financial statements of BEL, the operating revenue consists of taxes, operation, maintenance costs, and miscellaneous charges. These were estimated and included in the capacity payment charge and were excessive, which led to operating revenue. This, in effect, would have been a refund to GoU

⁵ Oscar D. A & Richard P. S: *Uganda Electricity Supply Accelerator increase energy access in Uganda*. Power Africa Uganda Electricity Supply Accelerator

as an excess payment visa vie the actual. Therefore, the corporation tax purported to be on this revenue is taxing government money which should not have been the case if the refund was done.

- iii. The significant cost driver is the uncapped/unregulated dividend payouts (ROE) to BEL shareholders. The retained earnings, an income of BEL, should have been subjected to tax, and the effect would be paid net of tax instead of gross payments. Therefore, the CIT in the formula should apply to earnings resulting from 19% ROE.
- iv. The National Audit Act 2008 was not complied with as the Auditor General was supposed to audit the expenses of BEL by virtue of GoU being a shareholder.
- v. Electricity utilities are monopolies, and it is paramount that the regulator protects the interests of the end-user customer with little or no alternative for electricity. The government can achieve this by capping the Rate of Return on Equity (ROE). The determination of the utility's total revenue requirement, which represents the amount of money a utility must collect to cover its costs and make a reasonable profit, must be capped to keep the final tariff cost affordable by the end user.
- vi. If Parliament does not approve the extension of the CIT exemption, BEL will incorporate the appropriate amounts in the tariff following the formula. With or without the exemption, BEL would remain in the same economic position in that if it paid the CIT, it would still recover the money expended on CIT by charging a higher tariff.
- vii. Hydro plants are temperamental because they depend on natural weather. The higher the rain, the more generation. This helps determine the average Capacity Utilization Factor of a dam over its life during operation. The Ministry of Energy and Mineral Development has never undertaken any feasibility study to estimate the agreed utilization factor to be incorporated at the signing of the PPA. Establishing the actual average utilization

factor determines its impact on the final tariff. The higher the utilization factor beyond what was agreed upon, the lower the tariff cost and vice versa.

- viii. BEL has never declared whether or not they have a surplus or deficit of operation and maintenance costs, miscellaneous charges and other taxes, which would cause a refund or a charge to the government.
- ix. Even with the government intervention of the tax waiver on BEL operations and the refinancing of the Bujagali hydropower project, the current tariff (Bujagali's US cents 8.30 per kWh) is still over and above the government target of US cents 5 per kWh. The current Capacity charge of 8.30 per kWh remains costly to domestic consumers and is deterring industrial consumers' accelerated growth and competitiveness.

Recommendations

The Committee recommends that:

- i. **The Auditor General should audit BEL as per the National Audit Act, given that the GoU is a shareholder in the project. Specifically, the Auditor should undertake a value-for-money audit on BEL to establish the actual effect of the cost drivers on the tariff.**
- ii. **Through the Ministry of Energy and Mineral Development, the GoU should initiate processes to renegotiate the PPA agreements with Bujagali Energy to provide a capped ROE and Utilization Factor to reduce the tariff costs before deciding to extend the tax waiver.**
- iii. **From our findings in TOR 1, the CIT waiver could have had an impact on lowering the tariff to 6.55 USD /kWh if the computation of capacity payments was done using the correct TERRm. Therefore, the consideration of extension of CIT waiver should only be made after the refund of excess payments by BEL and completion of renegotiation.**

5.3 TOR 4: To inquire into the merits of loan restructuring and its impact on the country

The loan restructuring of the BEL project arose from a matter of high electricity costs, raised by H.E. the President of Uganda, at the 28th summit of Heads of State and Governments of the African Union on 30th January 2017. The high electricity costs prompted assurances from the President of the African Development Bank (ADB) to support Uganda's efforts towards providing affordable electricity at the summit. Subsequently, the President directed the Ministries in charge of "*Energy*" and "*Finance*" to explore measures to reduce power tariffs to **US Cents 5 per kWh**.

The Ministries identified the cost of Bujagali's project debt, exacerbated by its short-term tenor of 12 years from the start of construction and the corporate income tax to be applied effective 2017, to be critical drivers for the high tariff costs. After negotiations with the identified financiers, a "no objection" for the appointment of ADB and International Finance Corporation (IFC) as joint mandated lead arrangers for the proposed refinancing, with Stanbic Bank Uganda (SBU) as transaction advisor was received on 23rd February 2017. The Ministries of "*Finance*" and "*Energy*" presented five financing proposals to the Cabinet vide Memo CT (2017) 16, and after consideration, Cabinet under minute extract 87 (CT)2017;

- a) Noted the budgetary requirements for reducing the end user power price to **USD 7.1 per kWh** during the **FYs 2017-2023**;
- b) Rejected the proposal to reduce the end-user power price paid by all industrial consumers to **USD 5 per kWh** through subsidies and;
- c) Approved the renegotiation of the terms of the ADB proposal for the Bujagali project refinancing as follows:
 - i. *Refinance **USD 504.707M** of the existing Bujagali project debt, replacing the current project lenders with new investors;*

- ii. The ADB, together with other development fiancé institutions, provision of guarantee for repayment to the new project lenders;
- iii. An interest rate of 6.25% per annum;
- iv. New Debt Service Reserve Account (DSRA) requirement amounting to **USD 26.17M**;
- v. New loan tenure of 15 years from July 2017 to June 2032;
- vi. Issuance fees totalling **USD 38.07M** are to be paid upfront from the loan amount;
- vii. Existing Bujagali Project loan cancellation with loan breakage penalty costs amounting to USD 9.08M.

In a bid to reduce power tariffs in 2016, the Minister of "Finance" informed the Committee that GoU, through lead arrangers IFC and AFDB, refinanced the project through a loan to a tune of **USD 444,306,224**, repayable over 14 years ending November 2032.

Table 11: Movement of loans of the BEL project

Before refinancing				After refinancing			
Approved Loan	Disbursed amount	Principal repayments	Loan Bal as at 30/Jun/2018	Approved Loan	Disbursed amount	Principal repayments	Loan Bal as at 30/Jun/2018
706,800,000	702,470,042	278,823,885.08	423,646,156.92	444,306,224	403,415,849.14	382,755,782.51	444,306,223.55

Source: Bugagali Energy Limited.

It is important to note that whereas the approved loan was USD 444.3 million, the amount disbursed was USD 403.4 million. The difference of USD 40,890,375 is not accounted for. If it is assumed that USD 38.07 million was paid as issuance fees of the difference, the discrepancy of USD 2.83 million would still not be accounted for.

Table 12: Loans status after refinancing decision

Loan movement after refinancing as at 30/Jun/2022		
Loan Bal as at 31/Jul/2018	Principal repayments	Loan Bal as at 30/Jun/2022
444,306,223.55	103,317,152.05	340,989,071.50

Source: Bugagali Energy Limited

Table 13: Loan interest payments and operational fees to lenders as at 30/Jun/2022

Money incurred in interest payments and operational fees		Amount (USD)
Interest payments on loans to lenders	During construction	106,047,264.46
	During operations	204,052,162.80
	On refinanced loans	105,606,637.68
Operational fees paid to lenders	Commitment fees	6,844,416.92
TOTAL		422,550,481.86

Source: Bugagali Energy Limited.

According to the Ministry of "Energy", GoU achieved financial close for debt refinancing of the project in addition to the waiver, and the two components have had a consolidated effect of reducing the tariff by US Cents 5.34 per kWh, as demonstrated in Table 14 below.

Table 14: Impact of CIT waiver and Debt refinancing on Bujagali project tariff

Period	BEL CIT waiver (US cents per kWh)				Change
	Before refinancing	waiver	+	Debt	
2018-2022	13.83			8.49	5.34

Source: Submission of Ministry of Energy and Mineral Development

The Ministry attributed the high tariff costs to the higher payments required to finance the initial loans in the short term. Therefore, refinancing was intended to lower the tariff costs.

Following the debt refinancing and CIT waiver, the Ministry of "Energy" and "Finance" reported that the average monthly capacity payments payable to BEL reduced from **USD 13 million** in 2018 to **USD 10.8 million** in 2021, translating into monthly savings of **USD 2.2M (USD 26.4M annually)**, an equivalent of **UGX 100.32 Bn** at an exchange rate of **UGX 3,800 per USD**. The electricity tariff was reduced from an average of USD 13.83 kWh to an average of USD cents 8.49 kWh for 2018 to 2022, translating to a 38.6% reduction, representing approximately 17% reduction with US Cents 5.34 per kWh for the off-peak time of use period.

W²⁸

Observations

The Committee observes that:

- i. The refinancing increased the debt from the outstanding loan from **USD 423 million at the time of refinancing to USD 678 million (an increase of 37%)**, which meant that government would lose **USD 255 million** as the result of refinancing, which is supposed to be paid by 2032 as opposed to the earlier timeline of 2023.
- ii. The refinancing of the Bujagali Hydropower project using debt is becoming more expensive to the government because there is an extra cost of interest and lenders' financing charges, all of which must be recovered through the tariff charge. Additionally, the refinancing to the tune of USD 444,306,242 attracted an issuance cost of USD 38,070,000, which occasioned a 9.4% loss on the principal amount compared to an average of 1% of the principal fee for processing a loan.
- iii. Before refinancing, GoU had a running loan balance of USD 423 million. The refinancing to the tune of USD 444 million created an additional USD 21 million cost on the borrowing. If the USD 38.07 million were used to offset part of the loan, the GoU would have been relieved of a significant amount from the principal sum.
- iv. The GoU was to earn a return on its investment of USD 20 million by 2023 after the repayment of debts, but the project refinancing extended the repayment period from 2018 to 2032. By implication, the extension implies that the GoU would earn its return on investment when the capital invested in the project has depreciated over the years and may require significant investment in rehabilitation to maintain the production capacity.

Recommendations

The Committee recommends that:

- i. **Government should buy out a percentage of the debt to lower tariff costs in the long term. Additionally, financing projects such as the Bujagali hydropower project through internally generated resources like equity would be cheaper. Government should consider the listing of UEGCL to solicit capital from the public.**
- ii. **The MoFPED should account for the USD 2.83 million.**

5.4 TOR 5: To examine the Public Private Partnership Agreement and ascertain all parties' compliance with the terms of the agreement.

5.4.1 Taxation

Article VIII section 8.1 of the Implementation Agreement and Article XII Section 12.1 of the Power Purchase Agreement require that the company shall be subject to all taxation in Uganda applicable to a Ugandan Company. From the records obtained by the Committee, BEL did not pay a provision for Corporate Income Tax in respect of the projected earnings totaling to USD 63,048,764 during the first five years of development of the project.

Observation

The Committee observes that the non-compliance before the tax exemption to BEL was a violation of the agreements as executed by the parties.

Recommendation.

The Committee recommends that URA should undertake a comprehensive tax audit on BEL to ascertain compliance with tax obligations.

5.4.2 Net Electrical Output

Article III section 3.1 of the Power Purchase Agreement provides for the Net Electrical Output, and Schedule I to that agreement provides for the Minimum Functional Specification for the contracted capacity of

250MW. The agreement further stipulates that the Power Station shall be capable of delivering the contracted capacity at the Normal Hydraulic condition, with a total flow through the five turbines that does not exceed 1375m²/s.

The Committee was informed that only 160MW of power is being loaded onto the national grid by BEL. This is in violation of the terms of the Power Purchase Agreement. From the field visit to Bujagali Hydro Power Dam, the Committee was informed that production is determined by demand from the UETCL. As such, BEL only produces what is being demanded from it by UETCL which normally averages at 160 MW.

Observation

The Committee observes that whereas the dam has the potential to produce at maximum capacity, the actual production is not proportional to the capital investment. As such, the dam is underutilized, yet the demand for power in the country is high.

Recommendation

UETCL should put in place strategies to increase power supply so as to meet the growing demand.

5.4.2 Fixing Corporation Income Tax (CIT)

Under Item 4.5 of Annex D of the Power Purchase Agreement; the parties undertook to agree on a reasonable estimate of the Company Income Tax payable by the Company during each agreement year. This according to the agreement should be agreed by the parties not later than one month before the start of each agreement year and shall be the basis of the capacity payment for that agreement year. There is no evidence provided to the committee as to when the parties ever agreed on a reasonable Corporate Income Tax payable by the company. This was a violation of the Power Purchase Agreement.

5.4.3 Insurance Requirement

Article IX, section 9.1 of the Implementation Agreement provides for Insurance. It requires the Company to maintain specific policies and undertake insurance from financially strong and nationally or internationally reputable Insurance companies in accordance with the Power Purchase Agreement.

According to the report of the Auditor General, Bujagali Energy Limited met an insurance loss of USD 163,063.30 when it paid out USD 753,759 for the lost equipment of ALSTOM (a company sub-contracted by Salini) that was on transit to the site. Despite the fact that there was an insurance claim and a subsequent compensation to BEL of USD 590,695.70; it still suffered a loss of approximately USD 163,063 that should have been incurred by the contractor who was required to insure the items on transit. BEL consequently included the **USD 114,144** (70% of the loss) in the tariff project cost which was indeed irregular and a violation of the Agreement.

Recommendation

BEL should refund GoU the wrongly claimed insurance costs with interest.


6 CONCLUSION

The Committee set out to investigate the Bujagali tax waiver and believes it has done so. This report is based on our analysis of the agreements between GoU and Bujagali Energy Limited and prevailing power tariffs. The haemorrhage and repatriation of resources from Uganda have been modernised through treaties and memorandums of understanding. Investors represented by sophisticated lawyers impose miserly terms on the government and employ tax dodgers to bleed profits from the destitute situations in which the government finds itself. In the case of the Bujagali power project, the government was in a poor bargaining position, it did not have the resources to fund the project, and the country could not

afford any further delays. The Committee is of the opinion that government should intentionally protect the public interest and always take an active lead role in monitoring strategic and significant projects such as the Bujagali Hydropower Plant. During the investigation, it was unclear who was ultimately responsible for monitoring the activities of BEL as the Ministry of Energy and Mineral Development assumed some tasks while MoFPED has responsibility as well. In contrast, others were assumed by UETCL as the executor of the PPA.

Therefore, the Committee strongly calls upon Parliament to compel the government to renegotiate with Bujagali Energy Limited, the terms in the PPA, before deciding to extend the tax waiver. This is in addition to recovery of all excess payments and application of proper figures in the calculation capacity payments going forward.

I beg to move.



Appendix A: Letter of the Accountant General

Telephones: Kampala 341305, 342036

Fax No. 233524

Telegrams: "Accounts"

E-Mail: got.bwochi@fme.mofp.dn.ug

Plot No. 2-12 Apollo Kaggwa Road

In any correspondence on

this subject please quote No. AGO/141/1991



THE REPUBLIC OF UGANDA

Ministry of Finance,
Planning & Economic
Development,
Accountant General's
Office,
P.O. Box 7031,
Kampala, Uganda.

14th December, 2007

The Managing Director,
Bujagali Energy Limited Project,
P. O. Box 36498,
KAMPALA.

REIMBURSEMENT OF THE GOU FIRST TRACK ADVANCE TO BUJAGALI ENERGY LIMITED.

The reimbursement of USD 75 million (United States Dollars seventy five million only) should be credited as follows:

Account Name : Energy Fund USD Account - USD 19,000,000 (United States Dollars nineteen million)

Account Number: 299.227054.1

Account Name : UETCL LINE ESCROW Account - USD 56,000,000 (United States Dollars fifty six million)

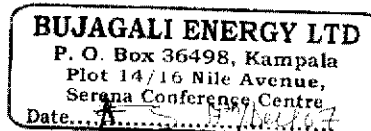
Account Number: 208.209283.1

Bank : Bank of Uganda
P. O. Box 7120, Kampala

Bank Swift Code: UGABAUGKA

Beneficiary : Government of Uganda- Ministry of Finance, Planning and Economic Development.


I. Semakula,
For: ACCOUNTANT GENERAL



c.c Permanent Secretary/Secretary to the Treasury
Ministry of Finance, Planning & Economic Development

c.c Permanent Secretary,
Ministry of Energy & Minerals Development

c.c Director Banking
Bank of Uganda.

Appendix B: Proof of reimbursement.

BANK OF UGANDA
P. O. BOX 7120
KAMPALA
STATEMENT OF ACCOUNT, FOREIGN CURRENCY

ACCOUNT NUMBER: 208.209283.1													
ACCOUNT NUMBER: 208.209283.1													
Currency: All		Date From:		Date To: 31-DEC-2007									
Balance Type: Actual		Date of Statement: 25 November 2022 12:31											
Financial Year: 2007 / 2008		Account Name: FINANCE, PLANNING & ECONOMIC DEVELOPMENT, UETOL LINE ESCROW											
Value Date	Batch	Journal	Description	Debits Foreign	Credits Foreign	Balance Foreign	DR / CR	Exchange Rate	Cod e	Debits	Credits	Balance Ugx	DR / CR
27-DEC-07	FI080122	Addition UGX User 1	Exchange Commission Offset Line BEL	0.00	0.00	0.00	DR	1.00	UGX	948,278.29	0	949,278,298	DR
27-DEC-07	FI080122	Addition USD User 1	PROCEEDS ACCOUNT UETOL LINE ESCROW	0.00	55,999,993.96	-55,999,993.96	CR	1,695.14	USD	0	94,927,829.76	-93,978,561,463	CR
31-DEC-07	Revalues DEC-08 28-JAN-2008 082493	Revalues for USD transactions		0.00	0.00	-55,999,993.96	CR	0.00	USD	0	84,406,231	-94,042,057,714	CR
Opening Balance, Foreign				0.00									
Closing Balance, Foreign				-55,999,993.96									
Opening Balance, UGX				0									
Closing Balance, UGX				-94,042,057,714									

BANK OF UGANDA
KAMPALA
CERTIFIED BY
Sign: *Y. Muhesi*
CHIEF ACCOUNTANT

Page 1 of 1

BANK OF UGANDA
P. O. BOX 7120
KAMPALA
STATEMENT OF ACCOUNT, FOREIGN CURRENCY

ACCOUNT NUMBER: 299.227054.1													
ACCOUNT NUMBER: 299.227054.1													
Currency: All		Date From:		Date To: 31-DEC-2007									
Balance Type: Actual		Date of Statement: 25 November 2022 12:31											
Financial Year: 2007 / 2008		Account Name: TREASURY OFFICE ACCOUNTS ENERGY FUND US DOLLAR											
Value Date	Batch	Journal	Description	Debits Foreign	Credits Foreign	Balance Foreign	DR / CR	Exchange Rate	Cod e	Debits	Credits	Balance Ugx	DR / CR
01-JUL-07			BEGINNING BALANCE	0.00	0.00	-418,171.50	CR	0.00		0	0	-2,477,518,932	CR
31-JUL-07	Revalues JUL-08 07-SEP-2007 269546	Revalues for USD transactions		0.00	0.00	-418,171.50	CR	0.00	USD	1,782,894.60	0	-694,524,327	CR
31-AUG-07	Revalues AUG-08 03-OCT-2007 293666	Revalues for USD transactions		0.00	0.00	-418,171.50	CR	0.00	USD	0	54,889,246	-749,413,573	CR
27-DEC-07	FI080122	Addition USD User 1	BEL PROCEEDS ACCOUNT ENERGY FUND	0.00	18,999,993.96	-19,418,165.46	CR	1,701.23	USD	0	32,323,399.72	-33,072,773,298	CR
27-DEC-07	FI080122	Addition USD User 1	EXCHANGE COMMISSION	20.00	0.00	-19,418,145.46	CR	1,701.25	USD	34,025	0	-33,072,739,273	CR
Opening Balance, Foreign				-418,171.50									
Closing Balance, Foreign				-19,418,145.46									
Opening Balance, UGX				-2,477,518,932									
Closing Balance, UGX				-33,072,739,273									

BANK OF UGANDA
KAMPALA
CERTIFIED BY
Sign: *Y. Muhesi*
CHIEF ACCOUNTANT

Page 1 of 1

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IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE No.

PO/28



State House,
P. O. Box 25497,
Kampala,
Uganda.

21st December, 2015

Dr. Stephen Robert Isabalija
Board Chairman
Uganda Electricity Generation Company Ltd.(UEGCL)
P. O. Box 37
KAMPALA

RE: BUJAGALI HYDROELECTRIC POWER PROJECT TARIFF

As you are aware, the Uganda Vision 2040 and the National Development Plan (NDP) 2015-2020, identify the development of Electricity Infrastructure as a key element to catalyze socio-economic development. In this regard, the energy sector is targeted to provide adequate and affordable electricity that is important for Uganda's competitive edge in the region as a hub for Industrial Development, Foreign Direct Investment, Manufacturing and Value Addition.

It is on this note that Government engaged Independent Power Producers to augment and fill up the energy gap that existed within the country. This has yielded positive results as Uganda's electricity supply has greatly improved over the years.

Government has, however, noted that with the issue of power supply being adequately addressed, an emerging challenge is that of the high power tariffs, which have a spiraling effect on the entire value chain of production and thus, have a negative impact on the competitiveness of the Ugandan economy as a whole.

It has been observed that the higher tariffs mainly manifest in the output from the independent power producers, key among which is the Bujagali Hydropower Plant (250 MW). Further analysis has shown that the major driver for the high tariffs is the cost of capital, coupled with changes in the macro-economic factors such as the prices of key inputs and the exchange rates. Furthermore, it has been noted that the tariff from Bujagali is envisaged to further increase in the near future.

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Handwritten initials or a small signature in black ink.

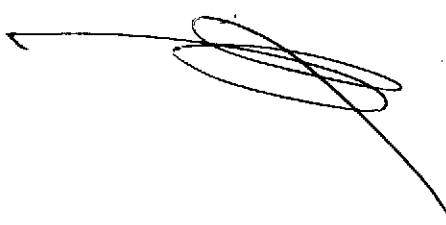
It is with this background that Cabinet agreed to further review different options on how to reduce the high power tariffs specifically from the Bujagali HPP.

I, therefore, direct that Uganda Electricity Generation Company Ltd. being the Government Agency responsible for power generation, to identify probable investors who are willing to refinance the project with lower returns on investment and interest.

Handle this task expeditiously and present your recommendations, preferably within this financial year.


Yoweri K. Museveni
P R E S I D E N T

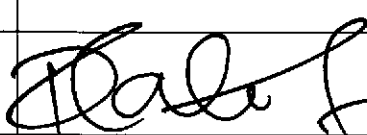

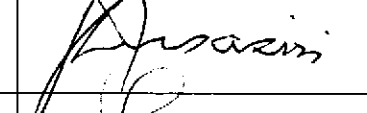
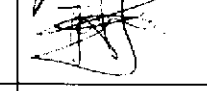


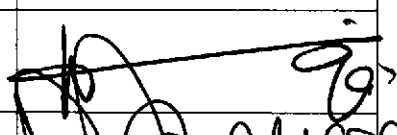
Copy to H.E. the Vice President
Rt. Hon. Prime Minister
Minister of Energy and Minerals Development
Minister of Finance, Planning and Economic Development
Minister for the Presidency/KCCA
Permanent Secretary, Ministry of Energy and Minerals



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Table 15: Composition of Ad hoc Committee on Bujagali Tax Waiver

SN	NAME	CONSTITUENCY	SIGNATURE
1	HON. DICKSONS KATESHUMBWA	SHEEMA MUNICIPALITY	
2	HON. NATHAN NANDALA MAFAI	BUDADIRI COUNTY WEST	
3	HON. HERBERT TAYEBWA MUSASIZI	KASHONGI COUNTY	
4	HON. NAKUT FAITH LORU	DWR - NAPAK	
5	HON. LOY KATALI	DWR - JINJA	
6	HON. ESTHER AFOYOCHAN	DWR - ZOMBO	
7	HON. KARIM MASABA	INDUSTRIAL DIVISION	
8	HON. MUHAMMAD MUWANGA KIVUMBI	BUTAMBALA COUNTY	
9	HON. PUAL OMARA	OTUKE COUNTY	