

PHOTO BY BENON OJIAMBO



Evelyn Anite (centre) the state minister of privatisation and investment addresses journalists during UEGCL's annual general meeting as Mutikanga (right) and Eng. Proscovia Njuki UEGCL board chairperson look on at the finance ministry head office on Tuesday

# Create deals that attract investors, says USAID head

By Ali Twaha and Titus Kakembo

Uganda needs to improve the investment policy environment to among others remove restrictions on capital flows into the country, experts have said.

USAID country representative Richard Nelson said developing countries such as Uganda still receive a disproportionate amount of investment flows largely due to poorly structured deals for potential investors.

"There is a lot of competition out there. Companies like Dell and other multinationals, every country wants them to invest in their countries. So, what has Uganda got to offer to attract a company like that?"

"One of the major objectives we had at Power Africa was to facilitate deals. And one of the problems we had was no shortage of money. There was plenty of money looking for a place to invest in Africa. But the issue was lack of good deals. That is what we want to address here. We want to create good deals so the investors can have a place to put their money," Nelson said.

He was speaking during a public dialogue and the official launch of Feed the Future Uganda Strategic Investment Activity (SIA) in Kampala.

The dialogue brought together all government agencies in energy, health and agriculture and key players in the private sectors.

The aim of the USAID funded programme is to accelerate, catalyse and unlock additional investment in agriculture, productive use of energy, and health sectors, according to Nelson.

"This is to prepare the private sector for deals by lowering transaction costs and associated risks," he said.

The ambitious programme valued at \$140m (about sh504b) is expected to benefit companies operating in agriculture, health and trigger a productive use of energy while improving the livelihoods of 100,000 youths.

Doris Achieng, the country manager at East African Venture Capital Association, said some tax policies have a chilling effect on attracting capital into the country.

"Funds are meant to be conduits of capital. And taxation is supposed to happen at the level of portfolio companies and investors, but not at the level of the funds. Right now, the legal system is set up in such a way that taxation happens at the fund level," Achieng said.

She said addressing some of these challenges will be key in enabling venture capital funds to be raised locally and support startup businesses and investments.

Mark Mutalu of Bid Capital Partners was of the view that there is a need to have local investors if their foreign counterparts are to get the confidence to follow suit.

The Uganda Investment Authority (UIA) director SME, Winnie Lawoko, said so much is already being done and COVID-19 is a silver lining in the business world.

"The lockdown made many Ugandans review the agricultural sector," noted Lawoko.

# UEGCL PROFITS SKYROCKET TO SH91.9B

By Benon Ojiambo

Good performance from the Ugandan shilling and increase in dispatch from the Isimba plant have led to the skyrocketing in Uganda Electricity Generation Company Limited (UEGCL)'s net profits for the financial year ended June 30, 2021.

In the financial year that ended in June 2021, the company recorded a net profit of sh91.9b, an increase from just sh2.8b the previous financial year.

The company's financial statements show that its total earnings before interest, depreciation and tax nearly doubled to sh188.4b from sh95.7b.

Isimba power plant contributed the biggest share of the company's realised income with sh139b, which was an increase from sh126b the company earned from Isimba power sales the previous year.

"What happened was that there were so many outages on the other plants upstream like Bujagali, Kiira and Nalubaale. As such, Isimba was able to take up the demand that was being met by the other plants," Eng. Harrison Mutikanga, UEGCL chief executive officer said.

He was speaking shortly

## UEGCL PORTFOLIO

Currently, the company is operating and maintaining the Isimba plant as its major portfolio and source of income.

However, this is expected to expand with the anticipated commissioning of Karuma next year and the company's repossession of Kiira and Nalubaale that are operated by Eskom as well as the Namanve thermal plant.

Already, the government has indicated that it will not renew Eskom's concession upon expiry in March 2023.

"For Nalubaale and Kiira, the transfer process has started, and we believe that we shall take over the plants in March 2023. All arrangements are in place.

Regarding Namanve, there are some financial obligations that the Government has to meet, and we believe that will be done within two weeks and we shall be able to access the plant," Mutikanga explained.

UEGCL is also developing 48MW Muzizi, 6.6MW Nyagak III and 1MW Maziba power projects.

after the company's annual general meeting held at the finance ministry headquarters in Kampala on Tuesday.

The financials indicate that the company's revenue grew by just 5% from sh161.9b in 2020 to sh169.7b in 2021.

### FOREX GAINS

Despite this, the company's net profits were additionally buffered with a sh71b unrealised earning because of better performance of the Ugandan shilling against the United States Dollar.

"...arose mainly from revaluation of the on-lent loan in the US dollars for the construction of Isimba plant as well as translation of other monetary transactions, assets and liabilities denominated in foreign currencies," an excerpt from the annual report 2021 stated.

The loan in question is the money the central government borrowed from China for the development of the Isimba and Karuma power projects.

The central government later

extended this loan to UEGCL as the implementing agency of the two projects.

Because the loans were denominated in US dollars, financial reporting standards require that UEGCL evaluates the net value of these loans at the end of each reporting to cater for fluctuations in foreign exchange.

If the shilling has gained or lost value against the dollar, there will be a foreign exchange gain or loss respectively in the value of the loans in relation to the exchange rates recorded at the end of the previous year.

In this case, the Uganda shilling was recorded to have traded at averagely sh3,696 for each dollar in 2021, as opposed to sh3,717 for each dollar recorded in 2020.

This means that the shilling gained value and that UEGCL would require less shillings to buy each dollar when paying off the Isimba and Karuma loans.

However, this does not mean that this was reflected on UEGCL's bank account because the company did not actually pay the loans during the financial year. In 2020, a weak performance of the shilling against the dollar wiped off about sh15.7b off UEGCL books.

## FOREX RATES

CURRENCY	BUY	SELL
DOLLAR	3560	3580
EURO	3965	4115
POUND	4670	4845
KENYA SH	31	32.5
TZ SH	1.45	1.61
DHIRAM	600	1000
S.A.RAND	200	250
JAPANESE YEN	15.55	33.05
RWANDESE FRANCS	2.5	4.0
DOLLAR OLDER & SMALLER	3450	3555

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