



PAGE 4: B.1) YOUR CASE STORY: TITLE AND DESCRIPTION

**Q1: TITLE OF YOUR CASE STORY**

Kalangala (Uganda) Infrastructure Services and Renewables Projects - Transforming Bugala Island's Infrastructure

**Q2: CASE STORY ABSTRACT**

covering 275 sq km. As an isolated and poor rural location, much of the existing infrastructure on the island's principal settlements was either in a dilapidated state, had limited capacity or was non-existent.

The Kalangala Infrastructure Services and Renewables Project is a multi-sector initiative, combining a range of infrastructure services to give the Island's residents better access to transport, water, and electricity, improving their quality of life, and providing the impetus for economic growth.

It was funded by a mixture of private investor debt, DFI debt and equity, and grant funding. The project was also notable for the way in which various PIDG Facilities worked in concert to bring it to fruition.

**Q3: LONG DESCRIPTION OF THE CASE STORY**

**BACKGROUND**

Bugala Island is the largest of 84 islands that make up the Ssesse archipelago in Lake Victoria, covering 275 sq km. While fishing (along the shores of Lake Victoria) and agriculture (oil palm growing, timber) dominate the island economy, its location and climate have made it a magnet for holidaymakers – and, with improved infrastructure, tourism is expected to become a more vital part of its economy. As an isolated and poor rural location, much of the existing infrastructure on the island's principal settlements was either in a dilapidated state, had limited capacity or was non-existent.

The Kalangala Infrastructure Services project is a unique multi-sector initiative, which is developing environmentally sensitive infrastructure services to serve the island residents with improved access to water, safer transportation, and more reliable, renewable (solar powered) electricity. The venture is made up of two interrelated projects, collectively comprising four distinct infrastructure components.

**THE DEAL**

The total project investment required across the board is over US\$54m, in addition to the initial project development costs of US\$6.3m. The two passenger ferries, road upgrade and water supply system, required an investment of US\$33.7m, with a further US\$15.6m needed for the power generation, transmission and distribution (to be delivered through Kalangala Renewables), and grant funding of US\$6.03m.

The KIS investment was financed with a commercial loan of US\$3.3m from Nedbank as well as a combination of debt and equity from various DFIs, including EAIF and a debt joint guarantee from USAID/GuarantCo. TAF provided an output based aid (OBA) grant of US\$5m, used initially to fund the ferry construction and then reallocated to subsidise power and water connections as well as the ferry service to poor households on Bugala Island. The OBA grant of US\$1.7m for KIS was directly targeted at enabling affordability for the local.

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poorer community.

Kalangala Renewables funded its investment with an OBA grant from TAF of US\$3.3m and a US\$1.8m commercial loan from Nedbank, alongside DFI loans and equity funding totalling US\$13.8m, including US\$2.4m from EAIF. InfraCo Africa will maintain a 54% equity stake in the project

### ROLE OF PIDG

Through its principal developer eleQtra, InfraCo Africa is the prime mover in the project. It has led the design of the Kalangala project, playing a catalytic role in encouraging investment through the blending of various innovative private financing instruments and co-ordinating the development, finance and construction.

Other PIDG Facilities – EAIF, GuarantCo and TAF – have all played a part in tying together numerous lenders, investors, donors and guarantors. Without their expertise and financial backing, this transformative, but complex, project would never have seen the light of day. Through this project, commercial funding from Nedbank, the Ugandan Development Corporation and the Industrial Development Corporation of South Africa was mobilised for the first time to finance a greenfield multi-sector infrastructure project in sub-Saharan Africa whose principal beneficiaries are poor rural communities. Both projects reached financial close in December 2012.

### EXPECTED DEVELOPMENT IMPACT

Total investment commitments

US\$49.27m

Fiscal benefits

Taxes paid to the Ugandan government by KIS – US\$0.93 million in the first five years, in ferry VAT, ferry license fees, and an allocated portion of stamp tax on share capital.

Government revenues generated by Kalangala Renewables – US\$1.04 million in VAT, and allocated portion of stamp tax on share capital.

Job creation

Construction – 225-275 people

Operational – 74 people

Additional benefits

Financial additionality

InfraCo Africa developed an innovative financial structure for the project with blended finance, including OBA, allowing the project to reach the poorest residents while also being commercially viable.

Design additionality

Modern, safe ferries – local staff (including women) trained as ferry operators; solar powered water supply systems employing efficient, renewable technology with low maintenance requirements; largest solar PV project in East Africa – a rare example of a renewable energy mini grid in sub-Saharan Africa.

Policy additionality

The project took InfraCo Africa seven years to develop and reach financial close. During this time it has contributed to several improvements in the regulatory environment:

- a) First private sector water authority in Uganda; appropriate contracts for PSP in water had to be designed with the Ugandan authorities.
- b) First private firm to be granted a license to own and operate a commercial ferry service. Government needed capacity building support to design the Ferry Licensing Agreement. Innovative shadow toll payment structure implemented to finance costs of road upgrading.

Additional benefits

Economic empowerment of women – the provision of electricity will free up time for women in the area and create opportunities for them to engage in commercial activity. Two trained apprentices are women and have become the first certified female mariners in Uganda. Productivity boost – an extension of activities that

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previously could only be carried out during the daytime, such as studying, is adding to productivity and education, and diversifying income generation opportunities.

### Demonstration effect

The Kalangala Infrastructure Project, given its rural setting and challenging economics, has demonstrated the demand in local financial markets for long-term debt instruments, enhanced by partial credit guarantees. InfraCo will continue to steer other rural infrastructure projects in this direction

### Q4: Please add here web links to project/programme materials.

<http://www.pidg.org/impact/case-studies/kalangala-infrastructure-services-project-uganda>

<https://www.youtube.com/watch?v=oYq6HRWB3EY>

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### Q5: YOUR CONTACT DETAILS

Name:	Philippe Valahu
Company or association	Private Infrastructure Development Group
Country:	UK
Email Address:	philippe.valahu@mdy.co.uk

### Q6: FUNCTION

Other (please specify)  
Multi-Donor Platform - Public-Private Partnership

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### Q7: FUNDING SOURCES FOR PROJECT/PROGRAMME Tick the appropriate box(es)

Multilateral organization, Private sector

### Q8: Additional information

PIDG is a multi-lateral organisation.

In addition to this, funding for the project came from commercial loans, DFI sources and grant funding.

### Q9: START DATE OF PROJECT/PROGRAMME

*Respondent skipped this question*

### Q10: STATUS OF PROJECT/PROGRAMME

On-going

### Q11: DURATION OR, IF ON-GOING, EXPECTED DURATION OF PROJECT/PROGRAMME

1-3 years

### Q12: COST OF PROJECT/PROGRAMME

More than US\$20 million

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### Q13: Additional information

US\$ 6.3m in development costs;  
US\$ 6.04m in Grants, of which US\$5m is OBA;  
US\$ 6.8m in Private Sector Investment (PSI)- in the form of debt financing;  
US\$ 42.5m in Development Finance institutions financing (DFI) divided in :  
US\$ 33.1m in the form of Equity financing from: 1) Uganda Development Committee (UDC) (US\$ 9.9m); 2) Industrial Development Corporation of South Africa (IDC) (US\$ 11.4m); and 3) PIDG through InfraCo Africa (US\$ 11.8m);  
US\$9.4m in the form of Debt from EAIF

### Q14: TYPE OF FUNDING FOR PROJECT/PROGRAMME

Loan

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### Q15: PROJECT/PROGRAMME TYPE

Single country / customs territory

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### Q16: SINGLE COUNTRY/CUSTOMS TERRITORY

UGANDA

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### Q17: REGION(If the region does not appear in the drop down menu, please enter manually)

East Africa

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### Q18: MULTI-COUNTRY(Enter all countries or customs territories)

*Respondent skipped this question*

### PAGE 11: C.4) ABOUT THE CASE STORY

### Q19: CASE STORY FOCUS Tick the appropriate box(es)

Upgrading transport infrastructure,  
Upgrading network infrastructure (ICT, power, telecoms)

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**Q20: HOW SUCCESSFUL WAS THE PROJECT/PROGRAMME** Tick the appropriate box

Successful

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**Q21: WHAT WERE THE OUTPUTS OF THE PROJECT/PROGRAMME** Tick the appropriate box(es)

New or updated transport infrastructure (e.g. roads, bridges, airports)

New network infrastructure (e.g. broadband),

Services sector skills

**Q22: Additional information(maximum 300 words)**

This was a multi-aspect project, with four projects providing four main outputs, which are either already completed or underway:

- 2 roll-on-roll-off passenger and vehicle ferries
- upgrade of 66km of roads
- improved solar powered water supply systems, including connections to the fish landing sites
- the Kalangala Renewables power generation system, including installation of prepaid metering system for households and businesses, a low voltage distribution system, and installation of 2,000 domestic connections at various load centres on the island

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**Q23: WHAT WERE THE OUTCOMES OF YOUR PROJECT/PROGRAMME** Tick the appropriate box(es)

Other (please specify)

New or improved access to infrastructure, regular transportation to/from the mainland, permanent and temporary job creation

**Q24: Additional information(maximum 300 words)**

The project will provide much needed access to infrastructure for the Bugala inhabitants, including domestic and business electricity and water pumping (which will have further effects on economic development - including provision of tourism and on the fishing which is traditionally one of the main industries - and quality of life).

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<p><b>Q25: WHAT WERE THE IMPACTS OF THE PROJECT/PROGRAMME</b> Tick the appropriate box(es)</p>	<p>Increase in foreign investment,                  Increase in employment,                  Increase in women's employment,                  Other (please specify)                  Access from Island and to Island</p>
<p><b>Q26: Additional information(maximum 300 words)</b></p>	
<p>There was a significant increase in access and reliability as the project replaced dilapidated infrastructure and built two new ferries and new water pumping systems, and , upgraded the main road. Kalangala District is ranked 6th out of 56 districts by UNDP's HDI and 22nd by the HPI; 67% of population engaged in agriculture and fisheries.</p>	
<p>The entire population of Bugala Island - 35,000 – is benefiting from the multi-sector infrastructure improvements. Contact with the mainland, electricity and water, have demonstrated that such projects are crucial in providing tangible, inclusive growth, which actually improves the quality of life for people in the community.</p>	
<p>In addition, to date, KIS has trained 16 apprentices for deck hands, masters and engineers in cooperation with the Dar es Salaam Maritime Institute (DMI) in Tanzania. Most of the trainees have been recruited directly from Bugala Island to foster local training and skills, and include two women, with one now trained in navigation and the other in engineering. We are led to understand that the two women cadets will be the first certified women mariners in the whole of Uganda.</p>	

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<p><b>Q27: LESSONS LEARNT</b> Tick the appropriate box(es)</p>	<p>Importance of good project design,                  Importance of engagement by private sector ,                  Importance of agreeing clear project implementation responsibilities                  ,                  Importance of agreed accountability frameworks,                  Importance of attention to long-term sustainability</p>
<p><b>Q28: Additional information(maximum 300 words)</b></p>	<p><i>Respondent skipped this question</i></p>
<p><b>Q29: PROJECT OR PROGRAMME MONITORING AND EVALUATION FRAMEWORK</b> Tick the appropriate box(es)</p>	<p>M&amp;E framework used, Project baselines set,                  Other (please specify)                  Some aspects still ongoing, but - after completion - there will be an Ex-post Evaluation</p>

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**Q30: How did you receive this case story exercise and the electronic link? Please indicate the organization that sent to you the information:**

World Trade Organization