

**PROSPECTS FOR HYDROPOWER DEVELOPMENT IN  
DEVELOPING COUNTRIES**

KEYNOTE ADDRESS

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## The Chairperson of the Symposium

Your Excellencies

Distinguished Participants

Ladies and Gentlemen

1. It is a great honor to me and my country Uganda to have been invited to participate in this important symposium on 'Hydropower and Sustainable Development'. I wish to thank UNDP, the World Bank and the Government of the Peoples' Republic of China, for organizing this symposium.
2. This symposium is in line with the resolution of the World Summit on Sustainable Development (WSSD), which calls for diversification of global energy supply and increasing the share of renewable energy, including hydropower.
3. In developing countries, Africa in particular, there is enormous untapped hydro power potential. As you will appreciate only 5% of Africa's hydro power potential is tapped as opposed to 80% in North America and Europe.
4. Therefore the debate should not be about the availability of hydropower resources and good projects for development. The debate should be about packaging of these projects and timely procurement of requisite funding on reasonable terms.

## Funding

5. Governments of developing countries are facing more challenges and constraints in accessing funding for dam projects than ever before. Access to public sector funds from national budgets and World Bank lending for the development of hydropower projects has been declining in the last one and a half decades. For instance World Bank financing for hydro infrastructure fell from US\$ 1bn a year in the mid 1990s to US\$ 100 million a year in 2002/03.
6. As a consequence of this, most countries have been forced to pursue the route of independent power producers (IPP) in the development of hydropower projects.
7. The key issues associated with the IPPs are that:
  - You have protracted negotiations as all parties involved try to hedge against the risks involved in these projects.
  - Private capital for long term investment is very expensive hence the private investors seek very high returns leading to high consumer tariffs.
  - Excessive demands of the private sector like sovereign guarantees from government force government to bear most of the risks.
8. Unfortunately the IPP model has not been successful in the development of hydropower resources in developing countries. The situation has been further compounded by the collapse of several leading IPPs globally.

9. In that regard I wish to propose that the issue of financing hydropower projects in developing countries, Africa in particular, be put high on the agenda of this symposium.
10. In my view we need to have significant multilateral and/or bilateral concessional funding of these projects. Such concessional credit would be extended to the governments for on-lending to the projects. Greater success will be realized if developing countries can also mainstream domestic resource mobilization for these projects.
11. In order to have the efficiency gains associated with the private sector, it would also be prudent to have some private sector equity as well as management in the projects. That way we would achieve a truly sustainable Private Public Partnership in project development.

## **Environmental Issues**

12. The other debate which is derailing the timely development of hydropower projects in developing countries, especially in Africa, is that to do with the environment.
13. The World Commission on Dams has issued recommendations and guidelines which most of you participants are familiar with. The report highlights core values and strategic priorities. Unfortunately, the international anti dam lobby has used these to misdirect the debate to mean that dams development should be brought to a halt.

14. In our view the key element is that in considering the development of hydropower projects, efforts should be made to put in place adequate mitigation measures in order to reduce or eliminate the negative environmental impacts that would occur as a result of implementing these projects.
15. It is also important to bear in mind that projects must be assessed on a case-by-case basis. For example in Uganda we have developed and intend to develop several hydro power projects along the River Nile. These projects depend on Lake Victoria as a reservoir. They are run-of-the-river type, they are in sharp youthful river valleys and they do not call for any significant resettlement of the local communities.
16. Allow me to point out that for most developing countries, particularly those endowed with a lot of hydro power resources, we need to examine the issues of environmental protection carefully, because experience has shown that lack of adequate and reliable power supply, which is linked to the low development of hydro power resources leads to extensive destruction of biomass with the consequence of rapid deforestation and environment degradation. Hence the vicious cycle.

### **Increasing Viability of Hydropower projects**

17. Hydro power projects are increasingly becoming viable business in many African countries i.e. Uganda. This is due to the new policy by our governments of encouraging export of value added products as opposed to primary commodities. This policy, is to take advantage of the market opportunities which have emerged under the African Growth and Opportunity Act (AGOA) of the USA and

the Everything But Arms (EBA) of the EU. Obviously, this calls for adequate supply of electricity to support the local processing and manufacturing industries.

18. These initiatives will enhance effective demand for power in Africa, render hydro power projects viable and sustainable and at the same time contribute to the poverty eradication drive in countries such as Uganda among others.

## **Conclusion**

19. I would like to conclude by drawing your attention to the following:

- The need to resolve the pressing funding problems associated with hydropower development in Developing countries. It is a fact that the IPP model has not succeeded. We must therefore, consider the Private Public Partnership arrangement as a way forward.
- The notion that hydropower projects have invariably high negative impacts on the environment must be dropped. All we need are guidelines with a high degree of sustainability.
- The growing viability of hydropower business on the African continent arising out of the emerging market opportunities for value added products must be taken advantage of now.

I thank you for your attention.