



## **The challenges of implementing power transmission projects in Uganda: The case of Mbarara-Mirama/ Tororo-Bujagali Transmission project (NELSAP)**

### **OVERVIEW**

The Government of Uganda in the Second National Development Plan (NDP II) prioritized the expansion of electricity transmission grid through the following interventions:

- I. Completion of ongoing electricity transmission line upgrades and associated substations.
- II. Completion of new transmission lines to evacuate power from generation plants.
- III. Extension of transmission grids to all regions of the country.

Uganda Electricity Transmission Company Limited (UETCL) is implementing several transmission projects in the country on behalf of the Government.

The policy brief investigates the challenges that have plagued the implementation of the long delayed Mbarara-Mirama/Bujagali-Tororo transmission line whose progress has currently stalled.

### **KEY ISSUES**

- ❖ Project works have suffered delays due to difficulties experienced in acquisition of way leaves for the transmission lines.
- ❖ Lack of financial capacity by the contractors to handle the various contracts awarded to them.
- ❖ There have been delays by UETCL and the project funders to approve payments for invoices on this project.
- ❖ The supervision and contract management of the projects has been poorly handled leading to failure to foresee some of the difficulties that have plagued implementation.

### **Introduction**

Our case study which is the Mbarara-Mirama-Birembo and Bujagali-Tororo-Lessos transmission projects are part of the Interconnection of Electric Grids of Nile Equatorial Lakes Project (NELSAP). The project is financed by the African Development Bank (AfDB) and Japan International Cooperation Agency (JICA). The objective of the project is to improve access to electricity in Nile Basin Initiative countries through sharing of energy and power. The project components consist of:

- i. Lot A: Construction of 220kV double circuit transmission line from Bujagali via Tororo substation to the Uganda/ Kenya border, over a distance of 131.25km.
- ii. Lot B: Construction of 220kV double circuit transmission line from Mbarara North substation in Uganda to the Rwanda border over a distance of 65.55km.



iii. Lot C: Extension of the substations at Tororo and construction of new substations at Mirama Hills and Mbarara.

**Table 1: Project Timelines**

Component	Contract Effective Date	Planned Completion Date	Progress at Planned Completion	Progress by December 2017 (%)	Remarks
Lot A	12 <sup>th</sup> July 2013	12 <sup>th</sup> January 2015	60	86.8	Works on this Lot have barely progressed in the last 3 years.
Lot B	12 <sup>th</sup> July 2013	12 <sup>th</sup> January 2015	45	98.4	Works on the final special tower foundations in the wetlands resumed after the contractor suspended work due to non-payment.
Lot C	19 <sup>th</sup> August 2013	19 <sup>th</sup> February 2015	25	86.2	Works stalled. Currently there is no contractor for Lot C.

To date the project has not been completed, works stalled on the transmission lines, the substation works do not have a contractor while the regional power interconnection and power trade with Kenya and Rwanda will not be achieved soon.

Negotiations to discuss the way forward on the project agreed a time line to complete works by March 2017 for lot A and lot B respectively subject to handing over the entire corridor by 28<sup>th</sup> February 2017, however, this was not achieved. A time extension up to 30<sup>th</sup> December 2017 for Lot A and 30<sup>th</sup> October 2017 for Lot B was granted. However, the entire corridor has not been handed over to the contractor to date. For Lot C, the contractor’s financial challenges escalated and it was decided that the contract be terminated.



**Abandoned project site at Mirama Hills**

**Causes of implementation challenges**

1. Difficulty in acquisition of land on the project leading to delays in handover of work sites to the Engineering, Procurement and Construction Contractor. There was a delay of over 18 months in handover of the substation land for the Mirama substation and the tower locations have not been



availed to the contractor in time leading to idling. This challenge is attributed to the following:

- Rejection of compensation packages by project affected persons (PAPs) due to low property valuation rates, although some land owners over exaggerate the value of their land like the case of Mirama Hills substation. There are several on-going court cases where court injunctions have been issued against UETCL preventing any works in the disputed areas especially in Kumi, Tororo and Lira.
- Stubborn PAPs who do not want to be compensated leading to diversion of the line route.
- Intermittent availability of funds for the compensation of PAPs due to inadequate Government releases.

**Table 2: Summary of RAP progress on Lot A**

	Year		
	2015	2016	2017
<b>Total PAPs</b>	<b>1,456</b>	<b>1,459</b>	<b>1,460</b>
<b>Agreements (%)</b>	93	96	96
<b>Compensated (%)</b>	92	95	98
<b>Disputes (%)</b>	6	3	3

**Table 3: Summary of RAP progress on Lot B**

	Year		
	2015	2016	2017
<b>Total no. of PAPs</b>	3,188	3,148	3,147
<b>Agreements (%)</b>	98	97	97
<b>Compensated (%)</b>	94	89	93
<b>Disputes (%)</b>	2	1	1

It is evident from the figures tables 2 and 3 that there has been a great challenge facing

the RAP Implementation in the last 3 years.

2. Financial difficulties experienced by the contractors implementing the project. This arose from the following complications:

- The contractor for Lot C was financially over-stretched after having secured all substation contracts in Uganda, Kenya and Rwanda under NELSAP. This was worsened by the bankruptcy proceedings that the parent company in Spain was going through. Therefore, funds from payments made on the works were not being ploughed back into the project works leading to operational challenges.
- The delay in approval of invoices by UETCL and the Financiers-Africa Development Bank caused all the contractors on the project financial distress. In November 2016, works on the T-Line stalled because the contractor could not pay taxes for imported critical equipment, and this greatly affected progress. At that same time all contractors had pending invoices which were yet to be paid due to inefficiency by UETCL and AfDB. In April 2017 the contractor gave notice to suspend works due to delayed payments.

3. Poor project supervision and contract management by the implementing agency and funders. There was laxity in the supervision of this project and it lacked a dedicated project team from UETCL to keep track and address issues as they arose. The project has also not had a supervising consultant on board since March 2017 when the contract for the supervising consultant (AECOM) elapsed and there were no more funds to extend the contract.



## Impact of delayed project Implementation

1. Electricity from several on-going power generation projects will not be able to be evacuated fully. These projects are being financed by loans and if the electricity generated cannot be fully sold, it will become expensive in the long run yet Government policy is to have affordable electricity tariffs.
2. Delayed projects imply a higher cost of project implementation. For example, the contractor for Lot A and B has invoiced UETCL Ug shs 39 billion as a result of contract extension due to failure by Government to resolve the Right of Way.
3. The poor progress on projects has led to the withdrawal of some financiers leading to shortfalls in funding. In December 2017 the JICA loan under NELSAP expired and the funder refused to renew leading to a short fall of USD 5 million in funding.
4. The planned regional power trade under the regional integration will not be achieved if the electricity transmission lines are not completed. The UETCL has outstanding power sale agreements which guarantee the availability of the capacity to sale electricity to the neighbouring countries of Kenya and Rwanda. Failure to complete the on-going transmission lines is going to make it difficult to honour the agreements.

## Recommendations and Way Forward

1. The Office of the Chief Government Valuer and the Courts of Law should expedite the resolution of land

compensation disputes to enable a faster implementation of key transmission projects.

2. The procurement of contractors for key projects should be done in such a manner that one contractor is not awarded contracts whose values place a significant burden on his financial resources. All contractors under NELSAP struggled to execute their contracts because they had taken up too much work and yet their finances were limited.
3. UETCL and the project funders should reduce delay in payment of invoices for contractors. The review and payment of invoices should not take more than 45 days but this has not been the case for most projects.

## References

- GoU, 2015. Second National Development Plan (NDPII) 2015/16-2019/20.
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- BMAU, Semi Annual Monitoring Report for 2017/18.

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