



THE REPUBLIC OF UGANDA

Power transmission line projects: What delays implementation?

OVERVIEW

Transmission line projects directly contribute to the first priority of the Ministry of Energy and Mineral Development (MEMD), which is - To increase electricity generation capacity and transmission network. Transmission line projects constitute the construction of power lines and their associated substations.

The Government of Uganda (GoU) and development partners have made investments in the power transmission line projects, thus registering some achievements. However, slow implementation continues due to a number of delays associated with way leaves acquisition, capacity of local subcontractors, and project design changes among others.

This policy brief highlights the major causes of delays in the implementation and proposes policy recommendations for improvement.

KEY ISSUES

Delayed way leaves acquisition is a major hindrance to timely project completion. This is due to:

1. Untimely revision of the district property rates by the land boards.
2. Late initiation of procurement process for RAPs.
3. Long periods between land valuations and compensations.
4. Design changes due to insufficient preparations.
5. Stringent donor conditions

Introduction

The GoU in partnership with the donors has increasingly made significant development allocations for the transmission line projects. In FY2012/13, the allocation was Ug shs 238.159 billion; Ug shs365.104 billion in FY2013/14 while in FY2014/15 the allocations is Ug shs 429.268 billion for the ongoing projects¹. These investments are aimed at improving transmission network thus contributing to easing access to electricity.

The power lines transmit power over long distances with minimum losses and distortion while substations facilitate the step down of High Voltage power to Low Voltage for distribution.

The MEMD hands over the selected transmission lines for development to Uganda Electricity Transmission Company Limited (UETCL). The UETCL is a Public Limited Company, mandated among others to implement the transmission line projects. It also has an operational mandate that is divided into the Single buyer business and Transmission system operator. It therefore undertakes bulk power purchases from the generation companies and sales, import and export of energy, operation of the High Voltage Transmission Grid and plays the national system operator role.

¹ Bujagali switch yard upgrade; Karuma Interconnection; Nkenda-Hoima; Mbarara-Nkenda; Tororo-Lira; NELSAP; Hoima-Kafu; ESDP; Opuyo-Mororo; Kampala-Entebbe and Electrification of industrial parks

Transmission projects performance

The UETCL has developed a number of transmission line systems and their associated substations countrywide. Some of the completed projects over the years include: Bujagali Interconnection (Bujagali-Kawanda 220kV, 75km; Kawanda-Mutundwe 132kV, 17km, Bujagali-Nalubaale 132kV, 5km) and Project Substation at Kawanda.

Majority of the projects however are still under implementation. The Karuma Interconnection Project, Nkenda-Hoima transmission line started in 2008 and was expected to end in 2015 but construction works had not started by February 2015. The Resettlement Action Plan (RAP) way leaves implementation was still ongoing.

Similarly, Hoima-Kafu line, commenced in 2009 and end date was 2015 but construction works and compensations had not commenced. By December 2014, the feasibility study report, and draft tender documents had been submitted and the RAP study concluded. The slow pace was attributed to the contractor's suspension of works resulting from the donor freezing project funds.

Two projects (Mbarara-Nkenda/Tororo-Lira and NELSAP - Bujagali-Tororo-lessos/Mbarara-Mirama-Birembo) which started in 2010 and expected to end in 2015 were under construction in January 2015 but with some RAP challenges, which had not been concluded. The Electricity Sector Development Project - Kawanda-Masaka and associated lines which started in 2011 and expected to end in 2017 commenced construction works in 2014 and RAP implementation, was not yet complete by January 2015. Electrification of Industrial Parks project, which started in 2012, had in January 2015 not commenced on the construction works.

Major causes of delays

1- Delayed acquisition of way leaves due to:

a) Delay by districts land boards to revise property rates

The land act mandates the district land boards to among others compile and maintain a list of property rates. The property rates are not reviewed annually as provided for in the Land Act. The time lag is normally three or more years, thus, the consultants are using old rates, which are usually low for compensations. The Karuma Interconnection Project (KIP) had low compensation packages especially in town councils. An acre in Kigumba Town council in Kiryandongo district was valued between Ug shs 2 million to Ug shs 4 million. This rate was lower than the market price of the same size in the same location, which was estimated to be between Ug shs 10 million to Ug shs 15 million.

Due to lack of revised rates, some consultants use rates of a neighboring district whose property values may be low though fairly current. In Mbarara district on the Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) line for instance; the consultant used the land rates for Isingiro district which were perceived to be low by the Project Affected Persons (PAPs) leading to rejection of packages.

Delays in updating the property rates have also made it very difficult to implement compulsory land acquisition as provided for in the Constitution.

b) Long period between the time of property valuation and payments leading to rejection

This varied between three or more years resulting in loss of value due to inflation. Compensation of Karuma Interconnection was ongoing in 2015, using the valuations made in 2010. Similarly, on the Mbarara-Nkenda line the valuations were done in 2009 and by 2014; the compensations had not yet been completed.

The time lag between valuation and payments is also compounded by the delay in the approval of the compensation report by the Chief Government Valuer (CGV). On the KIP, the valuation report, which was submitted to the CGV in September 2012, was approved in December 2013.

c) Late initiation of procurements for RAPs

The RAP implementation consultants were not on board for a number of projects like KIP, Nkenda-Hoima and Mbarara-Nkenda; Tororo-Lira. The advertisement for procurement of the RAP implementation consultant for Karuma Interconnection for instance was published in May 2014 almost a year after commencement of the RAP implementation. The consultant's procurement process was at post negotiation stage for the Nkenda-Hoima as at the end of FY2013/14 long after commencement of the compensations. Those that had a RAP implementation consultant like NEL SAP and ESDP were relatively performing better.

The contractor for the construction of houses for the physically displaced persons was similarly not on board.

During compensations, some Project Affected Persons (PAPs) are identified as Vulnerable, and physically displaced. Such individuals include the very old, the disabled, and widows. As an equity dimension, UETCL usually procures a contractor to construct for them resettlement houses. By February 2015, the procurement had not commenced for the Karuma Interconnection project for construction of houses for Physically Displaced Persons (PDPs).

d) Lack of uniform compensation rates for projects in the same geographical area

Every contracted valuation consultant uses the property rates from either districts or carry out market research to establish the prevailing market rates. This results into non-uniformity of the property rates. Rejection of compensation packages was experienced among the PAPs in

the same geographical in Katerema C in Rubongi Sub-County in Tororo district for the Bujagali-Tororo line and Tororo-Lira line.

In Lira district, a similar scenario was affecting the compensations on the KIP for the Karuma-Lira section and the line for Tororo-Lira section. Compensation rates ranged from Ug shs 30-90 Million for Tororo-Lira section while those for Karuma-Lira section ranged between Ug shs10-30 million per Acre.

2- Donor financing conditions

GoU and development partners jointly finance majority of the transmission line projects with a large proportion of funding coming from the latter. The delay to finalize the financing conditions between GoU and China EXIM bank, for example affected the KIP and Electrification of Industrial Parks. Similarly, the Hoima-Kafu transmission line project was delayed by the freezing of financing by the Norwegian government following the Office of Prime Minister's loss of donor funds allegations. The contractors' schedule of works came to stand still.

3- Low capacity of local contractors

International contractors usually subcontract local firms. These however have inadequate financial and technical capacity to execute the subcontracted works. The result is a delay in project implementation as was the case for Bujagali switchyard upgrade.

4- Design changes after contract award

The Bujagali switchyard upgrade required changes in the designs and type of equipment to install in the project. Similarly, the RAP implementation for Karuma-Olwiyo section on the KIP has not commenced due to the proposed design changes from 132kV to 400kV transmission lines to reduce on the power loss rates associated with a lower voltage power line and to enable meeting of the current and future power demand.

Conclusion

Construction of power transmission lines is a prerequisite to effective distribution and access to grid energy. However, the projects are facing implementation challenges, which include; delayed way leaves acquisition, poor procurement planning and management; as well as low capacity of local contractors among others. These are not insurmountable.

Recommendations

1- Effective mobilization and securing of donor financing

Ministry of Finance Planning and Economic Development (MFPED), MEMD, and UETCL should fast track securing of funds for transmission line projects. The contractors should be engaged after conclusion of financing agreements.

2- Secure project site before signing of the Engineering Procurement and Construction Contracts

UETCL should complete way leaves acquisition process before engagement of the contractors. This would minimize redundancy of the equipment on site and possible interest charges on the idle equipment.

3- Periodic revisions of property rates

Ministry of Lands, Housing and Urban development, District Councils and District Executive Committees; should support the District Land Boards to update the property rates annually as provided for in the Land Act Cap 227 to enable fair compensations

4- Timely approvals of the compensation reports

The Chief Government Valuer's office should be strengthened to facilitate timely approvals of the valuation report as it handles all the valuation reports for all projects in the country.

5- Timely compensations

The UETCL should ensure timely compensations to the PAPs once land valuations are done to avoid inflationary effects.

6- Early initiation of procurements

UETCL should fast track the procurements for services to enable timely completion of the projects. The RAP implementation consultant for instance should be procured before the contractor for construction works.

References:

1. Annual Budget Monitoring Reports FY 2013/14 and FY 2014/15 Semi-annual.
2. MEMD (2014) Ministerial Policy Statement FY 2014/15
3. MFPED(2013 and 2014); Approved Estimates of Revenue and Expenditure
4. MEMD; UBOS ;(2014) Uganda Rural –Urban Electrification
5. Ministry of Lands, Housing and Urban development (2013); The Uganda National Land Policy
6. Republic of Uganda (1995), The constitution of the republic of Uganda
7. <http://www.uetcl.com/>
8. Uganda land Act Cap 227 , section 59

Budget Monitoring and Accountability Unit (BMAU)
Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
www.finance.go.ug