



THE REPUBLIC OF UGANDA

ENERGY SECTOR

Annual Budget Monitoring Report
Financial Year 2013/2014

OCTOBER 2014

Ministry of Finance, Planning and Economic Development
P.O.Box 8147, Kampala
www.finance.go.ug



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ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
AFD	French Agency for Development
AG	Albertine Graben
BQS	Bills of Quantities
CAA	Civil Aviation Authority
CGV	Chief Government Valuer
CNOOC	Chinese National Offshore Oil Company
D	Dimension
DLGs	District Local governments
DRC	Democratic Republic of Congo
E&P	Exploration and Production
EA	Exploration Area
EAPCE	East African Petroleum Conference and Exhibition
EIA	Environmental Impact Assessments
EPC	Engineering Procurement and Construction
ERA	Electricity Regulatory Authority
ERT	Energy for Rural Transformation
ESPS	Energy Saving Providers
ESS	Energy Saving Stoves
FEED	Front End Engineer Designs
FGDs	Focus Group Discussions
GBOBA	Global Partnerships on Output Based Aid
GIZ	German Agency International Cooperation
GoU	Government of Uganda
Ha	Hectare
HPP	Hydro Power Plant
HSE	Health Safety Environment
HV	High Voltage
ICT	Information/Communication Technologies
IDA	International Development Agency
IFMS	Integrated Financial Management System
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KIL	Kilembe Investment Limited
KNNN	Kigogole-Ngege-Nsoga- Ngasa
kV	Kilo Volts
kVA	Kilo Volt Amperes
LV	Low Voltage
M&E	Monitoring and Evaluation
MEMD	Ministry of Energy and Mineral Development
MFPEDE	Ministry of Finance, Planning and Economic Development
MHP	Micro Hydro Power
MoU	Memorandum of Understanding
MPS	Ministerial Policy Statements

MW	Mega Watt
NDP	National Development Plan
NELSAP	Nile Equatorial Lakes Subsidiary Action Programme
NEMA	National Environment Management Authority
NGOs	Non-Government Organizations
NOC	National Oil Company
NOGP	National Oil and Gas Policy
NORAD	Norwegian Agency for Development Cooperation
NUSAF	Northern Uganda Social Action Fund
NWSC	National Water and Sewerage Corporation
OBT	Output Budgeting Tool
PAP	Project Affected Person
PAU	Petroleum Authority Uganda
PEPD	Petroleum Exploration and Production Department
PIP	Public Investment Plan
PRDP	Peace Recovery and Development Plan
PREEEP	Promotion of Renewable Energy and Energy Efficiency Programme
PREPs	Priority Rural Electrification Projects
PV	Photo Voltaic
Q	Quarter
RAP	Resettlement Action Plan
REA	Rural Electrification Agency
RESP	Rural Electrification Strategy and Plan
SMEs	Small and Medium Enterprises
TOPL	Tullow Uganda Operations Pty Limited
TUOPL	Tullow Uganda Operations Pty Limited
UETCL	Uganda Electricity Transmission Company Limited
UNRA	Uganda National Roads Authority
VAT	Value Added Tax
AAPG	Association of American Petroleum Geologists
ADF	African Development Fund
AFD	French Agency for Development
AG	Albertine Graben
APL	Adaptable Program Loan
BFO	Best and Final Offers
BQS	Bills of Quantities
CAA	Civil Aviation Authority
CGV	Chief Government Valuer
CNOOC	Chinese National Offshore Oil Company
CWE	China International Waters and Electric Corporation
D	Dimension
DCPT	Dynamic Cone Penetration Test
DED	German Development Service
DLGs	District Local governments
DRC	Democratic Republic of Congo
E&P	Exploration and Production

EA	Exploration Area
EAC	East African Community
EAP	Energy Advisory Project
EAPCE	East African Petroleum Conference and Exhibition
EIA	Environmental Impact Assessments
EIPL	Energy Infratech Private Limited
EPC	Engineering Procurement and Construction
ERA	Electricity Regulatory Authority
ERD	Energy Resources Department
ERT	Energy for Rural Transformation
ESDP	Electricity Sector Development Project
ESP	Energy Service Providers
ESS	Energy Saving Stoves
EU	European Union
EVT	Escape and Ventilation Tunnel
EXIM	Export Import
FAT	Factory Acceptance Tests
FEED	Front End Engineer Designs
FEED	Front End Engineering Design
FESL	Ferdsult Engineering Services Limited
FGDs	Focus Group Discussions
FY	Financial Year
GBOBA	Global Partnerships on Output Based Aid
GIS	Geographical Information System
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit
GoU	Government of Uganda
Ha	Hectare
HC	Health Centre
HOCADEO	Hoima Caritas Development Organization
HPP	Hydro Power Plant
HSE	Health Safety and Environment
HV	High Voltage
ICT	Information/Communication Technologies
IDA	International Development Agency
IFMS	Integrated Financial Management System
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KfW	German Financial Cooperation (KfW Bankengruppe)
KIL	Kilembe Investment Limited
KIP	Karuma Interconnection Project
KNNN	Kigogole-Ngege-Nsoga- Ngasa
kV	Kilo Volts
kVA	Kilo Volt Amperes
KW	Kasamene-Wahrindi
LDC	Licensed Distribution Company
LV	Low Voltage

M &E	Monitoring and Evaluation
M&E	Monitoring and Evaluation
MAT	Main Access tunnel
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MHP	Micro Hydro Power
MoU	Memorandum of Understanding
MPS	Ministerial Policy Statements
MT	Metric Tonnes
MVar	Mega Volt Ampere
MW	Mega Watts
NARO	National Agricultural Research Organisation
NBI	National Backbone Infrastructure
NDP	National Development Plan
NELSAP	Nile Equatorial Lakes Subsidiary Action Programme
NEMA	National Environment Management Authority
NGOs	Non-Government Organizations
NITA-U	National Information Technology Authority- Uganda
NOC	National Oil Company
NOGP	National Oil and Gas Policy
NORAD	Norwegian Agency for Development Cooperation
OBA	Output Based Aid
OfD	Oil for Development
PAP	Project Affected Person
PAU	Petroleum Authority Uganda
PCC	Plain Cement Concrete
PDPs	Physically Displaced and Vulnerable People
PECMC	Pader- Abim Community Multipurpose Electric Cooperative Society
PEPD	Petroleum Exploration and Production Department
PIP	Public Investment Plan
PREEEP	Promotion of Renewable Energy and Energy Efficiency Programme
PV	Photo Voltaic
Q	Quarter
RAP	Resettlement Action Plan
RDP	Refinery Development Program
REA	Rural Electrification Agency
RESP	Rural Electrification Strategy and Plan
RESP	Rural Electrification Strategy and Plan
ROW	Right of Way
SMEs	Small and Medium Enterprises
TPDC	Tanzania Petroleum Development Corporation
TUOPL	Tullow Uganda Operations Pty Limited
UA	Unit of Account
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	Uganda Electricity Transmission Company Limited
UNRA	Uganda National Roads Authority

US\$	United States Dollar
UWA	Uganda Wildlife Authority
VAT	Value Added Tax
VF	Vote Function
WENRECO	West Nile Rural Electrification Company

FOREWORD

Government of Uganda is investing substantially in physical infrastructure, especially in the energy sector. Infrastructural development is a prerequisite for any structural transformation in an economy. The investments in energy, therefore, must be effective as they are catalytic in nature.

Government has stepped up efforts to enhance effectiveness of programme implementation. The translation of financial resources into tangible outputs requires efficient and effective implementation, supervision and monitoring of the programmes.

The energy monitoring report provides an overview of the financial and physical performance for selected programmes during FY 2013/14. The analysis is based on secondary data and field observations of the various programmes that are implemented by spending agencies.

It is hoped that implementation challenges that are identified and recommendations made thereof will guide the sector to ensure enhanced effectiveness of programme implementation and value for money for the public expenditures



Keith Muhakanizi

Permanent Secretary and Secretary to the Treasury

EXECUTIVE SUMMARY

The report reviews selected projects from Ministry of Energy and Mineral Development (MEMD) and Rural Electrification Agency (REA). Projects that were reviewed from MEMD included: Promotion of Renewable Energy and Energy Efficiency (PREEE); Karuma Interconnection; Mputa Interconnection; Mbarara-Nkenda/Tororo-Lira Transmission Lines; Nile Equatorial Lake Subsidiary Action program (NELSAP) (Bujagali-Tororo-Lessos and Mbarara-Mirama-Birembo); Electricity Sector Development - Kawanda-Masaka transmission line; Bujagali Interconnection/Bujagali Switchyard Upgrade; Karuma Hydropower plant; Isimba Hydropower plant; Management of Oil and Gas Sector in Uganda; and Construction of the Oil Refinery. Projects that were monitored under REA included; West Nile Grid Extension program-GBOBA, and Rural Electrification project.

Projects selected for monitoring were based on significance of budget allocations, and those that had major implementation challenges in previous quarters. The methodology adopted for monitoring included; literature review of progress reports, interviews with the respective responsible officers, and observations on site. Photographs were also taken for visual enhancement of the physical performance of projects.

Findings

Performance for the projects was rated as fair in meeting some of the priorities of increasing; electricity generation capacity and transmission network, rural electrification, renewable energy, petroleum exploration; and developing petroleum refining. Sixty three percenta of the projects performed below average. Projects that performed well included; PREEEP, Management of Oil and Gas Sector in Uganda, and Construction of the oil refinery. Overall release performance for the sector was poor as only 15% of approved budget was released. This was due to the low release of funds for Karuma hydropower plant (3%) a that has the largest share of the sector budget. The low release performance was because the financing agreement between GoU and the EXIM bank had not yet been finalised.

A total of 17,147 Energy saving stoves were disseminated across the country in FY 2013/14. Efforts of increasing energy efficiency also progressed well. The Energy week was concluded, several training on energy efficiency were conducted. The project was affected by delayed completion of the procurement process for wind measuring equipment and solar PVs. This was attributed to non-responsiveness of bidders and the lengthy GIZ procurement process respectively.

Under Oil, a production license had been awarded to CNOOC. Tullow and Total submitted their Field Development plans and were awaiting a production license. At the petroleum department, construction of the data center was at roofing level and had been affected by unexpected ground conditions and processes for completion of the structural design reviews and approval by the contracts committee of MEMD. Kingfisher Development Area was constrained by delays in approval of environment permits for the activities in the oil field.

Regarding Construction of the Oil Refinery, a total of 1370 (51%) of the 2708 people affaected by projects (PAPs) had been compensated. The outstanding payments were majorly due to unavailability of funds to pay the PAPs. The PAPs expected compensations by end of March, 2014 but had not been paid as at 7th, July, 2014. The 93 families which also require resettlement had not been catered for because of the non-release of funds for Q4 FY 2013/14.

Performance of transmission line projects was below average. The sector objective of increasing transmission network was not achived as expected The Right of Way for the transmission line should have been acquired by FY 2013/14. However, on average, the Resstlement Action Plan implementation for the Karuma Interconnection Project, Mputa interconnection, Mbarara-Nkenda/Tororo-Lira-Opuyo, NELSAP,

and ESDP was at 53%. Substandard works were noted on the seven houses sampled. No EPC works had commenced on the lines except the NELSAP and Mbarara-Nkenda/Tororo-Lira-Opuyo lines where works were slow.

Performance of large hydropower projects was below average. The progress for Karuma Hydropower Plant was at 7% out of the 20% target for FY 2013/14. The contractor had so far spent US\$ 280,000 on construction. The expenditures were made largely on the excavation works for the Main Access, and Ventilation and Escape tunnels, tail race, ground leveling and construction of access roads. Isimba HPP had no funds allocated for the FY. The contractor implemented the project using own resources to a tune of US\$34.5 million. Soil investigations were completed and handed over to the consultant. Staff and equipment had been mobilized. Camps constructions and access roads construction were all ongoing.

Construction of power lines was ongoing in the districts of Sembabul, Mbarara, Bundibugyo, Mubende, Kisoro, Kiruhura, Lyantond, Nakasongola, Ibanda, Kamuli, Buyende, Kayunga, Jinja, Mbale, Manafwa, Tororo, Butaleja, Kapchorwa, Pallisa. The construction of Masindi/Lira. Construction of lines, for lots 1 central and 8 in western had not commenced against the planned target of 60% completion by the end of the FY.

The upgrade of the Bujagali switch yard was behind schedule as construction had not commenced by the end of the financial year. Ongoing works included; design approvals of the switch yard, placement of orders for the equipment and commencement of the Factory Acceptance Tests. Smooth progress was hampered by the delays in design approvals, lack of access road to the site, and water service point for the civil contractor.

Free household grid connections had not picked up as expected. A total of 1,803 grid connections to households had been completed country wide by the end of the FY. Delay in verification and reimbursement of funds for the connections by REA and verification team slowed down progress. The selection criteria also leave out would-be eligible customers and social institutions where the poor households' access services such as schools and health centers. In addition, there has been a slow start of the roll out of the implementation of the customer awareness campaign and communication strategy.

Challenges

- The PAPs on all transmission line projects highlighted low compensation rates as the values used were for the previous years.
- Delay in approvals of the RAP valuation report by the Chief Government Valuer (CGV),
- The RAP implementation, EPC works for the transmission lines and the PREEEP were affected by delays in conclusion of procurements.
- Implementation of Karuma and Isimba hydropower plants was halted by delays in finalization of the financing agreement between Government of Uganda and the Exim Bank

Conclusion

Performance for the sector was rated as fair as 63% of the projects were below average. Projects that performed well included; PREEEP, Management of oil and gas sector in Uganda, and Construction of the oil refinery. Overall release performance for the sector was poor due to the low release of funds for Karuma hydropower plant.

The good practice in the sector was an illustrated allocative efficiency in majority of the projects implemented. This yielded the observed achievements by the end of the FY. The PREEEP project performed well in enhancing access to renewable energy technologies and increasing energy efficiency. The management of oil and gas sector project was on course. Construction of the data center also progressed on track.

The low performance was most common among transmission infrastructure projects where there were delays in acquisition of the corridor. The main causes for delays included; disputes due to low compensation rates, delays in; approval of compensation packages by the CGV, payment of the PAPs; and procurement of RAP consultants. Non release of funds affected performance of especially Oil refinery project and large hydropower plants. Other projects also highlighted low and late release of funds.

Recommendations

1. Government should establish fair compensation values for all projects that use the way leave corridor
2. The CGV's office should be enhanced with competent staff to speed up approvals submitted by UETCL
3. The PPDA should develop the capacity UETCL Project Implementation unit to handle procurements
4. The UETCL, MEMD should initiate procurements early enough.
5. The MEMD and MFPED should fast track the finalization of the financing agreement with the EXIM bank to expedite implementation of Karuma and Isimba Hydropower plant

Chapter 1: INTRODUCTION

1.1 Background

The energy sector comprises of two votes. These are; Ministry of Energy and Mineral Development (Vote 017) ;and Rural Electrification Agency (REA)-Vote 123.

The mandate of the Ministry of Energy and Mineral Development (MEMD) is to *“Establish, promote the development, strategically manage and safeguard the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development”*

The energy sector priority areas include;

- i. Increase electricity generation capacity and transmission network.
- ii. Increase access to modern energy services through rural electrification and renewable energy development.
- iii. Promote and monitor petroleum exploration and development in order to achieve national production.
- iv. Develop petroleum refining and pipeline transportation infrastructure.
- v. Streamline petroleum supply and distribution; and
- vi. Promote and regulate mineral exploration, development, production and value addition .

Rural Electrification Agency’s mission is to “To facilitate provision of electricity for socio-economic rural transformation in an equitable and sustainable manner”

1.2 Rationale

There are several institutions in the accountability sector mandated to monitor and audit public resources. However, information on resource use and the status of service delivery remains limited. Improved access to budget monitoring data by policy and program implementers is critical for enhanced transparency, accountability, and consequently improving service delivery. It was against that background that the Budget Monitoring and Accountability Unit (BMAU) was established under the Budget Directorate in Ministry of Finance, Planning and Economic Development (MFPED).

The mandate of the Unit is to effectively monitor implementation of government programmes for assessment of outputs and outcomes in selected priority areas of Energy, Health, Agriculture, Education, Roads, Water and Sanitation, Public Finance, Public Sector Management ICT and Industrialisation; to improve accountability and ensure efficiency in public expenditure.

The energy sector is a key sector where government has channeled a lot of public investment and expects improved service delivery. The unit conducted an annual performance assessment of the implementation of selected government programs/projects. This is aimed to enhance effectiveness of implementation with a view to attaining value for money for public expenditures.

1.3 Report Outline

The report has four chapters. The second chapter highlights the projects that were monitored, indicating the criteria that guided selection of the projects; the methods that were used to conduct the monitoring exercise; and the limitations. Chapter three presents the overall performance of the sector, highlighting challenges to project implementation; and the link between physical and financial performance. Chapter four provides the conclusion on sector performance and recommendations for improvement.

Chapter 2: Methodology

2.1 Scope

The criteria that guided project selection included;

- Projects with large budget allocations.
- Projects that had been monitored in previous quarters and had major implementation challenges.

The projects that were monitored are listed in table 1.1

Table 1.1 Energy Sector projects monitored in FY 2013/14

Output and Component	Location
Vote 017: Ministry of Energy and Mineral Development	
Vote Function (VF) 0301: Energy Planning, Management and Infrastructure Development	
Project: 1023: Promotion of Renewable Energy and Energy Efficiency (PREEE)	Nebbi, Arua
Project 1025: Karuma Interconnection Project (KIP)	Kiryandongo, Luwero
Project 1026: Mputa Interconnection Project	Kasese, Kabarole,
Project 1137: Mbarara-Nkenda/Tororo-Lira Transmission Lines	Mbarara, Kasese, Tororo
Project 1140: Nile Equatorial Lake Subsidiary Action program (NELSAP) (Bujagali-Tororo-Lessos and Mbarara-Mirama-Birembo)	Iganga, Mayuge, Tororo, Mbarara, and Ntungamo
Project 1024: Bujagali Interconnection Project/Bujagali Switchyard Upgrade	Jinja
Project 1212: Electricity Sector Development Project (ESDP)- Kawanda-Masaka transmission line	Mpigi, Kalungu, Masaka
Vote Function 0302 Large Hydropower Infrastructure	
Project 1183: Karuma Hydropower plant	Nwoya
Project 1143: Isimba Hydropower plant	Kayunga

Output and Component	Location
Vote Function 0303 Petroleum Exploration Development Production (PEDP)	
Management of Oil and Gas Sector in Uganda	Entebbe, Hoima, Buliisa
Construction of the Oil Refinery	Hoima
Vote 123: Rural Electrification Agency	
0351: Rural Electrification	
Project 1261: West Nile Grid Extension program-GBOBA	Arua, Nebbi, Mbale, Iganga, Kasese, Rubirizi
Project 1262: Rural Electrification project	Kayunga, Jinja, Kamuli

Source: Author

2.2 Methods

Effectiveness of expenditure was assessed through comparison of planned/reported financial and physical performance with that observed during monitoring. Financial data was sourced from the Integrated Financial Management System (IFMS) for GoU expenditure and from project profiles in the Public Investment Plan (PIP), and from implementing agencies for donor components.

Literature review covered the following documents: the Ministerial Policy Statement (MPS), Rural Electrification work plans, the PIP, project contracts and progress documents obtained from various sources including; MEMD, REA, Uganda Electricity Transmission Company (UETCL).

Other methods used included interviews with officials on site such as project contractors, managers, consultants, and local government officials. In addition, focus group discussion with beneficiaries; and observations were done. Photographs were taken for visual enhancement of the physical performance of projects.

2.3 Limitations

- Most of the financial information is not captured on the IFMS accounting system because the sector is mainly donor or privately financed. This makes analysis of planned versus actual expenditure, absorptive capacity and operational efficiency problematic.
- Donors and private firms are at times unwilling to provide detailed financial information.
- The time to cover a wide range of projects was limited.
- Incomplete information especially where respondents were new in offices or relevant documents were not readily available

Chapter 3: Sector Performance

3.1: Overall Performance

Performance for the projects was rated as fair. Projects that performed well included; PREEEP, Management of Oil and Gas Sector in Uganda, and Construction of the oil refinery. Overall release performance for the sector was poor with only 15% of approved budget that was released. This was due to the low release of funds for Karuma hydropower plant (3%) and yet it took the largest share of the sector budget. The low release performance was because the financing agreement between GoU and the EXIM bank had not yet been finalised.

The PREEEP project performed well in enhancing access to renewable energy technologies and increasing energy efficiency. Over 17,000 stoves had been distributed to households and 25 stoves for productive use to Small and Medium Enterprises.

The management of oil and gas sector project was on course. Construction of the data center also progressed well. The production license had been awarded to CNOOC, while Total and Tullow Uganda Operations Pty Ltd had submitted their field development Plans for review and award of the production licenses. In addition, the process of land acquisition for the refinery and supporting infrastructure continued. 1,370 PAPs (51%) had been compensated. Land for resettlement of the vulnerable PAPs had also been identified in Kyakaboga village near Buseruka sub-county in Hoima district.

Rural electrification was also enhanced. A total of 1,803 grid connections to households had been completed country wide by the end of the FY.

However, 63% of the projects were below average. The low performance was most common among transmission infrastructure projects where there were delays in acquisition of the corridor. The main causes for delays included; disputes due to low compensation rates, delays in; approval of compensation packages by the CGV, payment of the PAPs; and procurement of RAP consultants. Non release of funds affected performance of especially Oil refinery project and large hydropower plants. Other projects also highlighted low and late release of funds.

Financial performance of the sector

The FY 2013/14 Government of Uganda (GoU) approved development budget to the sector was Ug shs 1,335,623,895,032. This was shared between Ministry of Energy and Mineral Development (97%) and Rural Electrification Agency (3%). Majority of the sector resources were allocated to the outputs of; Large Hydro power Infrastructure (82%), Thermal and Small Hydro power generation (5.1%), Acquisition of other capital assets (3.5%), construction of Rural Electrification Schemes(On grid)(2.5%), Oil refinery construction(2.4%), Government Buildings and Service Delivery Infrastructure (1%). The other outputs in the sector were allocated 3.5% of the budget.

A total of Ug shs 204,627,508,773 (15%) of the sector budget was released indicating a poor release performance. This was attributed to the low release of Ug shs 37,270,000,000 (3%) from the Karuma Hydro Power Plant budget (Ug shs 1,096,900,000,000) which took up 82% of the sector budget. Karuma had a low release because the financing agreement between the China Export Import Bank (EXIM bank) and GoU had not been finalized.

The sector expenditure performance was however excellent as 100% of the released funds had been spent by the end of the FY 2013/14. The absorption of the released funds over the FY were majorly noted on the outputs of; acquisition of other capital assets, construction of rural electrification schemes, oil refinery

construction, large hydro power infrastructure, management of policy issues, public relations, ICT and electricity disputes resolved.

3.2 Programme Performance

Vote 017: Ministry of Energy and Mineral Development

The vote comprises of six vote functions namely: Energy Planning, Management and Infrastructure Development; Large Hydropower Infrastructure; Petroleum Exploration Development and Production; Mineral Exploration Development and Production; Petroleum Supply, Infrastructure and Regulation; and Policy, Planning and Support Services. Monitoring focused on three vote functions as follows:

Vote Function 0301 Energy Planning, Management and Infrastructure Development

The vote function is responsible for promoting increased investment in power generation, renewable energy development, rural electrification, improve energy access, promote energy efficient technologies, and promote private sector participation in the energy sector. The vote function took 9% of the MEMD development budget.

The VF comprises of 16 projects. These are: Energy for Rural Transformation (ERT); Support to Thermal Generation; Promotion of Renewable Energy and Energy Efficiency ; Bujagali Interconnection Project; Karuma Interconnection Project, Mputa Interconnection Project; Mbarara-Nkenda/ Tororo-Lira Transmission Lines; Nile Equatorial Lakes Subsidiary Action Programme; Hoima-Kafu Interconnection; UETCL/ Statnett Twinning Arrangement (Phase II); Modern Energy from Biomass for Rural Development; Electricity Sector Development Project; Opuyo-Moroto Interconnection Project; Electrification of Industrial Parks, Mirama-Kikagati-Nshungyenzi Transmission Line; Kampala-Entebbe Expansion Project. A total of seven projects were monitored.

Performance of Selected Projects

3.2.1 Project: 1023: Promotion of Renewable Energy and Energy Efficiency (PREEE)

Background

With support from the German Government, MEMD initiated the Energy Advisory Project (EAP) in June 1999 which ended in May 2008. In June 2008, the project was transformed into the Promotion of Renewable Energy and Energy Efficiency Programme (PREEEP) implemented by the MEMD with the support of German Technical Cooperation (GTZ), KfW Entwicklungsbank and the German Development Service (DED) . In January 2011 GTZ, DED and InWent (another agency in Germany) merged to form Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ).

The project started in July 2008 and its expected completion date is June 2016 . The PREEEP annual report and PIP though highlight that expected completion date as January 2017 and May 2017 respectively. The programme is currently operating in its second phase which started June 2011 and is expected to end in October 2014. The PREEEP is organized into four components; Energy dissemination, dissemination of improved biomass technologies, promotion of energy efficiency; and promotion of rural electrification. The overall objective of PREEEP is to improve access to modern energy services and the efficient use of energy by households and the private sector, especially in Northern Uganda. The total cost for phase II (under implementation) is Euros 6 million and all funds were spent.

The phase II planned outputs include; 150,000 improved household stoves disseminated, 400 improved institutional stoves disseminated, 1,000 solar home systems disseminated, 100 solar institutional systems disseminated, 100 solar institutional systems disseminated, at least 350,000 tons of wood saved each year.

The project has four vote function outputs

- a) Output 030176: Purchase of office and ICT Equipment, including software
- b) Output 030101; Energy Policy/Plans Dissemination, Regulation and Monitoring
- c) Output 030102: Energy efficiency promotion
- d) Output 030103; Promotion of renewable energy

Findings

Financial performance

The approved development budget for the project was Ug shs 1,926,893,500. The release performance was excellent as 100% was released. Table 1.2 shows financial performance of the Project 1023 for FY 2013/14 (GoU component).

Table 1.2 Development Budget Performance for GoU funds for PREEEP, FY 2013/14 (Ug shs)

Quarters	Releases	Expenditure	Release Performance (%)	Expenditure performance (%)
1	493,732,744	272,189,418	26	55
2	719,223,375	403,355,548	37	56
3	282,614,696	221,859,102	15	79
4	431,322,685	958,293,885	22	222
Totals	1,926,893,500	1,855,697,953	100	96

Source: IFMS Data, 11th, July, 2014

Expenditure performance was excellent as 96% of the released funds were expended. Expenditure was distributed among the four vote function outputs of; Purchase of Office and ICT Equipment, including Software, Energy policy/Plans dissemination, regulation and monitoring, Energy Efficiency Promotion, and Promotion of renewable energy.

The approved budget for the vote function output: Purchase of Office and ICT Equipment, including Software for FY2013/14 was Ug shs 150,000,000 (7.78% of the project budget). By the end of the FY 2013/14, 100% of the approved budget had been released and all the released funds were absorbed. The funds were used for purchase of office equipment.

The approved budget for the vote function output energy policy/plans dissemination, regulation and monitoring was Ug shs 200,000,000 (10.38%) of the project budget. Release performance was excellent as 100% of the budget was released. Expenditure performance was excellent as 98% of the released funds were spent. The cumulative expenditures were on Contract Staff salaries (76%), travel inland (5%), maintenance – vehicles (5%), fuel, lubricants and oils (5%), printing, stationery, photocopying and binding (5%), and communications (4%).

The approved budget for the vote function output Energy Efficiency Promotion (EEP) was Ug shs 970,000,000 (50.34%) of the project budget. By the end of the FY 2013/14, 100% of the budget had been released and 94% were expended. The cumulative expenditure was on consultancy service- long term (56%), consultancy services short term (11%), advertising and public relations (7%). Other line items shared 26% of the expenditure.

The approved budget for the vote function output: Promotion of Renewable Energy (PRE) for FY2013/14 was Ug shs 606,893,500 (31.5%) of the project budget. Release performance was excellent (100%). The expenditures were 98% of the released funds. The cumulative expenditure was distributed on consultancy services short term (20%), computer supplies and information technology (15%), maintenance – vehicles (13%), small office equipment (13%), advertising and public relations (9%). Other line items took up 8% Physical performance

Performance was good as 70% of the outputs were achieved. Over 17,000 stoves had been distributed to household and 25 stoves for productive use to Small and Medium Entreprises. The energy week was concluded and a number of promotion of renewable energy efficiency promotion activities were conducted. Table 1.3 shows the planned outputs and status of implementation for the PREEE project by end of FY 2013/14.

Table: 1.3: Performance of project 1023

Planned Outputs	Status of implementation by end of FY 2013/14
Output 030176: Purchase of Office and ICT Equipment, including Software	
<ul style="list-style-type: none"> - Wind measuring equipment procured and installed - Purchase of special computer, remote data collection equipment, and software for wind data collection - Demonstration wind energy systems equipped, procured and installed 	<p>Procurement of wind measuring equipment and other equipment were concluded. Contract was cleared by the Solicitor General and awaiting signature.</p>
Output 030101: Energy Policy/ Plans Dissemination, Regulation and Monitoring	
<ul style="list-style-type: none"> - Technical support provided to the Energy Resources Department (ERD) through renewable energy band energy efficiency activities - Programme to implement the energy efficiency and conservation law after approval by parliament developed 	<p>Supported training on the application of the new studio tool for capturing the energy balance. West Nile and Lango regions continue to be supported in energy mainstreaming. Request to this effect has also been received in ERD for more support in terms of capacity building of district local government to integrate energy issues in their planning.</p> <p>Development of the programme to implement the energy efficiency and conservation law after</p>

	<p>approval by parliament still in progress</p> <p>Implementation of the Energy Efficiency Strategy for Uganda (EESU) 2010-2020 continues.</p>
<p>Output 030102: Energy Efficiency promotion</p>	
<p>Energy week 2013 held</p>	<p>The energy week was held from 24th-28th September 2013. Preparation and distribution of awareness materials was done.</p> <p>Road shows in Lira and Gulu were organised under the energy explorers' campaign in support of the energy week.</p>
<p>Energy efficiency awareness materials developed and disseminated to targeted consumers</p>	<p>Materials (including Tips on energy saving for households, improved biomass technologies, fuel efficiency, Liquefied Petroleum Gas) have been developed and produced.</p> <p>Bill Boards, street adverts, Radio adverts, calendars and pull up banners have been developed to promote efficient energy technologies (including efficient lighting, efficient cook stoves and fuel efficiency)</p>
<p>Voluntary approach programme for adoption of energy efficiency standards and labels for five appliances (fridges, freezers, ac electric motors, lighting appliances and air conditioners) finalized.</p>	<p>Communication strategy for the adoption of Minimum Energy Performance Standards (MEPS) for five (5) appliances (fridges, freezers, alternating current electric motors, lighting appliances and air conditioners) was finalized.</p>
<p>Energy audits for four large energy consuming enterprises conducted</p>	<p>Six energy audits were carried out for energy consumers including Bakhresa grain milling, Wavah Water (U) Ltd, Kawacom (U) Ltd, Maganjo grain millers, Hotel Africana, Golf Course Hotel and energy audit reports compiled.</p>
<p>Small and Medium Enterprises(SMEs) Programme on identification of relevant technologies and financing opportunities developed</p>	<p>Development of the SMEs programme on identification of relevant technologies and financing opportunities was in advanced stages.</p>
<p>Energy efficient equipment installed in public institutions monitored.</p>	<p>Energy efficient equipment installed in public institutions. Reports in place</p>

Energy efficient equipment installed in public institutions monitored.	Energy efficient equipment installed in public institutions. Reports in place
Energy management and cleaner production training programme conducted for energy managers, industrialists and consulting engineers conducted	Energy auditing & management training were conducted between 20 th ,May to 12 th , July 2013 for forty seven (47) energy managers, consulting engineers and Industrialists and certificates awarded during the energy management workshop held on 27th September,2013 at Protea Hotel
50,000 improved household stoves disseminated	17,090 stoves had been distributed to households and 25 stoves for productive use to Small and Medium Enterprises.
Output 030103 Renewable energy Promotion	
Technical support to private companies and Organizations dealing in households and institutional energy saving stoves	Follow up Business coaching for energy service providers in West Nile (Arua, Zombo, Nebbi, Adjumani and Koboko) and in Lango sub region were held.
40 institutional energy stoves disseminated	32 out of 40 energy saving stoves were disseminated to social institutions like schools, prisons, and hotels in the districts. The variation was due to the change of strategy from the NGO approach where the NGOs would be supported to construct and disseminate stoves at a subsidized cost to the commercial approach where individuals are trained to become Energy Service providers who later construct stoves and sell them to the individuals or institutions.
Bwindi, Suam Micro Hydropower and Moyo Pico Hydro monitored	The Micro and Pico Hydro Power plants were monitored through keeping track of the connections that had been made. Training on operations and maintenance of the hydro power plants operators was also conducted.
30 solar PV systems installed in 30 institutions. These include 23 health centres, four schools and three sub-counties in districts of Nebbi, Zombo, Yumbe, Otuke and Dokolo.	A total of 57 Solar panels for the first consignment were delivered to serve the districts in Zombo and Yumbe (batteries, charge controllers, lightening protection equipment, printer and computer), installation and commissioning was at award stage.

It should be noted that GIZ directly procures the solar panels while the rest of the accessories are procured by the best bidder who installs and commissions the entire package.

The procurement process for the second and third consignment was expected to commence in August 2014

Source: Field Findings and MEMD Performance Report

Findings

1. Output 030102: Energy Efficiency Promotion- Improved household stoves component

The improved stoves scheme is managed by GIZ. Between 2005 and 2008, the project was disseminating stoves through Non-Government Organizations (NGOs). However, by the project nature of NGOs operation, sustainability of the stoves project was not put into consideration. A market based technology approach was therefore adopted, taking stoves production as a business.

A commercial approach which started in 2013 was based on social marketing principles that are used to select potential entrepreneurs referred to as Energy Service Providers (ESPs). The ESPs were trained on biomass technology. A total of 23 people were trained in each region of the West Nile, Eastern, Western and Central in FY 2013/14 The ESPs were supposed to train other ESPs. Table 1.4 indicates the district against number of people trained in the West Nile.

Table: 1.4 Energy Service Providers by District

District	Trained ESPs	Active ESPs	Percentage of active ESPs
Nebbi	49	30	61
Maracha	14	7	50
Koboko	23	18	78
Zombo	30	20	67
Adjumani	28	20	71

Source: Field Findings

Table 1.4 shows that Nebbi district had the highest number of trained ESPs while Maracha district had the least number trained. The majority of the active ESPs were in Koboko, Adjumani and Zombo districts. After the training, the ESPs received three sets of moulding equipment for stoves construction.

In 2013, GIZ carried out an assessment of the project and realized that ESPs were not making many sales from the stoves business as they were not having an entrepreneurial mindset. To that end, GIZ trained ESPs in entrepreneurial skills such as; financial management, customer care, communication record management, networking, and branding. They were also given receipt books to help in credit management and marketing. Each ESP was given a branded overall to wear, business cards, a banner, and posters with their details for people to access them in sub counties.



Left: ESPs being trained in Nebbi district; Right, ESPs display some of the stoves they had built, Nebbi district

In-depth interviews were conducted with the PREEEP coordinator, and two ESPs. An assessment of the effectiveness of the energy saving stoves was done and findings are presented in Box 1.1. Energy Saving Stoves were highlighted to be efficient. However, ESPs were not making profit as expected because the communities could not afford the stoves. The ESPs found the stoves bulky to transport to markets.

Box 1.1: Effectiveness of the energy saving stoves

Project Planning	Good
<p>The overall objective of “<i>improving access to modern energy services and the efficient use of energy by households and the private sector, especially in Northern Uganda</i>”, had two success indicators.</p> <ol style="list-style-type: none"> 1) The households, institutions and enterprises that are supported by the programme re-duce their energy costs by 30 % on average. 2) A minimum of 710,000 tons of wood (as well as the equivalent forest area) are con-served annually due to the interventions of the programme. <p>The selection criteria for the beneficiary districts in the region included;</p> <ul style="list-style-type: none"> - Rate of environment degradation based on the PREEEP districts environmental assessment report - Direct request from the district local government <p>Coverage across the West Nile region was good. The ESPs were sourced in all sub counties from the districts of Nebbi, Maracha, Koboko, Zombo, and Adjumani. Sub county leaders were involved in the selection of ESPs. These were then trained in stove building techniques. The ESPs are in turn training other community members in stoves construction.</p> <p>The ESPs interviewed reported that they were saving about 50% of fuel, some households have seen linkages of efficient use of cook stoves and environmental conservation</p>	
Service delivery/beneficiary Satisfaction	Fair
<p>The coordinator of PREEEP and ESPs were satisfied with the project. For example, Mr. Dudu Ismail, Arua Municipality, Arua district had received Ug shs 3,300,000 between September 2013 and March 2014 and was able to open up a retail shop.</p>	

Mr. Kiza David from Nebbi Sub county, Nebbi district earned Ug Shs 910,000 between September 2013 and March 2014. Some of the stoves that he constructed were sold to the Democratic Republic of Congo.

The main benefits highlighted by users of the stoves included;

- Reduction in energy expenditure by about 50% on fuel
- Reduction in time spent cooking
- Increase in income for the ESPs

However, some challenges were highlighted with the stoves building business. These included;

- Limited market as the locals perceive Ug Shs 15,000 as high.
- The income that the stoves builders are getting is little
- Lack of appropriate means of transport for the bulky stoves

- Some communities have not appreciated the stoves. They prefer the traditional 3 stones.

Some of the recommendations proposed by ESPs included;

- The project implementers should improve the awareness about the energy saving stoves
- The ESPs should scale up training of other community members

Gender and Equity Good

Northern Uganda was given priority as it is still lagging behind in the development process. The selection process was conducted fairly. The selection criteria for the beneficiary districts focused on the environment degradation based on the PREEEP districts environmental assessment report. The selected districts had a high level of environmental degradation.

Both men and women were trained in building stoves. Benefits reported by users addressed gender issues for example reduced cooking time allows women to undertake other productive activities

Operation and maintenance Fair

The coordinator of the project and ESPs indicated that training is given on how to operate and maintain the stoves. The ESPs are able to follow up their clients who stay in the nearby areas.

Source: Field Findings

Overall challenges to PREEEP Project included;

- Non responsiveness of bidders during the procurement of the wind measuring equipment and other accessories.
- Limited market for the energy saving stoves due to low incomes.
- Lack of transport to take the bulky energy saving stoves to the distant markets

Implementation challenges in Northern Uganda;

The project coordinator highlighted the following challenges

- Competition between the 3 stones verses improved technologies.
- Low household incomes limits the purchase of the stoves
- The PREEEP is politicized as communities are tagging it to 2016 votes and therefore want it free.

Analysis

Link between physical and financial performance

The FY 2013/14, GoU development release was Ug shs 1,926,893,500. Expenditure performance was excellent. These funds were spent on contract staff salaries and long term consultancy services. As donor support, a block figure of Euros 6 million was for GIZ- phase II funding was quoted but no desegregation was given on expenditure by line item. In spite of this limitation, a number of achievements had been made such as; stoves dissemination, support to the energy week, training operators of micro and Pico hydro power plants, procurement of solar PVs for social institutions, among others.

Achievement of set targets

Achievement of set targets was good as 70% of the outputs were achieved by the end of the FY. However, there were some setbacks to project implementation such as; non-responsiveness of bidders during the procurement of the wind measuring equipment and other accessories. The planned target of disseminating 50,000 improved household stoves by the end of the year achieved 34%. The low level of achievement was attributed to the change in approach from distributing and constructing stoves by MEMD to training the beneficiaries (Energy Service Providers) in stoves building and there after carry it on as a business, with a view to ensure sustainability.

Conclusion

The PREEP performance was good in enhancing access to renewable energy technologies. Over 17,000 Energy saving stoves were disseminated across the country to FY 2013/14. Efforts of increasing energy efficiency also progressed well. Energy week was concluded, several training on energy efficiency were conducted. However, most of the expenditures in the PREEE project were on contract staff salaries and consultancies. The GIZ support to the energy stoves component also focused more on technical support, other than actual implementation of the project.

The project was affected by delayed completion of the procurement process for wind measuring equipment and solar PVs. This was attributed to non-responsiveness of bidders and the lengthy GIZ procurement process respectively. The energy service providers were also, still faced with issues of limited market. This is due to lack of transport to take the stoves to distant markets, poverty of would-be buyers, and the unpopularity of the stoves in preference for the traditional three stones.

Recommendation

- The MEMD should hold negotiations with GIZ to also focus their effort on actual implementation and supporting beneficiaries to sustain the project other than providing technical support.
- The MEMD should improve on procurement processes management.

Project 1025: Karuma Interconnection Project (KIP)

Background

The GoU has prioritized the construction of the interconnection line in order to evacuate power from Karuma Hydro Power Plant (HPP) to the national grid. The objective of the interconnection line is to provide adequate transmission capacity for evacuation of electric power from the Karuma Hydropower station. The Public Investment Plan (2013/14-2015/16) indicates that the start date of the project was July 2008 and Expected completion date was June 2012 but this will be revised to a later date after finalization of the financing agreement between GoU and the EXIM bank. Project cost is Ug Shs 191.5 billion .

The transmission line traverses the districts of Oyam, Lira and Kole for the Karuma – Lira section; Nwoya district for the Karuma- Olwiyo section; and Kiryandongo, Masindi, Nakasongola, Luwero and Wakiso for the Karuma-Kawanda section.

Expected outputs include;

- i. Construction of Karuma- Kawanda 400kV (approximately 265Km),
- ii. 132kV line Karuma- Lira 132kV (approximately 80Km),
- iii. Karuma- Olwiyo 132kV (60Km) transmission lines, and
- iv. Construction of associated substations.

The planned outputs for FY 2013/14 were; way leaves for the lines acquired, and Supervision consultant procured.

Findings

Financial performance

The approved GoU development budget for the project in FY2013/14 was Ug shs 1,920,000,000 of which Ug shs 960,000,000 (50%) had been released to the MEMD by end of FY. All the released funds were transferred to UETCL.

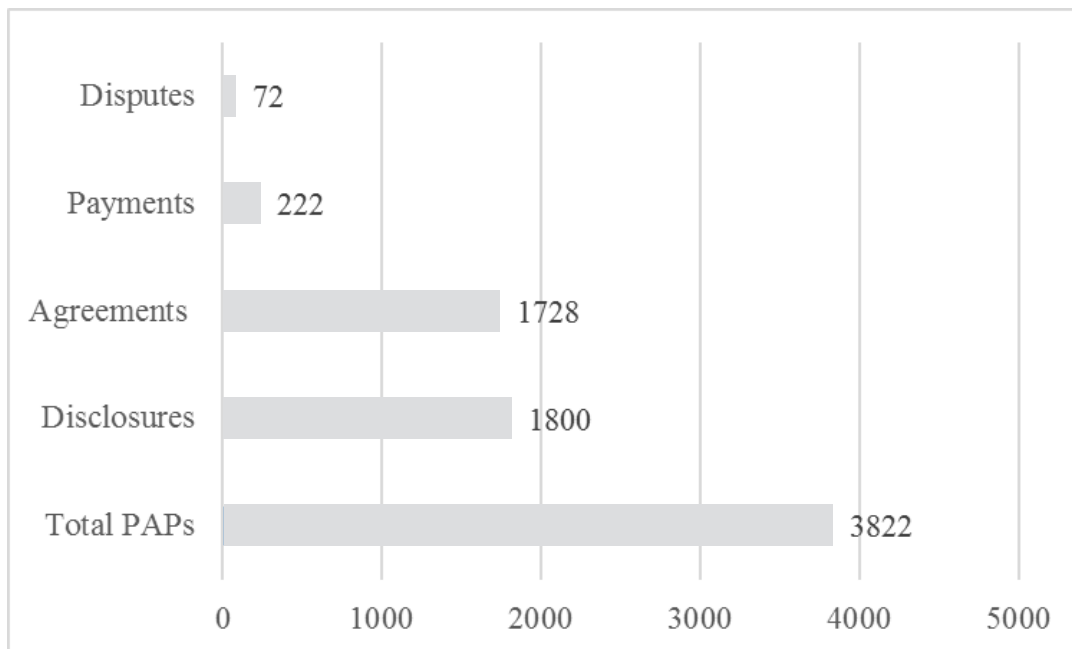
The transferred funds were used for implementation of the Resettlement Action Plan (RAP), engineering design studies, and plans for capital works. The total budget for the RAP implementation was Ug shs 78.6 billion and by the end of June 2014, the cumulative amount of Ug shs 6.7 billion had been paid out to the project affected persons.

The Engineering Procurement and Construction (EPC) works are expected to be financed by the China EXIM bank at US\$ 289,910,000. By 30th June.2014, no disbursements had been made as the financing agreements had not been signed.

Physical Performance

The evaluation surveys for the Resettlement Action Plan (RAP) started in January 2011 and ended in November 2012. Compensation of Project Affected Persons (PAPs) should have commenced by January 2013. However, the exercise started in June 2014 and expected completion date was shifted from June 2014 to June 2015.

By the end of the June 2014, 222 PAPs had been compensated. Additional group and individual disclosures were ongoing. Preparations of compensation packages for the PAPs who had consented but had not yet been paid were also ongoing. It was also noted that the RAP consultant had not yet been procured. The advertisement was published in May 2014, almost a year after commencement of the RAP implementation. This has affected the RAP implementation since the consultant is vital in dispute resolutions and timely completion of compensation. Figure 1.1 summarizes the Resettlement Action Plan Implementation by the end of June 2014.

Figure 1.1: Status of RAP implementation on Karuma Interconnection Project

Source: UETCL, Field findings (July, 2014)

Figure 1.1 shows that 47% of the PAPs had received disclosures for the affected property of which 96% have agreed to the disclosed packages. The payments made by the end of June, 2014 were 13% of those who agreed to the packages while 4% of those who received disclosures to have disputed the values. The disputes were due to disclosed property values which were perceived as low.

The low number of payments to the agreed PAPs was partly because 90% of the affected land particularly on the Karuma- Kawanda section is private mailo land. Some of those who have titles are 2nd, 3rd and 4th generation owners without having the titles in their names. Those with untitled land cannot sell or relinquish land before the consent of the land lord. Processes of title transfers take long, coupled by absentee landlords.

In addition, the RAP implementers received the valuation report late. The valuation report was received at the Chief Government Valuer's (CGV) office in September 2012 while approvals were done in December 2013. The disputes were due to the low compensation packages especially in town councils. An acre in Kigumba Town council in Kiryandongo district was valued between Ug shs 2,000,000 to Ug shs4, 000,000 a rate lower than the market price of the same size in the same location. In Nakasongola district some PAPs had received a disclosure of Ug shs 300,000 for the affected land which had been purchased at Ug shs 1,300,000. In other cases, the entire land for the PAP is affected as it may traverse the entire middle section and yet no significant activity can be implemented on either side of the free land. On the other hand, only the Right Of Way (ROW) is fully compensated.

Ms, Nabatanzi Efransi, from, Kasaala village, Luwero Sub County, Luwero district, was away during the disclosure exercise. Her nephew, a co-owner of a neighboring smaller piece land registered as the land owner for the whole piece of land. At the time of payment, the cheque could not be given to either of them. Payment was therefore halted until the rightful owner is established. Such disputes are solved by a RAP consultant, who was not procured by 18th July, 2014.

Complaints concerning RAP implementation from PAPs included:

- Inability for PAPs to further develop of their land or renovate their houses due to uncertainty of when they will be compensated.
- Delayed compensation amidst inflation

- Low valuation of their property compared to the prevailing market price.
- PAPs are forced to vacate their land and yet they are given little money which cannot purchase and build houses

Some of the PAPs in Kiryandongo district, Bweyale Town Council, and Luwero district were interviewed to obtain their views about the RAP implementation. Box 1.2 shows implementation of the Resettlement Action Plan in KIP.

Box 1.2: Implementation of the Resettlement Action Plan in KIP

Mr. Dalobo Francis, Bweyale Town council, Kiryandongo district, said that he did not receive any official communication about the right of way corridor and way leaves. His land was registered as his father's. He had neither been compensated nor told how much he would receive. *"... I plan to go to court to have the compensation issues resolved. I stopped meaningfully using my land three years ago. I fear to plant perennial crops."*

Mr. Alyon Rashidi Shaban decried the little money UETCL promised for his affected property and declined to sign the compensation forms. The affected property included: Three grass thatched houses, coffee plantations, avocado trees, and his land measuring 80X70 feet. He noted that the package of Ug shs 300,000 disclosed to him was far less than the amount he purchased the land of Ug shs1, 600,000. They valued his house at Ug Shs 900,000. *"... If they are ready to build me a house in the town council and shift me, it's ok. My house has started leaking but I cannot waste my money when I expect to relocate and my additional cost will not be compensated. They want to compensate me Ug Shs 50,000 for the pit latrine and yet just excavating one meter is Ug Shs 20,000"*

Mr. Mukasa Francis, Luwero SC, Luwero District, says his houses and crops were undervalued. His house was cemented, plastered and near social facilities like schools and the main road. They were offering him Ug Shs 20,000,000 for the houses and crops. He says that buying a new plot of land is about Ug Shs 7,000,000 and building cannot take only Ug Shs 13,000,000. He recommends that when government decides to implement such programs, they should engage owners of the land to negotiate a fair price.

Source: Field Findings (July, 2014)

The PAPs recommended that:

- The UETCL should use the most update property rates during the compensation
- Major challenges that affected project Implementation included;
- The delayed procurement of the RAP consultant is slowing down project implementation.
- Delay in approvals of the RAP valuation report by the Chief Government Valuer.
- Lack of proper land ownership documents by the majority of PAPs for the affected mailo land making verification and payments difficult
- Land disputes among family members.
- Poor valuation due to omissions of some property for the PAPs such as graves or fences by the valuation consultant increased disputes in compensation packages.
- Inaccurate recording of the rightful property owners.
- Use of old land rates for valuation

Analysis

Link between Financial and Physical performance

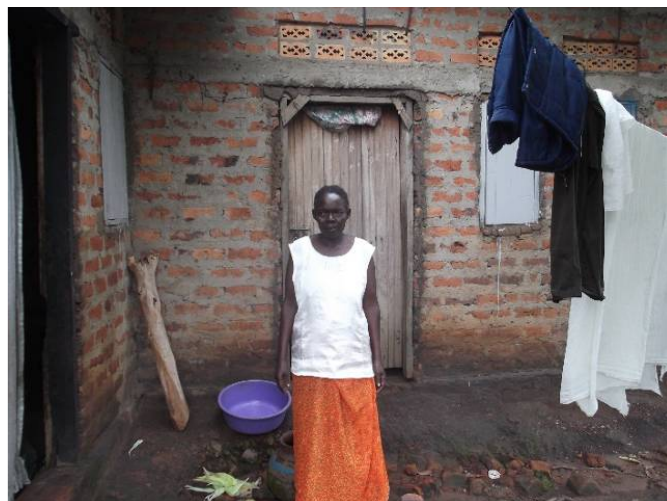
By the end of FY 2013/14, Ug shs 1,920,000,000 (50% of the approved budget was released) and expended. From the start of the RAP implementation, Ug shs 6.7 billion was used to compensate the 222 project affected persons out of 3822 PAPs. The unspent funds were awaiting conclusion of the disputes in valuations, transfer and mutation of the titles for the land required by UETCL. The funds for the EPC works had not been disbursed as the financing agreement had not been finalized. Therefore, construction works had not commenced.

Achievement of set targets

Achievement of key targets for Karuma Interconnection Project was below average. The RAP implementation should have been concluded by the end of FY 2013/14. However, only 6% of total transactions had been concluded. The low payment was partly due to delays in concluding disputes regarding payment. In addition, the rate of disclosure to the PAPs was low as only 47% had been informed about the intention for UETCL to use their land for the Karuma Interconnection Project. Only RAP implementation was ongoing as the supervision consultant had not been procured.

Conclusion

Karuma Interconnection project was performing poorly. The RAP implementation was slow as only 47% of the disclosures had been made. The slow pace of the RAP implementation was majorly due to low valuations of the property. Delays were further caused by the lack of a RAP implementation consultant.



Left: Mr. Alyon Rashidi Shaban in his compound. Right: A PAP not yet compensated due to land disputes. Both PAPs are from Bweyale Town Council, Kiryandongo district

Recommendations

- The UETCL should fast track procurement of the RAP implementation consultant to reduce on project delays.
- The UETCL should strengthen the capacity of the procurement department.
- The UETCL should enhance supervision of property valuation consultants to increase accuracy in data capture.

Project: 1026: Mputa Interconnection Project (Nkenda- Hoima transmission line)

Background

With the discovery of oil and development of power plants in the Albertine region, it was necessary to develop a transmission network. Nkenda- Hoima project is intended to extend the transmission grid in Western Uganda and evacuate electricity from the proposed Kabaale thermal power plant, and mini-hydros in the project area. The transmission line traverses the districts of Hoima, Kibale, Kyenjojo, Kasese, and Kabalore.

The objectives of the project include; a) meeting the energy needs of the Ugandan population for social and economic development; b) provision of adequate transmission capacity to evacuate power generated from Mputa thermal Power Plant; c) Provision of hydro/thermal generation mix to mitigate hydro power fluctuations.

The project started in July 2008 and was expected to be completed in June 2014. However the completion date has been revised to August 2016.

The PIP (2013) states that planned expenditure for the project is Ug shs 211.7 billion. The project is jointly financed by Government of Norway (all transmission line works and 70% of the supervision consultancy costs; 300,000,000 NOK grant), the French Agency for Development (all substation works and 30% of the supervision consultancy costs; US \$ 23,000,000), and the Government of Uganda (compensation of Project Affected Persons and monitoring, supervision, and appraisal of capital works, and other fixed assets; 39,369,284,715).

The Mputa Interconnection project outputs include;

- Construction of 226km of 220kV double circuit line from Nkenda through Fort Portal to Hoima substations
- Nkenda substation extension-132 busbar extension, and two in-coming 220kV line feeder bays
- Hoima 220 substation including 2x132/33kV power transformer; 33kV indoor switchgear and 10 33kV line bays

Planned outputs for FY2013/14 were:

- Construction of Nkenda-Hoima 220kV transmission line and associated substations.
- Way leaves acquired

Financial Performance

The GoU development budget for the project was Ug shs 1,500,000,000 of which Ug shs 741,666,667 (49%) was released by the end of June, 2014. The release performance was relatively below average while transfer and expenditure performance was excellent. All the received funds were transferred to UETCL. Expenditures were to be made on monitoring, supervision, and appraisal of capital works, and on other fixed assets. Table 1.5 highlights the financial performance for project 1026 for FY 2013/14.

Table 1.5: Financial Performance of project 1026 for FY2013/14 (Ug shs)

Quarters	Approved Budget	Releases from MFPED	Transfers to UETCL from MEMD	Release Performance (Percentage)	Transfers Performance (Percentage)
1		166,666,667	166,666,667	11	100
2		275,000,000	275,000,000	18	100
3		300,000,000	-	20	0
4		-	300,000,000	0	100
Totals	1,500,000,000	741,666,667	741,666,667	49	100

Source IFMS Data 11th July, 2014

The total amount for RAP implementation as shown in table 6.6 is Ug shs 39,369,284,715 of which 36% had cumulatively been paid out to the PAPS. The unpaid out money relate to the PAPS whose compensation issues have not been resolved.

Table 1.6 Way leaves and Easements (RAP Implementation)

Total Amount (Ug shs)	Cumulative amount disbursed to June 2014 (Ug shs)	Unpaid balance (Ug shs)
39,369,284,715	13,980,411,505	25,388,873,210

Source: UETCL

Table 1.7 shows that 21% and 13% of the grant and loan from the Royal Norwegian government and the French Agency for Development respectively were received by the end of June 2014. The disbursement is on schedule and within the disbursement requirement of the project. The funds were spent on the preliminary activities of the project including consultancy services for supervision and project management of EPC works for transmission lines and substations.

Table 1.7 Donor financial performance to end of FY2013/14

	Total Grant/Loan amount		Total drawn to date		Percentage drawn from NOK	Percentage Drawn from US\$
	NOK	US\$	NOK	US\$		
AMO UNT	NOK300,000,000	US\$23,000,000	NOK63,570,793	US\$3,000,000	21%	13%
US\$ equivalent (approx.)	US\$52,100,000	US\$23,000,000	US\$10,364,521.56	US\$3,000,000	20%	13%

Source: UETCL

The table 1.8 below shows the contract amount and disbursement to the contractor for the consultancy services for supervision and project management of EPC works for transmission lines and substations.

Table 1.8: Consultancy services for supervision (exclusive of taxes)

Contract Amount	Amount disbursed January- March, 2014	Cumulative amount disbursed to June, 2014	Balance
EUR2,191,327.5	EUR 59,237.92	EUR 59,237.92	EUR 2,132,089.58
Ug shs 349,222,500.0	Ug shs 3,984,750	Ug shs 3,984,750	Ug shs 345,237,750.0

Source: UETCL

Physical Performance

a) Construction of Nkenda-Hoima 220kV transmission line and associated substations.

No construction works on either the transmission line or substation had commenced. Works are still at procurement stage. Construction is hoped to commence in February 2015.

Implementation of the Resettlement Action Plan

By the end of FY 2013/14, the Right of Way for the construction of the transmission line should have been acquired. Table 1.9 shows that corridor acquisition is at 79%. Additional eight land sites were procured to accommodate the construction of the houses for the 35% remaining Physically Displaced and Vulnerable People (PDPs). Construction of the 33 houses will begin after the award of the construction contract for resettlement houses whose process was at approval stage.

Table 1.9 RAP Implementation Performance for FY2013/14

Planned progress on Output	Summary of Progress of Execution	Comments/Challenges
Way leaves corridor acquired. Total transactions: 1,855	Disclosures: 1,826 (98%) of the total PAPs Agreements: 1,593 (87%) of the disclosed PAPs Paid: 1,459 (92%) of the agreements Disputes: 233 (13%) of the disclosed PAPs.	Completion of disclosure was hindered by legal and valuation queries, which will be handled by the RAP implementation consultant. Procurement for a consultant was at post-negotiation stage.
Construction of Resettlement houses.	Over 65% achieved (62 houses have been handed over to beneficiaries). Procurement is underway for a new contractor to complete the works.	The works stalled due to the contractor's abandonment of site. The procurement of a new contractor was embarked upon, and this was at evaluation stage. Four resettlement houses were visited. All works are shoddy evidenced by cracked walls, floors and ceiling, as shown in the pictures.
Acquisition of land for the corridor	Progress on acquisition of substation sites is currently slowed down by PAPs' rejection of compensation packages.	Rejected packages are to be re-valued by the RAP implementation consultant.

Source: UETCL

In principle, a resettlement action package should leave the PAP in a better or at least in the condition as they were before the resettlement. However, evidence shows that PAPs are disgruntled with the meagre compensation packages for their property. Some of the resettlement packages include; Ug shs 11,000,000 for destruction of rental houses and trees. The PAP highlighted that she spent more than the quoted amount for construction of her houses; Ug shs 340,000 for a piece of land; Ug Shs 6,090,000 for destruction of Moringa trees, toilet and kitchen.

Ms. Kamala Edreda leaves in Kisanga village, Kichwamba SC, Kasese district. The property that was affected included; a house, piggery, latrine and trees. She was offered Ug shs 2,710,100. The plot is too small and no other house can be constructed in the same plot. She thought that the company would allow her to use the toilet and kitchen but she realized that they are going to be demolished. She appeals to government to buy for her land and relocate her.



Left: A PAP in Kitcwamba Sub County, Kasese district cannot make developments on the house and yet payment has delayed to enable her relocate. Right: Shoddy resettlement house in Rwimi Sub county, Kabarole district

A number of challenges delaying project execution as highlighted by UETCL officers were;

- Land resale after valuation leading to land disputes.
- Delay in payments between the valuations carried out in 2008 and compensations which started in 2010. In the process, some PAPs died, and cases of absentee landlords arose, and some PAPs made developments on the area
- Differences in compensation values to PAPs affected by different government projects in the same area (Oil Refinery, UNRA, UETCL)
- Some of the PAPs refuted the values offered by GoU claiming that what was offered could not buy land elsewhere.
- There are some PAPs that are influencing others that government has money and therefore they should not accept low compensation packages
- Some PAPs did not have land titles by the time of valuation. Over time, titles are acquired which changes the value of the land.
- The total number of houses agreed for the vulnerable PAPs was 95 and yet there are so many vulnerable people on the corridor. The vulnerable PDPs that were not promised compensation packages fear that they may remain homeless.

Analysis

Link between Financial and Physical performance

By the end of FY 2013/14, 49% of GoU approved budget had been released and all funds spent. In addition, 20% was released from the Government of Norway and 13% from the French agency for development.

Implementation of the RAP since the start of the project was 57% against the planned target of 100%. Low valuation of land was the major issue causing disputes among the PAPs. The contribution from the donors was used to pay for the consultancy services for supervision and project management of EPC works for transmission lines and substations. No construction works had begun.

Achievement of set targets

Achievement of targets for the financial year was below average. By FY 2013/14 the way leaves corridor should have been acquired. Construction of the transmission network and substations should also have commenced. By the end of the financial year, RAP overall implementation was at 57% (Cash compensations and construction of resettlement houses). Construction of the line and substations had not commenced as the EPC contractor had not yet been procured.

Conclusion

Overall project performance was below average. Delay in the completion of the RAP was caused by delayed payments due to disputes over low valuation of land, land ownership, and speculation. A total of 1,459 out of 1,855 PAPs had been compensated and 62 out of 90 PDPs had received their houses. Substandard works were noted on the seven houses sampled. Construction of the transmission line had not commenced as planned in the FY2013/14.

Recommendations

The UETCL in partnership with local leaders need to intensify sensitization of the PAPs about ROW and way leaves payments process.

The UETCL should fast track all procurements to avoid project implementation delays.

There is need for government to come up with fair compensation values for all projects that use way leave corridor.

Project 1137: Mbarara – Nkenda/Tororo –Lira Transmission Lines

Background

The Government of Uganda (GoU) received funding from African Development Bank (AfDB) towards the implementation of Mbarara-Nkenda and Tororo-Lira Transmission Lines Project. The project is aimed at expanding and strengthening the national transmission grid. This project will boost economic growth in western and eastern Uganda.

The objective of the project is to transmit electricity from upcoming power plants and to improve electricity access, lower transmission losses, increase power efficiency, reliability, stability and quality of supply to consumers in the country.

The project started on 22nd May 2011 with a completion date of 31st December 2013, revised to 31st December 2015. The outputs of the project were; acquisition of ROW through compensation and resettlement of PAPs; procurement of a contractor for the works; and construction of Mbarara-Nkenda 132kV (160km) and Tororo-Opuyo-Lira 132kV (260km) transmission lines.

The planned outputs for FY2013/14 were; construction of Mbarara- Nkenda and Tororo-Lira transmission lines, construction of associated substations, and RAP implementation. Total planned expenditure for the project is Ug shs 81.2 billion. The source of funding is African Development Bank.

Findings

Financial Performance

The approved budget for the project in FY2013/14 was Ug shs 5.4 billion of which Ug shs 3.562 billion (66%) was released by the end of the FY. All the released funds were transferred to UETCL from MEMD. The transferred funds were to be spent on engineering and design studies; plans for capital works; monitoring, supervision and appraisal of capital works; and other fixed assets.

Table 1.10 shows the budget for RAP implementation. Approved budget for the RAP sub-component is Ug shs 63,617,611,030 of which 81% had cumulatively been paid out by FY 2013/14.

Table 1.10 Budget and payments to PAPs to FY2013/14

Disbursement	Ug shs
Budget Amount	63,617,611,030
Cumulative Payments by end of FY2013/14	51,840,410,379

Source: UETCL

Donor financing for Project 1137

The African Development Bank disbursed Unit of Account (UA) 14,406,925.91 by the end of FY2013/14. Table 1.11 indicates the donor release performance for the project.

Table 1.11: Loan amount and Disbursements for FY2013/14

	Disbursement	AfDB (ADF)	Exchange Rate	Ug shs Equivalent
(i)	Loan Amount	52,510,000	3,919.93	205,835,524,300
(ii)	Disbursement to Date	14,406,925.91	3,919.93	56,474,141,082
(iii)	Un Disbursed Balance	38,103,074.09	3,919.93	149,361,383,218
(iv)	% of Loan Disbursed	27.44		27.44%

Source: UETCL

Financial performance of the contractor

The original contract was revised to cater for the change of scope from a single circuit to double circuit line for the Tororo- Lira line. By the end August, 2014 US\$7,751,981 and Ug shs 2,543,036,351 had been paid to the EPC contractor for lot. 1. The payments were for supply of insulators, conductors, hardware, and erection of the towers. The Table 1.12 summarises financial performance for lot. 1

Table 1.12: Financial performance of Lot.1: Tororo- Lira transmission line

Particulars	US\$	Ug shs
Original Contract Value	16,691,969	14,391,424,096
Add. : Amendment Increase	5,445,061	1,306,577,559
Revised contract value	22,137,030	15,698,001,655
Original Advance @ 20% Received	3,338,394	2,878,284,819
Add : 20% Advance on Amendment Increase Received	1,089,012	261,315,512
	4,427,406.00	3,139,600,331.00
Outstanding Summary Status as on 31.08.2014		
Total Amount of Invoices raised	15,895,571	4,759,594,358
Less : 20% Advance	3,179,114	806,710,909
Less : 10% Retention	1,589,557	403,355,452
Less : Withholding Tax	-	242,013,274
Amount Receivable	11,126,900	3,307,514,724
Amount Received	7,751,981	2,543,036,351
Amount Outstanding as on 31.08.2014	3,374,919	764,478,373

Source: Kalpataru Power Transmission Limited

A total of US\$ 10,112,514 and Ug shs 3,230,824,577 had been paid to the contractor from UETCL. The payments were for supply of construction materials and erection of towers. The other component of the payments is for supply and construction of the associated substation which was contracted to the Kalpataru Power Transmission Limited consortium partner M/s Techno. Table 1.13 indicates the payments to the contractor

Table: 1.13 Financial performance of Lot.2: Mbarara- Nkenda Transmission line

Particulars	US\$	Ug shs
Original Contract Value	28,193,637	18,025,797,444
Add. : Amendment Increase	3,227,284	2,097,484,789
REVISED CONTRACT VALUE	31,420,921	20,123,282,233
Original Advance @ 20% Received	5,638,727	3,605,159,489
Add : 20% Advance on Amendment Increase Received	645,457	419,496,958
	6,284,184.20	4,024,656,446.61
Outstanding Summary Status as on 31.08.2014		
Total Amount of Invoices raised	22,960,176	7,109,714,843
Less : 20% Advance	4,592,035	1,205,036,414
Less : 10% Retention	2,296,018	602,518,206
Less : Withholding Tax	-	361,510,924
Amount Receivable	16,072,123	4,940,649,299
Amount Received	10,112,514	3,230,824,577
Amount Outstanding as on 31.08.2014	5,959,609	1,709,824,722

Source: Kalpataru Power Transmission Limited

Physical performance

The overall RAP implementation was at 72%. Table 1.14 outlines planned and achieved activities under project 1137 for FY 2013/14 as highlighted in the MEMD quarterly work plan.

Table 1.14 Status of RAP implementation to FY 2013/14

Planned outputs	Actual Physical Performance
Fully acquired way leaves	RAP implementation for Tororo-Lira-Opuyo was at 77% while Mbarara-Nkenda is at 67%
Mbarara-Nkenda and Tororo-Lira transmission lines constructed Construction of Mbarara, Nkenda, Fort Portal and Tororo substations.	The works were mainly at foundation level. On the Tororo-Lira-Opuyo line, 282 out of an estimated 740 foundations were complete and 99 towers had been erected. On the Mbarara-Nkenda line, 130 out of an estimated 321 foundations were complete and 66 towers had been erected. A total of 51 out of 131 monopole foundations have been completed.

Source: Field findings

a) Resettlement Action Plan implementation – Lot 1 (Tororo-Lira-Opuyo line)

Compensation of the PAPs commenced in July 2011. The expected completion date was extended from December 2014 to May 2015. The total number of transactions is 4,674. By the end of the FY2013/14, a total of 4414 (94%) of the total PAPs had received disclosures of which 3,601 PAPs (93%) of the PAPs disclosed to had been paid while 527(12%) of the total PAPs disputed the disclosed amount. A total of 50 houses were planned for the vulnerable but Physically Displaced People (PDP). By the end of the FY 2013/14, 47 houses had been constructed. Works for the houses was substandard as evidenced by cracks on the floors and walls. Construction of the houses was not completed as the contractor (Lamba Investments) abandoned sites. UETCL is procuring another contractor to continue with the works. Table 6.15 summarizes the RAP implementation.

Table: 6.15 Summary of RAP implementation for Tororo-Lira-Opuyo

	Number of PAPs	Percentage Performance
Total PAPs	4674	100
Disclosures	4414	94
Agreements	3887	88
Payments	3601	93
Disputes	527	12

Source: UETCL and Field Findings

The UETCL cultural team also carried out a Community Development Action Plan to exhume the bodies that are in the Right of Way (ROW). A total of 1,400 graves are to be exhumed. This exercise has not yet started. On the Tororo-Lira-Opuyo line a needs assessment was carried out on the cultural activities to be incorporated in the project.

b) Lot. 2: Mbarara- Nkenda Transmission line RAP implementation

RAP implementation commenced in 2011. By 29th, June, 2014, 1084(89%) of the agreed PAPS had been compensated. It was also noted that due to line route diversions 353 new PAPS were registered which increased the number from 1,267 to 1,620. More diversions were expected to cater for the very hilly areas of Nkombe Hills in Rubirizi district. A total of 50 houses were to be constructed for the PDPs. Construction had commenced for 20 out of the 50 houses until December 2012 when the contractor abandoned site. Procurement for a new contractor was ongoing. Table 6.16 summarizes progress of RAP implementation.

Table 6.16 Status of RAP implementation for Mbarara- Nkenda by end of FY 2013/14

	Old Total	New Entries	Total Number of PAPS	Percentage Performance
Total PAPS	1267	353	1620	100
Disclosures	1247	252	1499	93
Agreements	1051	170	1221	81
Payments	1037	47	1084	89
Disputes	196	82	278	19

Source: UETCL

Summary of RAP implementation based on the discussions with the PAPS for Tororo-Lira-Opuyo and Mbarara-Nkenda transmission line

An average of 72% of the PAPS had been compensated on the Tororo-Lira and Mbarara-Nkenda transmission lines. A total of 27 PAPS were interviewed on the Mbarara-Nkenda and Tororo-Lira-Opuyo transmission lines. The PAPS noted that valuations were made in 2009 and while compensations commenced in 2011.

None of the PAPS interviewed was satisfied with the RAP implementation. About 56% mentioned that the resettlement package was not enough for them to be relocated to another area. For example, Ms Nakalanzi Nyanwa of Kabohe Itendero Town Council was promised Ug Shs 40,000,000 for 8 acres of land where the line is passing. This land has got a house, banana plantation and kitchen. She rejected the package and asked for a re valuation. She is on the main road and can do her business with ease. Relocating to a remote place will disrupt her business.

PAPS that indicated that there has been a long time lag between disclosure and actual compensation were 56%. The time lag partly led to a number of queries on the disclosed values.

About 37% of the PAPS mentioned that some of their property was not valued. This led to queries, most of which have never been rectified. For example, a PAP in Pallisa district highlighted that it is now year since he signed for the money, after addressing the query.

About 30% of the PAPS interviewed mentioned that their condition of living is worse than it was before the resettlement program. They were told not to make any developments on the areas from the time the valuations were done. They cannot renovate their homes, some cannot improve their plantations as they

know that any time they are vacating the areas. This has slowed down economic and social progress in the affected areas. A PAP in Pallisa was promised a house but to date, construction has not commenced. The house where she is staying is weak and almost collapsing.

Approximately 11% of the PAPs mentioned that they were asked to sign before knowing what they were signing for. In Ngora district, a PAP was paid Ug shs 154,000 for his land where the pylon is to be located. He was told to sign without knowing what he was signing for. His crops were also destroyed when construction started.

There were cases where the contractors reportedly destroyed people's food and threatened to forcefully utilize the land. Note that once the compensation is done, the PAPs are given a grace period of 6 months to stop using the land. However, there is a long time lag between compensation and actual implementation of the project. This leaves the PAPs in a state of uncertainty when the project will commence.

In Pallisa, construction is going on without compensation and the PAPs have a fear that they may not be compensated. Property valuation was done in 2009 and actual compensation started in 2012. Some PAPs say that they will not allow the contractor to access their land before compensation. Foundations for the towers have been constructed. However, they have decided that no stringing will commence unless all payments have been done. The PAPs threatened to cause havoc.



Resettlement house for a PDP in Awoja SC, Soroti district. Shoddy work inside the house as evidenced by cracks in picture on the right.

Challenges:

- Low valuation rates for PAPs. All the values used were for 2009.
- Long time lag between valuation and actual compensation of the PAPs.
- The RAP implementation consultant is not yet procured
- On the Tororo-Lira-Opuyo line, two villages are also affected by Bujagali-Tororo line. These two projects implemented by UETCL offered different compensation packages.
- There is a proposed diversion in Ojele village, Soroti district. This is because the initial routing was going through a community school and trading center which the community was not willing to forego.
- Absentee landlords who destruct work when they turn up.
- On the Mbarara-Nkenda line, the design reviews were yet to be finalized. This was due to the inaccessible hilly route in Bunyaruguru.
- There are delays with the office of the CGV over approving valuations as they were reportedly understaffed.

Recommendations:

- There is need for government to come up with a fair package for the PAPs. This should put into consideration inflation.
- The UETCL should timely compensate the PAPs.
- The UETCL should increase sensitization of the PAPs on land acquisition and usage of the ROW and Way leaves.
- The UETCL should procure competent consultants both for the RAP studies and actual implementation.
- The CGV should timely review reports.
- The UETCL planning department should work together with project implementation unit right from feasibility studies.

c) Engineering Procurement and Construction works

Work was behind schedule. Overall completion of both transmission lines is 38%. Table 1.17 shows the progress of EPC works for the Tororo-Lira and Mbarara Nkenda transmission lines.

Table 1.17 EPC works on Mbarara-Nkenda/Tororo-Lira-Opuyo Line

Lot 1: Construction of 264 km 132kV Tororo- Opuyo- Lira transmission infrastructure
<p>The contract start date was 26th February 2013. The transmission line traverses 10 districts of Tororo, Mbale, Palisa, Bukedea, Kumi, Ngora, Soroti, Kaberamaido, Dokolo, and Lira. By the end of FY2013/14, the total route approved was 99%. Total Dynamic Cone Penetration Test (DPCT) completed was 575 out of 740 locations (78).</p> <p>Total excavations complete were 310 out of 740 (42%). Total foundations complete were 282 out of 740 (38%). Access road for the swampy section along with platforms for 22 towers had been completed out of 27 approved Pile foundation locations (81%). Tower erection completed was 99 out of 740 (13%). The Factory Acceptance Tests (FATs) for the equipment had all been completed. Total tower materials received was 70%.</p>
Installation of reactive power compensation equipment at Opuyo substation
<p>Excavation works had not commenced. The process for complete acquisition of the land was yet been concluded. The 15 Mega Volt Ampere(MVar) Shunt Reactor was received at site but not yet installed.</p>
Lot 2: Construction of 160 km132kV double circuit Mbarara-Nkenda transmission line
<p>Works started on 9th April 2013, and were expected to be completed in October 2014. However, a six months extension was granted to the contractor due to increased scope of work. The increased scope includes; use of a double circuit for lot A and changing the substation equipment at Nkenda and Opuyo substation. The project is behind schedule by one year. The project is 35% complete.</p> <p>Total route approved is 152.943 km out of 158.2 km expected route (97%). All the required staff had been mobilized. Equipment mobilization was at 90%. A total of 34 sets of Monopole and 320Metric Tonnes (MT) of Tower materials were received during the month.</p> <p>Total DCPT completed was 421 out of 452 locations (93.1%). Total tower excavations completed was 130 out of 321 tower locations. A total of 130 tower foundations were completed. Total tower erection complete is 66 out of 321 towers. Monopole foundation excavation in Queen Elizabeth national park was 110 out of 131 locations. Monopole foundations completed is 51.</p>

The key challenges noted included;

Right of way issues which affected construction of 27 towers;

Delayed payment of contractors affected the cash flows. Usually, it takes 100 days to effect a payment instead of the 45. There are 52 invoices pending payment and 30 were submitted more than 100 days before.

Delay in clearance of imported materials at the Ugandan boarder. Goods were in Mombasa as the MEMD had not paid the taxes.

Fort Portal Substation

The works commenced in January 2014 and expected completion date was revised from October 2014 to February 2015. The time extension was granted by UETCL due to their delay in approval of the substation drawing. The client and supervision consultant approved the drawings in April, 2014. Overall physical progress was 70%. It was noted that the final commissioning and hand over of the project would be concluded upon completion of the 132kV transmission infrastructure of Mbarara-Nkenda.

Mobilization of equipment was at 100%. Concrete works for the excavated foundations were complete. The foundation for the equipment was at 100%. Backfilling of excavated foundation was completed at 70%. Lay out of foundations and CRB is complete. Further excavation is being started. Civil works for the control room building was at 20%. The access road was completed.

Old Mbarara Substation

The civil works commenced on 5th June 2014 with an expected completion date of 10th August 2014. Excavation of the 32 foundations is complete. Plain Cement Concrete (PCC) of 24 foundations was complete and raft of 24 foundations was complete. All the required labour and equipment was reportedly 100% mobilized. Overall physical progress on this substation was 85%.

Nkenda substation

Civil works commenced in July 2014 and were expected to be complete in September 2014. Electromechanical works were expected to start in September 2014 and were expected to be complete by March 2015. Some of the designs for the substation had not yet been approved.

By 24th July 2014 excavations for the equipment foundation were ongoing with an overall physical progress of 40%. The major activity was manual excavation of earth works which was 90% complete. Fifty percent of the required equipment had also been procured.

The key challenges noted by the contractor were:

- Hard rock encountered in the soil profile which has got to be excavated manually. As a safety requirement, excavators are not allowed at project site as there is an existing substation as safety requirement.
- Old concrete in the soil profile as the site was a former substation.

Source: Field Findings; UETCL July 2014



Left: Assembling of a tower in Kumi district; Right: Batching aggregates for concrete works



Left: Tower erected in Sheema district. Right: Construction materials in a yard in Bushenyi district for Mbarara- Nkenda transmission line



Left to Right: Ongoing foundation works at Fort Portal Substation



Left: Manual Excavations of hard rock Right: Preparatory works for concrete casting on Nkenda substation in Kasese district

Analysis

Link between Physical and financial performance

By the end of FY 2013/14, Ug shs 3,562,000,000 out of Ug shs 5,400,000,000 was released and spent. Cumulatively, Ug shs 51,840,410,379 out of Ug shs 63,617,611,030 was spent on the RAP implementation. By the end of the FY, 67% compensation had been done. The RAP implementation was slowed down by disputes majorly over low valuation. Loan disbursements were at 27.44%. Overall EPC works were at 38%. Delayed payment to the contractors was a major challenge that slowed project implementation.

Achievement of targets

Achivement of targets for the Mbarara-Nkende/Tororo-Opuyo-Lira transmission line for FY 2013/14 was at 50%. The right of way was not yet fully handed over to the contractor for construction to progress without disturbance from PAPs. Contractors were also constrained by delayed payments and the rocky nature of the route length. Low level of achievement was also noted on the works for the substation as they commenced towards the end of the FY.

Conclusion

The RAP implementation which should have been concluded was still being implemented and overall was at 67%. The major issues that were delaying the RAP implementation were; disputes over low valuation of property and delays in approval of compensation packages at the CGV's office. On the part of EPC works at the transmission network, Construction works were ongoing but at a slow pace. The substations component performed poorly as excavation works had just commenced on most of the substations. Major challenges that affected EPC works included; delayed payments to the contractors, delay in clearance of imported materials at the customs.

Recommendations

- The MFPED, MEMD, UETCL should have meeting with local authorities and clear the ROW. UETCL should timely conclude RAP implementation

- The CGV's office should be enhanced with competent staff to speed up approvals submitted by UETCL
- UETCL, MEMD, MFPED should timely process the payments to the contractors once presented with the invoices.
- MEMD should timely process the funds to clear the import duty on the required materials for the EPC works.

Nile Equatorial Lakes Subsidiary Action Programme (NELSAP)

Background

Under the East African Master Plan, there is need to have regional interconnection with Kenya and Rwanda. The objective of the NELSAP is to improve access to electricity in Nile Basin Initiative countries through increased cross-border sharing of power. This will entail the construction of Bujagali- Tororo- Lessos and Mbarara- Mirama- Birembo Transmission lines and their associated sub-stations .

The project start date was July 2010 but commenced in November 2012 leading to revision of the completion date from June 2014 to January 2015 . The project is funded by Japan International Cooperation Agency (JICA) in partnership with African Development Fund (ADF) and Government of Uganda (GoU). The implementing agency is Uganda Electricity Transmission Company. Total planned expenditure for the project is Ug shs 103,000,000,000

The works were packaged into two Lots; Lot A (Bujagali – Tororo - Lessos) which traverses five districts of Jinja, Mayuge, Iganga, Bugiri and Tororo while Lot B (Mbarara – Mirama) traverses districts of Mbarara and Ntungamo.

The EPC contract for the transmission infrastructure of NELSAP was awarded to M/s Jyoti structures while the EPC contract for the associated substations was awarded to M/s Isolux.

Expected outputs

The outputs for 2010 to 2015 are;

- A constructed, tested, commissioned and fully operational 220kV Bujagali-Tororo-Lessos (Uganda part), double circuit, quadral conductors power transmission line (approximately 127.7km)
- Mbarara-Mirama-Birembo 220kV (Uganda Part 68km) double circuit, double conductors power transmission line on self-supported steel lattice towers.
- Mirama sub-stations and associated bays at Tororo and Mbarara North sub-stations

For FY2013/14, planned outputs were planned;

- RAP implementation complete
- Construction works of Bujagali-Tororo-Lessos and Mbarara-Mirama- transmission line

Findings

Financial Performance

The approved budget for the project in FY2013/14 was Ug shs 3,200,000,000 of which Ug shs 3,200,000,000(100%) was released to MEMD. All the released funds were transferred to UETCL for project implementation. The funds were to be utilised on the line items of: engineering and design studies and plans for capital works; and monitoring, supervision and appraisal of capital works.

The RAP cost as shown in table 1.18 is Ug shs 61,970,308,297 of which Ug shs 24,122,827,570 had cumulatively been received by the end of FY. Cumulatively, Ug shs 14,935,433,103 had been paid out to the PAPs on both Lot. A and B. The funds that had not yet paid out to the PAPs were for the disputed cases.

Table 1.18 Summary of Financial Performance for RAP Implementation

Disbursement	Ug shs	Percentage
Budget Amount	61,970,308,297	
Cumulative Releases	24,122,827,570	38
Disbursement to 30 th , June, 2014	14,935,433,103	62
Bank Balance 30th June 2014	9,187,394,467	

Source: UETCL

Physical performance

Both the RAP implementation and transmission line infrastructure were behind schedule. Table 1.19 outlines the planned outputs for Project 1140 for FY 2013/14. The observed performance is summarized against planned outputs.

Table 1.19 Physical Performance for Project 1140 FY 2013/14

Planned Outputs for FY 2013/14	Observed Physical Performance by end of FY 2013/14
Completion of way leaves	Implementation of the RAP was ongoing. Progress for Bujagali-Tororo is at 78% while Mbarara-Mirama is 76%
Construction of the power lines and substations of the project	Foundation works are ongoing and 124 out of 399 foundations are complete for Bujagali-Tororo lot. Tower erection had commenced Foundation works are ongoing for Mbarara-Mirama lot. A total of 13 out of 184 foundations are complete Site clearance and leveling was almost complete at the Tororo substation and 70% complete for the new Mbarara north substation.

Source: UETCL, Field Findings

a) RAP Implementation of Bujagali-Tororo Transmission line

Compensation of the PAPs on this section started in November, 2012, a year after the initial start date of November 2011. Expected completion date was December 2013. However, it was extended to September 2014 (this date will also not be realized). Delay in commencement of compensation was due to the late approvals of the project implementation plan.

The total number of houses that were planned to be built for the PDPs is 59. By the end of June, 2014, 38 PDPs preferred to be built for of which 34 had signed for the package while four had not yet been disclosed to. These PAPs had not been disclosed to because two had passed away while the other PDPs had disagreements on ownership.

Construction of PDPs houses had not commenced as the contractor had not been procured. Signing of the contract was expected in July 2014. It was also noted that the RAP implementation consultant had not yet been procured and this delayed the RAP implementation given the number of land disputes.

The total PAPs were 3,188 excluding new potential entries resulting from the line diversions. A total of 89% of the affected had been told their due amount of compensation (disclosures) while 98% of those disclosed to had agreed to the disclosed packages. Table 1.20 below presents a summary of RAP implementation.

Table1.20: Summary of RAP implementation on Bujagali-Tororo Section (Lot. A)

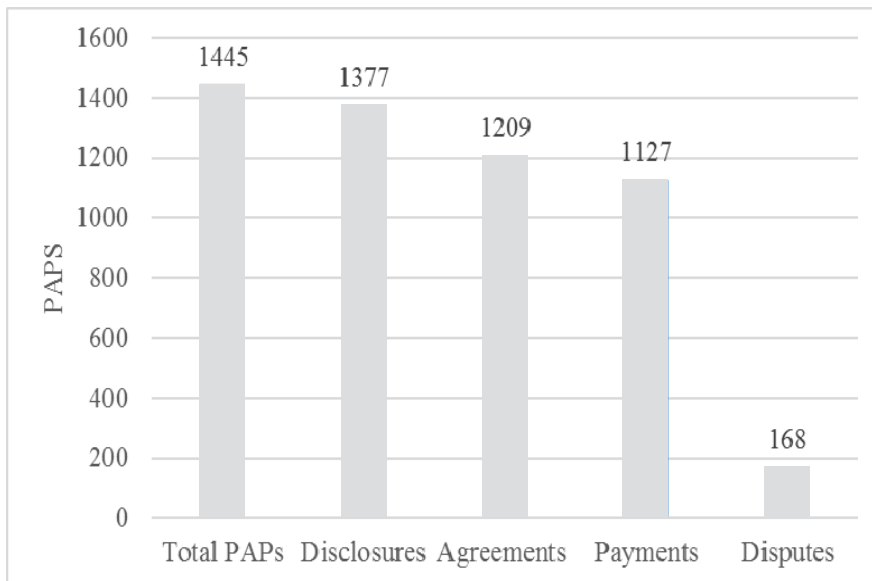
	Number of PAPs	Percentage Performance
Total PAPs	3188	100
Disclosures	2849	89
Agreements	2779	98
Payments	2498	90
Disputes	70	2

Source: UETCL and Field Findings

b) RAP Implementation for Mbarara-Mirama transmission line:

Compensation of the PAPs started in 2011. A total of 50 houses were to be constructed for the Physically Displaced Persons (PDPs). A total of 48 PDPs were disclosed to the package and agreed. Of the remaining two, one disputed the package while another was a minor and was awaiting the letters of administration from the guardian. The land for 18 sites had been identified and was to be purchased for construction of the houses for the PDPs. The contract to construct the houses was signed mid -July, 2014 and construction was due to commence.

By the end of the FY, a total of 1377 (95%) of the total PAPs had received disclosures of which 1209(88%) agreed to the compensation packages and 93% paid. The RAP implementation is expected to be completed by September, 2014 but this is unlikely to be due to some land disputes and dissatisfaction with the compensation packages. A total of 168 PAPs disputed the disclosed amounts because they were regarded as low. Figure 1.2 summarizes RAP implementation.

Figure 1.2 Summary of RAP implementation

Source: Field Findings

A number of PAPs were interviewed to further ascertain the progress in RAP implementation the districts of Mbarara, Ntungamo, Bugiri, Iganga, and Tororo. A sample of were interviewed to establish the RAP implementation status, challenges and recommendations The issues raised concerning the RAP were similar across all projects that were acquiring land. Box 1.2 presents the findings. All PAPs interviewed highlighted that they were paid very little money as compared to the property destroyed.

Box 1.2: PAPs Perceptions about the RAP Implementation on the NELSAP Project

In Bugiri district, some PAPs had been compensated while others had not. Those who had not been compensated in Buwunga Sub-county refused contractors to precede with the EPC works. The majority of PAPs who had been compensated were not happy with the packages. “... I had only one acre of land, the line passes through the middle of the land. I cannot build a new house or any other meaningful development. I even received the money late after four years of waiting. I stopped planting crops since 2010 as I waited for the compensation.” Siima Christine

In Iganga district, Physically displaced Persons (PDPs) did not know when their relocations would be made. “... I feel very unhappy. I see construction works ongoing but have not received the payments. I feel bothered and yet my property was unfairly valued. I am simply told that my grievances will be settled as the project is ongoing, which is unfair” Menya Henry

In Tororo district the PAPs noted that they had been promised additional compensations for those whose land was to have the towers. This had not been fulfilled. Other PAPs had been promised free household connections. “... my only a quarter an acre was affected and I was given Ug shs 95,000. The received money cannot even be used to purchase any other piece of land.” noted Ochwo Richard

In Kateram C cell, Rubongi subcounty there were a number of PAPs affected by the two transmission lines (NELSAP and Mbarara/Nkenda- Tororo/Lira) these were being given different compensation rates. This increased the number of rejections to the disclosed amount.

The PAPs felt frustrated because of the following reasons:

- The land was valued long time ago and payments were made late. Majority of them had stopped growing crops due to uncertainty of time for payments leading to hunger.
- The amount compensated to the PAPs was insufficient for construction of new homes. This was worsened by delayed compensation with the biggest number being compensated three to four years after disclosure
- The construction of the houses for the PDPs had not commenced and yet the EPC contractors were utilizing their land.
- Contractor razed their plantations before compensations.

The PAPs proposals were:

- The UETCL should provide some additional funds to the poorly compensated PAPs.
- There is need to compensate PAPs in time.

Source: Field Findings

General challenges affecting project implementation included;

- The UETCL has not yet cleared the corridor, making the contractor redundant. This is costly to government as idle equipment attracts interest
- Disputes are the major challenge to the fast tracking of the RAP. The RAP consultant has to solve any disputes that arise during project implementation. The consultant initiates a re-assessment and forwards the results to the CGV for approval. The absence of a consultant delayed project implementation. On the Mbarara-Mirama project, the consultant came on board in 2013, two years after compensation had commenced. Disputes that arose were not solved immediately.
- There are delays in approval at the CGVs office. Assessments of queried case was done and submitted to the CGV in July 2013. Approvals were done in January 2014. The time lag leads to price variations due to inflation causing a PAP to reject a package disclosed to them.
- Procurement of a contractor for the construction of houses for PDPs has delayed although compensation started in 2011.
- Cases of absentee landlords, deceased land owners and child land owners that delay project implementation

Recommendations suggested include;

- MEMD and MFPED should come up with standard valuation criteria of land. It was highlighted that there are cases where a CGV approves two similar pieces of land at different rates.
- The PAPs should be paid fairly and in time. Government should negotiate with PAPs and come up with an agreed market price. Inflation and other factors increase the value of land.

Engineering Procurement and Construction Works of Bujagali-Tororo transmission line

Table 1.21 shows the physical progress of Bujagali-Tororo transmission line and associated substations. Construction of the transmission network was at 54% while total works at the substation works were below 50%.

Table 1.21 Status of implementation for Lot A: Bujagali- Tororo Transmission line and Associated Substation

Construction of Bujagali- Tororo transmission line (127.7km)
<p>The contractor (M/s Jyoti) reported on site between in May and started works in July 2013.</p> <p>Line route and detailed surveys were completed in August 2013. Tower spotting and soil investigations were completed in February 2014 except for the areas where there are diversions and swampy areas.</p> <p>Tower spot excavations commenced in Mid-March 2014 and by 4th. July 2014, the status of completion was as follows:</p> <ul style="list-style-type: none"> - Soil investigations - 98% - Tower spotting - 98% - Excavations - 150(38%) of the 399 towers - Concrete casting - 125(31%) of the 399 towers - Tower erections - 25(6%) of the 399 towers
Construction of Tororo substation 220kV
<p>The contractor commenced work on 19th August 2013. The land for the substation had however fully been handed over.</p> <p>During the February 2014 monitoring, it was noted that the land for Tororo substation had been handed over to the contractor by 3rd March 2014. Design reviews between the EPC contractor for the Tororo- Opuyo- Lira 132kV line and one for NELSAP were completed. Works were yet to commence.</p> <p>In July 2014 monitoring, excavations of equipment foundations at the substation had commenced. The start date for the earth and civil works was 25th March, 2014 with an expected completion date of February 2015. At the time of monitoring, civil works were 50% while the earth works were almost complete (90%). The electromechanical works would commence thereafter. The completed works included site clearance, mass cutting and leveling.</p>

Source: Field Findings

The challenges delaying project implementation include;

- Delayed payments to the contractor.
- Some people were compensated but they have refused to leave the corridor.

Engineering Procurement and Construction works for Mbarara-Mirama transmission line and associated sub-stations

Construction of the transmission network was at 41%. The Mbarara substation was at 30% completion, while land had not yet been fully acquired on the proposed Mirama Substation. Table 1.22 shows the physical progress of Mbarara-Mirama transmission line and associated substations.

Table 1.22: Physical Performance of Mbarara-Mirama transmission line and Associated Sub stations

Planned Outputs	Observed Physical Performance
Construction of 220kV Mbarara- Mirama 64.5km of double circuit line transmission line	
<p>The EPC works started in July, 2013 with an expected completion date of January, 2015. During the March 2014 monitoring it was noted that the route alignment and detailed survey had been completed by 3rd March, 2014. The check survey involving profile tower positioning was completed for 40Km out of the 64.5Km of the transmission line.</p> <p>During the annual monitoring, (30th July, 2014), status of implementation/Completion was as follows</p> <ul style="list-style-type: none"> - Surveys-100% - Route Approved- 56Km (87%) out of the 64.5Km - Soil investigations - 157(84%) out of 187 locations - Excavations - 34(31%) out of 187 - Completed foundations - 26(14%) of the 187 - Backfilled foundations – 24(13%) of the 187 - Tower erections – 0% <p>The total tower materials received were for the 108(58%) of the towers spots. Tower erections were expected to commence in August, 2014. The major pending materials included: conductors, earth wires and communication wires.</p> <p>The contractor noted the three major challenges as:</p> <ul style="list-style-type: none"> - Delays in conclusion of the RAP, affecting completion of check surveys particularly in Bugamba Sub County. - Delay in payments of their invoices from UETCL that led to suspension of works for four weeks. - The breakdown of the equipment at Nicontra company branch in Kabwohe – a supplier of aggregates to the contractor. This increased the cost of transportation from the alternative source from Gentex Enterprises in Kampala. 	
Construction of 220kV New Mbarara North Substation	
<p>The scope of work included; earth works and leveling, civil (construction of control house, equipment foundations) and electromechanical(switchyard with transformers and associated equipment) works</p> <p>The works commenced in August 2013 with an expected completion date of February 2015.</p>	

The contractor was introduced to the site when the total land for substation had not yet been defined. Earth works in the available land started in March 2014 but with caution as the contractor was not sure of the definite location of the substation. Clear demarcation of the land was concluded on 24th July, 2014.

By 30th July, 2014, 98% of the land had been handed over to the contractor after lengthy negotiations with National Agriculture Research Organisation (NARO) to allow project development on their land. The remaining land currently has a staff house, kitchen and a septic tank. The discussions were still ongoing. The engineering designs for the substation had all been completed. Soil investigations for the substation had been completed.

The Factory Acceptance Tests (FAT) for some equipment were ongoing.

The preliminary works of cutting to fill and levelling of the handed over land for the substation were 85% complete.

Man power mobilization was 100%. All the required equipment for the ongoing works was mobilized.

The project was seven months behind schedule as the overall completion level was 30%.

The contractors noted two major challenges:

- Delay in conclusion of the land acquisition
- Contract commencement before completion of the coordinates for the substation

Suggested recommendations included;

- There is need to speed up acquisition of land by UETCL
- There is need for proper planning by UETCL so that the line does not pass where there are a lot of settlements. The UETCL needs to carry out a thorough survey to know what could hamper project execution.

Construction of the New 220/132/33kV Mirama substation

The scope of work includes, earth works and leveling. Civil (construction of control house, equipment foundations) and electromechanical (switchyard with transformers and associated equipment) works.

The commencement date of the works was 19th August 2013 with an expected completion date of February, 2015. However, the land had not fully been procured.

During the February 2014 monitoring, land acquisition had not yet been completed. Six out of 13.5 acres of land required had been acquired which delayed completion of the substation surveys. The owner of the remaining 7.5 acres disputed the land values disclosed, the land was re-valued and UETCL was awaiting the opinion of the CGV to disclose the revised package to the land owner.

During annual monitoring (31st. July.2014), it was noted that a new package of Ug shs 48,000,000 per Acre disclosed to owner in June was again rejected. The PAP demands for Ug shs 200,000,000 per acre for the land to house the substation. The CGV was due to visit the PAP and have a detailed discussion about the land values in question. His same land in the neighborhood however where the transmission line is to pass were valued at Ug shs 18,000,000 per acre and agreed.

Other works on the available land had been completed by the 31st July, 2014. These included topographical surveys and pegging. The site clearance, civil works and electromechanical were awaiting conclusion of land acquisition.

Source: Field Findings



Left: Completed leveling works Right: Ongoing earthworks on new Mbarara North Substation

Challenges to Project Implementation

- Major delays arising out of procurement. It is the reason that the RAP consultant is not on board.
- Lack of RAP implementation consultant yet there were several disputed land/property values.
- Delays in approvals of the valuation report by the chief government valuer.
- Omissions of PAPs in the valuation reports, thus lengthening the compensation processes.
- Line route passes through public institutions like schools. So, re directing takes time. For example there are diversions in areas with a school (Joy Dominion Secondary School in Mayuge district), Orange mast (in Abwanget Village in Tororo district), and Kakira plantations (In Jinja district) leading to new PAPs/PDPs.
- Processes for land mutations and title acquisition were affected due to closure of the land office.
- Absentee land lords made disclosures and compensations difficult.
- Delays in processing of payments for the PAPs. This was reported to take between two-three months making PAPs to reject the packages.
- Low disclosed values leading to rejections from the PAPs. These PAPs prohibit the contractor from using their land for project development.
- Differences in property and land compensation rates by different government implementation bodies increased disputed values. The issue becomes worse where the same PAP is affected by different projects.

Analysis

Link between Physical and financial Performance

Cumulatively, Ug shs 14,935,433,103 had been paid out to the PAPs on both Lot. A and B. Current disbursement level stands at 22% for ADF and 25% for JICA to finance the EPC works. The RAP implementation was not yet concluded majorly due to disputes concerning low valuation. The funds for construction of the houses for the PDPs had not been spent as the procurement process of the contractor had not been concluded. There were delays in the payment to the contractor which particularly affected the Mbarara-Mirama line.

Achievement of set targets

Performance targets for the NELSAP project was at 50%. The RAP implementation should have been concluded but overall RAP implementation was at 77%. Construction works for both the transmission line and substations was at about 33%. Delayed acquisition of the right of way delays project implementation as the route is not fully handed over to the contractor.

Conclusion

The NELSAP project is behind schedule. The status of implementation is 50% compared to 80% which should have been achieved. Delayed acquisition of the corridor is slowing down project implementation. The holdup is attributed to delays in concluding procurements, disputes over low compensation packages, and late payments. Engineering, procurement and construction works have also majorly been delayed by failure by UETCL to fully hand over the line to the contractor and late payments.

Recommendations

- The UETCL should improve planning for projects. Procurements should be initiated and concluded early enough and all materials and logistics needed for project implementation should be available before the project starts.
- The Ministry of Lands and Urban Development's should give special attention to land title easements and mutations for government projects.
- UETCL should quickly (a maximum of four weeks) process the payments for the PAPs to reduce on cases of rejections arising from the delays.
- The Chief Government Valuer should approve uniform rates of property in a given area.

Project 1212: Energy Sector Development Project (ESDP)

Background

The principal power supply to the western part of Uganda has been through 132kV line on wooden structures. The line has become of age and also has limited capacity. A new power line with higher capacity was therefore necessary. The development objective is to evacuate power from Bujagali and other proposed hydropower stations on the Nile to central Uganda as well as serve as a high voltage backbone to the proposed regional interconnection network between Uganda, Tanzania, Rwanda, and DR Congo. It also seeks to improve the reliability of, and increase the access to, electricity supply in the southwest region of Uganda.

The project is financed by the World Bank through the International Development Association (IDA). The Government of Uganda (GoU) is responsible for the compensation and resettlement of PAPs as well as taxes on construction materials. The proposed project will contribute to Uganda's transmission sector expansion plan, focusing on high priority investments needed to upgrade and reinforce supply to the southwestern region of the country. Planned expenditure for the project is Ug shs 1,900,000,000. Project start date was June 2011 and expected completion date is February 2017.

The component for capital purchases under the project is divided into three lots:

- a) LOT 1: Construction of Kawanda - Masaka 220kV transmission line
- b) LOT 2: Upgrade and extension of Kawanda substation
- c) LOT 3: Construction of new substation at Masaka and upgrade of Mbarara substation

Project Components

Component A includes:

- o Construction of a 137 km double circuit 220 kV transmission line with 240 mm² twin AAAC conductor per phase from Kawanda substation to Masaka Substation
- o Upgrading of the existing 132 kV substation at Kawanda to include 132/220 kV interbus transformer, 220 kV busbar, 2x220 kV transformer bays, 2x132 kV transformer bays, and 2x220 kV line bays for incoming 220 kV lines from Bujagali
- o Extension of the 220 kV sub-station at Kawanda to include 2x220 kV line bays for the two Kawanda–Masaka 220kV transmission line circuits
- o Construction of a new 220/132 kV sub-station at Masaka adjacent to the existing Masaka 132/33kV substation. This substation will be equipped with 2x220/132 kV, 125MVA transformers and associated transformer bays; and 2x220 kV line bays for the two Masaka–Kawanda 220 kV transmission line circuits
- o Installation of 2x15 MVAR, switched shunt reactors and associated equipment at Masaka and Mbarara substations and 1x15 MVAR, switched shunt reactor and associated equipment at Kawanda substation
- o Implementation of the RAP. This activity is being fully financed by the Government of Uganda.

Component B involves Technical Assistance (TA) to the Implementing Agency (IA), the Uganda Electricity Transmission Company Limited (UETCL) through;

- Consultancy services for Lira – Gulu – Nebbi – Arua feasibility study.
- Consultancy services for supporting procurement activities and construction supervision of

Component A.

- Strengthening of UETCL's ability to implement the proposed Project.
- Strengthening of the planning and management capacity within UETCL.

Planned outputs under Acquisition of Other Capital Assets for FY2013/14 included:

- Construction of new Kawanda-Masaka transmission line and related upgrades to substations.
- Power Sector Information Center in place
- Compensation for land for the Kawanda-Masaka transmission line (RAP implementation)
- Procurement of supervision Consultant for Kawanda-Masaka transmission lines
- Procurement of EPC Contractor for Kawanda–Masaka transmission project
- Procurement of Consultant for feasibility study on Lira–Gulu-Nebbi-Arua transmission line project

Findings

Financial Performance

Approved budget for the project for FY2013/14 was Ug shs 12.058 billion, of which Ug shs 11.530 billion (96%) was released by the end of FY. Transfer performance from the MEMD to the implementing agency was 11.420 billion (99%) of the received funds from MFPED. The distribution of cumulative expenditure by the end of the FY were largely on gross tax (65%), Engineering and Design Studies and Plans for Capital Works(23%),Consultancy Services- Long-Term(5%),Contract Staff Salaries (Incl. Casuals, Temporary), travel inland(1%). Other line items received less than 1%.

Donor financing

The planned disbursements from the loan for FY2013/14 was USD 32.2 million (26.8%) of the loan amount. By the end of June, 2014, USD0.787 million had been disbursed. The low disbursement was consistent to the financial requirements of the project as at the end of FY2013/14. The disbursed amounts were utilized on consultancy services, staffing costs, training costs, computer software, and office equipment. Table 1.23 summarizes the loan disbursements to 30th June, 2014

Table 1.23: Loan disbursements Status up to 30th June, 2014

Loan amount	Actual (cumulative) disbursement
74.1 SDR (equiv. USD 120 million)	0.787 (2.44%)

Source: UETCL

Physical Performance

a) Implementation of the RAP

The RAP implementation commenced in March 2011 with an expected completion date of December 2013. This was not achieved and by 29th July, 2014 compensations were still ongoing. The contract of the RAP implementation consultant expired before compensations were concluded. The process to procure the implementation consultant was ongoing.

A total of 1723 had received disclosures of which 93% consented to the packages. A total of 1,254(78%) of the consented had been paid by the end of FY2013/14 while 122(7%) of the disclosures had so far disputed the packages. The table 1.24 summarizes RAP implementation.

Table.1.24 Summary of RAP implementation for ESDP

	Number of PAPs	Percentage Performance
Total PAPs	2,171	100
Disclosures	1,723	79
Agreements	1,601	93
Payments	1,254	78
Disputes	122	7

Source: UETCL

The RAP implementation has a component for construction of houses for the Physically Displaced People. A total of 46 houses were to be constructed for the PDPs who were vulnerable. By the end of the FY2013/14, 34 houses out of the 46 houses were under construction and at various levels of completion. The structures for most of the PDP houses had been completed pending window, door and ceiling fittings. The works stalled in July, 2014 as the contractor was awaiting finalization of the proposed variations in the contract. These included changes from wooden to metallic doors and windows for the houses. The processes for land acquisition and construction for the PDPs who had no land for construction was also ongoing. The table

1.25 shows the status of the PDPs.

Table 1.25: Summary Status of PDP compensation

	Number of PAPs	Percentage Performance
Total PAPs	221	100
Disclosures	209	95
Agreements	197	89
In-kind agreements	46	21
Disputes	12	5

Source: UETCL

Box 1.3 highlights the perception of the PAPs about the project.

Box 1.3 Views of the PAPs and the PDPs on the Kawanda – Masaka Transmission line

The PDPs who were constructed for houses were largely happy with the package. However, the following challenges were highlighted.

- Delay in completion of the houses
- The water tanks are yet to be provided, although most beneficiaries are the old who cannot fetch water from the well.
- Low valuations which are inadequate to purchase land of similar in size land in the same location.
- The long seven year time lag between valuations and compensations.
- Omissions of property during the valuations.
- Ineffective communications on the actual time the project requires the land. This makes the PAPs stop tilling the land many years before project implementation.

The PDPs had the following recommendations.

- The contractors should speed up completion of their houses.
- The UETCL and CGV should use the current rates so that reasonable packages are given to the PAPs.
- The UETCL should improve communications with the PAPs.
- Valuation consultant need to improve accuracy in recording of the property.

Source: Field Findings



Resettlement houses for PDPs on the Kawanda- Masaka transmission line.

b) Physical performance

No EPC works had commenced on the line by the end of FY2013/14 since the contract was signed in June, 2014. The World Bank gave a ‘No Objection’ to the Bid Evaluation Report on 29th April, 2014 and Pre-award negotiations with the best evaluated bidders were held from 8th - 9th May 2014 for Lot 1: Construction of Kawanda - Masaka 220kV transmission line and on 12th –13th May 2014 for Lots 2 and 3. Upgrade and extension of Kawanda substation and Construction of new substation at Masaka and upgrade of Mbarara substation respectively. The Lots 2&3 Contracts were signed on 6th June, 2014 and Lot 1 contract was signed on 10th June, 2014. The Lot 1 contractor submitted advance payment guarantees and performance security as required by the contract. The advance payment to the contractors is still pending.

The site was to be handed over in July, 2014 upon which works are expected to commence.

Analysis

Link between Physical and financial performance

A total Ug shs 21,410,469,237 was cumulatively used to compensate 1,254 PAPs on the line as at the end of June, 2014. The cumulative expenditure of US\$ 787,468.67 was spent on consultancy services, staffing and training costs, office equipment, and computer software and transaction charges. Implementation of the RAP should have been concluded and construction works for Kawanda-Masaka transmission line should have started. These outputs however have not yet been achieved.

Achievement of targets

Overall physical performance for FY 2013/14 was below average. The RAP compensation which should have been concluded by FY 2013/14 had only progressed at 58%. No EPC works had commenced on the line. The achievement on the line was the procurement of EPC contractor where contracts for both lines were signed towards the end of the financial year.

Conclusion

Implementation of the project is behind schedule. The RAP implementation which should have been concluded by FY 2013/14 had only progressed to 58%. No EPC works had commenced on the line. The project was affected by procurement delays for the contractors, disputes from the PAPs especially over low valuation, and expiry of the contract for the RAP implementation consultant.

Recommendation

- The UETCL should fast track the procurement process of projects.
- The UETCL should increase the staffing capacity of its procurement unit.

Project 1024: Bujagali Interconnection Project (BIP)/ Bujagali Switch yard Upgrade

Background

The project is financed by the African Development Bank and Government of Japan through the Japanese Bank for International Cooperation, and sponsored by Government of Uganda. The executing agency is Uganda Electricity Transmission Company Limited (UETCL). The aim of the project is to evacuate power from the Bujagali Hydropower Plant to the national power grid.

Following the substantial completion of the Bujagali Interconnection project, savings in the project financing were confirmed. These savings of US\$ 13,018,623.75 were recommended to be used for an identified additional scope within the project confines. The scope involves upgrade of the Bujagali Hydro Power Switchyard from 132kV to 220kV. The EPC contract was awarded to National Contracting Company. The project commenced in October 2013 and expected completion date is February 2015. Planned outputs for FY2013/14 was the upgrade of Bujagali Switchyard to 220kV

Findings

Financial Performance

The approved budget for the project in FY2013/14 was Ug shs 8,500,000,000 of which 8,633,333,333 (102%) of the budget was released. Expenditure performance was excellent as all the released funds were transferred to UETCL the project implementers.

Donor Financing

The Loan amount for the project was UA 19,210,000 (Ug shs 75,301,855,300) from ADF and JPY 3,484,000,000 (Ug shs 87,552,920,000) from JBIC. By the end of FY2013/14, 86% and 62% had been disbursed respectively. The disbursement off the savings for the Switch yard upgrade was UA 231,452 and JPY 132,394,538 by end of June, 2014. Table 1.26 shows the loan disbursement status for Bujagali Interconnection Project.

Table 1.26 Loan Disbursement status for Bujagali Interconnection Project

Loan Overall Status		Disbursement	ADF (UA)	JBIC (JPY)
BIP	(i)	Loan amount	19,210,000	3,484,000,000
	(ii)	Disbursement to date	16,471,291.51	2,156,733,151
	(iii)	Un-disbursed balance	2,738,708.49	1,194,872,311
	(iv)	% of loan disbursed	86%	62%
Switchyard Upgrade		Disbursement to date	231,452	132,394,538

Source: UETCL

Table 6.27 shows the disbursements that have been made to the contractor to date. An average of 19% of payments has been made to the contractors.

Table 6.27 Disbursements to Contractor by FY 2013/14

Lot/Currency	Contract Amount	Disbursement	Percentage disbursement
Bujagali Switchyard Upgrade	National Contracting Company		
USD	6,821,293	1,314,476	19%
Ug shs	345,075,361	58,487,349	17%
Euros	1,251,169	250,234	20%

Source: National Contracting Company

Physical performance

Overall, the project performance was below average. The target for the FY 2013/14 was not met. There were delays in the start of some site activities due to slow mobilization of the contractor. There were also delays in contract signing with the supervising consultant. Table 1.28 shows the status of the Bujagali switchyard by the end of FY 2013/14.

Table 1.28: Status of Bujagali Switchyard

Planned output	Observed Physical Performance
<p>Bujagali Switchyard upgraded from 132kV to 220kV</p> <ul style="list-style-type: none"> ▪ Approval of Civil Designs ▪ Commencement of earth works at Site ▪ Manufacture of Plant and Equipment ▪ Excavation for Civil Works. ▪ Site Survey and Substation Leveling. ▪ Earth mat laying and construction of foundations for the substation equipment ▪ Electromechanical installations 	<p>Works commenced in October 2013 and expected completion date is February 2015.</p> <p>By the end of FY 2013/14 Civil Designs had been approved. The Manufacture of Plant and Equipment had also commenced. The Factory Acceptance Tests (FAT) were expected to be completed in September, 2014.</p> <p>By 14th, August, 2014, the civil works subcontractor – Precise engineering services was mobilized on site and construction of their camp site was ongoing. Grading of the site, and topography checks were due to commence before end of August.</p>

Source: Field Findings

Challenges

The challenges affecting project implementation as highlighted by the project manager included;

- Lack of access road for transportation of equipment to the site. The existing road is also an entry to the dam for Bujagali Energy Limited. Locals also demand for payments when the contractor attempts to use the alternative road available.
- Lack of an accessible water source especially for use in the civil works.

Analysis

Link between financial and Physical performance

A total of Ug shs 8.633 billion was spent on gross tax, monitoring, supervision and appraisal of capital works, and other fixed assets. Of the total contract amount, 18% was disbursed to the contractor for surveys, placement of orders for the equipment, and mobilization of equipment for the civil work at the site. Physical performance was slow as it was constrained by slow mobilization of the contractor on site.

Achievement of targets

The project performed below average in achievement of its targets. Commencement of civil works had not been achieved by the end of FY 2013/14. Preliminary works like; approval of civil designs and manufacturing of plant and equipment was reported to be ongoing. Only the civil contractor was on site and had just started construction of the camp site. Site clearance was due to commence. The major setback highlighted was slow mobilization of the contractor.

Conclusion

The upgrade of switch yard was behind schedule as construction had not commenced by the end of the FY. Achievements by the end of the financial year included; design approvals of the switch yard, placement of orders for the equipment and commencement of the Factory Acceptance Tests. Smooth progress was hampered by the delayed processes for design approvals, lack of an access road to the site, and water service point for the civil contractor.

Recommendations

- The UETCL should expedite the processes for design approvals
- The UETCL should work with the local administration to provide an alternative route and a nearby water supply point.

6.2.2 Vote Function 0302 Large Hydro power Infrastructure

The vote function is intended to support development of large hydropower generation facilities in the country. The fund is geared towards meeting government's endeavors to developing large power projects on a public/ private partnership in the medium term. The vote function took 84.5% of the MEMD development budget. The funds were majorly allocated for Karuma Hydropower Project. Projects monitored during FY 2013/14 were; Karuma Hydropower Plant and Isimba Hydropower Plant.

Karuma Hydro Power Project (HPP)

Background

The GoU set out to develop Karuma HPP as a public investment of 600MW. Government tendered the procurement of a consultant to carry out the feasibility study, Environmental Impact Assessments, Resettlement Action Plan, Engineering Design, preparation for tender documents and construction supervision and it was won by Energy Infratech Private Limited (EIPL), of New Delhi, India.

The medium term objective of the project is the ultimate development of Karuma Hydropower Plant and its associated transmission line interconnection which will contribute to increasing the power supply in the country, and possibly in the East African region . Increasing power generation capacity through development of large hydropower plants and building new transmission lines to evacuate power from new generation plants and improving power service delivery to different areas of the country, are key areas of focus in the National Development Plan (NDP)

The project was scheduled to start in July 2011 and expected completion date was June 2016. However preliminary works commenced in September 2013 so the project is expected to be completed in 2018.

The Project scope includes;

- Civil works majorly comprising of; main access tunnel, escape and ventilation channel, tail race system concrete gravity dam, power intake, pressure shafts, powerhouse, , reservoir, diversion channel, transmission system, labour camps, temporary quality control laboratories, ware house and workshops, temporary aggregate processing system, access roads, among others)
- Electro-mechanical works(installation of; 6 turbines of 100 MW capacity, generators, transformers, construction of the switchyard)

During FY 2013/14 the following outputs were planned;

- Engineering Procurement and Construction contract signed and contractor for Karuma Hydropower Project on site.
- Construction of Karuma HPP commences; 20% of the works implemented
- Five sensitization workshops for Karuma Project Affected Persons and local community held.
- 100% Land freed up for contractors.
- Resettlement Action Plan implementing agency for evacuation lines in place
- 100% of the Project Affected Persons for Karuma Hydro Power Plant and power evacuation lines compensated/ resettled.

Findings

Financial performance

The approved GoU development budget for the project for FY2013/14 was Ug shs 1,096,900,000,000 of which Ug shs 37,270,000,000 (3%) of the budget was released by the end of the FY. The low release performance was because the financing agreement had not yet been finalised. The released funds were from line items of gross tax and other fixed assets. All the released funds were utilised.

Construction works

The contract sum for the EPC of the Karuma Hydro Power Project (HPP) is US\$1.4 million. By the end of the FY2013/14, no disbursement had been made to the contractor as the financing agreement had not yet been finalized. The contractor was using own resources for the construction works totaling to US\$280,000

(20% of the project cost). It was also noted that due to delays in finalization of the financing agreement, some addendums were made in the EPC contract which provided that 15% advance payment was to be made. By end of FY2013/14, the advance payment guarantees from the China Export Import Bank had been received and submitted to the Bank of Uganda for verification. The 15% advance payment was therefore to be made upon verification of the guarantees.

Physical performance

The EPC contract was signed by Sinohydro Corporation Limited on 16th August 2013. The works commenced on 16th September, 2013. The expected completion date is October, 2018. By 3rd, July, 2014, 100%, 95%, 0% of the land had been handed over to the contractor in Karuma, Nwoya and Awoo respectively. The average percentage of land handed over to the contractor is 65% of the project site. Mobilization of equipment was at 30% while mobilization for labour for the ongoing activities was 100%. The project designs works were 90% complete while the model studies for the hydropower plant were to be implemented in August 2014. Orders for the electro-mechanical and hydro mechanical equipment would be made upon completion of the model studies. This was however conditioned on receiving the 15% advance payment.

The construction activities were ongoing and were at different levels of completion. Overall project completion was 7%. The following updates the progress of construction by component:

Main Access Tunnel (MAT): The upper layer tunnel excavation and support (K0+191.5-K0+247.5) was ongoing. The middle layer tunnel excavation and support from K0+172.5 to K0+226.5 had been completed. Monitoring deformation of MAT was ongoing. The pending works were to continue in July 2014.

Escape and Ventilation Tunnel: The upper layer excavation and support was ongoing (K0+076.2-K0+097.0). The middle layer excavation and support had been achieved at K0+097.0. The under layer excavation and support had also been completed at K0+061.5. The monitoring deformation of EVT was ongoing. The works due for commencement were excavation and support for 40m upper, middle and under layer underground.

Tail race Tunnel: Surface leveling, clearing and open earth excavations had been completed by 3rd July, 2014. Additional open earth excavations were to continue in other two locations of the tail race channel. These sections are located in the wild life reserve and were yet to be handed over to the contractor from the Uganda Wildlife Authority.

Diversion channel: open earth excavations and open rock excavations was ongoing by 3rd July, 2014.

Access roads: 22.5Km (90%) out of the required 25Km of access road with in the project site had been completed by the end of FY2013/14. The outstanding road access network was to be constructed in Awoo village where compensation had not been completed.

Labor camp: six fabricated houses for the project construction staff had been completed by the 3rd July, 2014 and three more units were still under construction. The power and water supply installations were ongoing.

Contractor office: Construction of the Sinohydro office was ongoing. By 3rd July 2014 20% of the civil works had been completed. The walls construction was at ring beam level and was due for casting. The construction of the mess was at foundation level while the construction of the clinic was yet to commence upon completion of ground surface clearing and leveling.

Aggregate system plant: By end of June 2014, the contractors were using a temporary aggregate processing plant with capacity of 1900tonnes of aggregates. The contractors were still awaiting completion of the Resettlement Action issues in Awoo village before start of the construction of the facility in the village. Construction of the other components was awaiting receipt of advance payment and complete hand over of the project land to the contractor.

Resettlement Action Plan: By end of FY2013/14, 95% of the PAPs had been compensated. The outstanding PAPs were in Awoo village that had disputes on the land ownership.

Community sensitization workshops: over five sensitization workshops had been held and these will continue to take place until completion of the RAP.



Left: Ongoing excavations Right: Construction works on the Escape/ Ventilation Tunnel on Karuma HPP

Implementation Challenges

- Delay in disbursement of the 15% advance payment to the contractor. This had been expected in September 2013.
- Delay in the handover of the entire project land that belongs to the PAPs and the game reserve for the Uganda Wild life Authority.
- Delays in the process in waiving the customs duty on the imported equipment for projects development. The delay process is due to the new tax amendments proposed in the FY2014/15 budget speech in the treatment of procured goods and services directly by or through development partner support to be tax inclusive.
- Inadequate resources of the contractors to bridge finance as they await the advance payment.

Analysis

Link between physical and financial performance

A total of Ug shs 37,270,000,000 (3% of the budget) was released by the end of FY 2013/14. This was due to delays in finalizing the financing agreement between Uganda and the Exim bank of China. However, there was 7% progress on construction works at the power plant. The contractor has so far spent US\$ 280,000 for construction. The volume of works that were ongoing and those completed were in line with the reported expenditures. The expenditures were made largely on the excavation works for the Main Access and Ventilation and Access tunnels, tail race excavations, ground leveling and construction of access roads.

Achievement of set targets

Overall, the project is behind schedule. However, project performance against set targets was good. The target achievement for FY2013/14 were above 60% except the EPC construction component which was 7% compared to the 20% target by the end of the FY2013/14. Land had been freed up on average by 65% and compensation rate was at 95% of the project affected persons while the sensitization meetings had exceeded the five targeted meetings.

Conclusion

Performance of the project is rated as fair. Civil works were ongoing on the different fronts in spite of non-disbursement of the advance payment. Smooth implementation was interrupted by the delay in disbursement of the advance payment and finalization of RAP particularly Awoo village, Kiryandongo district where various facilities for the HPP are located.

Recommendations

- The MEMD and MFPED should fast track the finalization of the financing agreement for the project.
- The MEMD should fast track finalization of the RAP in the project area.

Project 1143: Isimba Hydro Power Plant (HPP)

Background

Isimba HPP is a public project to be developed by Government of Uganda through a bilateral agreement with the People's Republic of China. GoU is expected to contribute 20% of the cost and 80% from the EXIM bank of China. The HPP is located in the Districts of Kayunga and Kamuli.

The medium term objective of the project is the ultimate development of the Isimba Hydro Power Plant and its associated transmission line interconnection which will contribute to the power supply in the country and possibly the East African region. The project is implemented by the Uganda Electricity Generation Company Limited. The EPC contractor for the HPP and the Isimba-Bujagali interconnection line is China International Waters and Electric Corporation (CWE)

Expected Outputs by 2016 are;

- Construct 188MW Isimba Hydro power plant
- Constructed 132kV Isimba- Bujagali , double circuit steel tower power transmission line (Approximately 50Km)

Annual Planned outputs

The MEMD did not have documented planned outputs for FY2013/14. The contractor however planned the following.

- Soil and Geological surveys completed
- Survey works completed
- Design and camp construction completed
- 2Km gravel access road constructed
- 33 kV line constructed

Findings

Financial performance

In FY2013/14, MEMD did not allocate any GoU development funds to the project. The contractor implemented the project using own resources to a tune of US\$34.5 million for the actual cost on site. The contractor had also committed some funds (US\$ 3 million) in the process of purchase of required equipment. Full payments would be completed upon receipt of the advance payment. No disbursement had been as the financing agreement between the China EXIM bank and GoU had not been finalized.

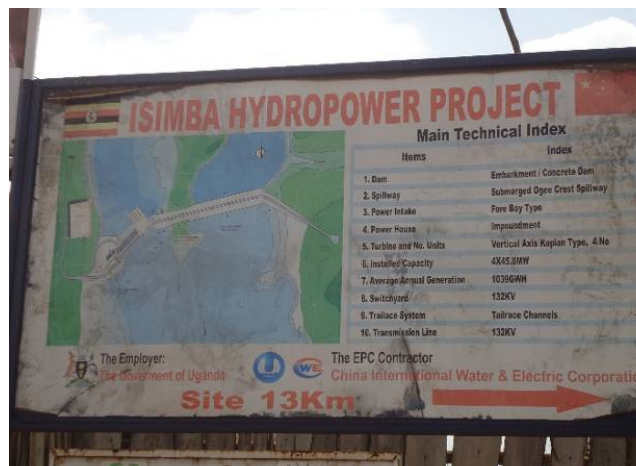
Physical Performance

The EPC contract was signed in September 2013 and the ground breaking ceremony was held on 5th October, 2013. By the 14th August, 2014 soil and geological investigations had been completed. The reports were submitted to the EPC consultant for approval. Design of the camp had been completed and construction works were ongoing. The table 1.29 summarizes the progress of works.

Table 1.29 Activity and Physical Performance

Activity	Abserved Physical performance
Construction of contractors camp	15% overall. Different units were at different levels of completion. Some were at foundation or window levels.
Construction of employers camp	15% overall. Some of the units were at ring beam level, others were at roofing level,
2 Filling Stations	50% overall. One of filling station is complete. Construction works for the second one are yet to commence.
2Km of road constructed	70% overall. leveling in some sections were ongoing
33kV of HV power line constructed	100% overall. The camp now has access to power.
Soil and geological investigations	100%
Man power mobilization	100%
Equipment mobilization	100% for the ongoing works.
Site hand over	70% of the project site had been handed over.

Source: Field Findings



Left: Isimba Hydropower station;



Right: Levelling of access road



Ongoing construction works for camps; Right: Storage facilities for explosive magazines to use excavation works at Isimba HPP site in Kayunga

Challenges

- Delay in complete hand over of the project site. Only 73% of the land has been handed over to the contractor.
- Delayed disbursement of the advance payment. All works were initiated by the contractor using own resources. The advanced payment has not yet been paid. Orders for equipment were made but its procurement cannot begin until the advance payment is received.

Analysis

Link between physical and financial performance

In FY2013/14, MEMD did not allocate any GoU development funds to the project. No disbursement had been as the financing agreement between the China EXIM bank and GoU had not been finalized. The contractor implemented the project using own resources to a tune of US\$34.5 million for the actual cost on site. The contractor had also committed some funds (USD 3 million) in the process of purchase of required equipment. Ongoing works included; site clearance, construction of access road, power lines, construction of the camps and filling station. The reported works were in line with the expended amounts.

Achievement of targets

In spite of the non-allocation of funds to the project, the project performed well as 70.6% of the targets were achieved. Soil investigations were completed and handed over to the consultant. Manpower and equipment had been mobilized. Camps constructions and access roads construction were all ongoing.

Conclusion

Commendable progress was registered between September 2013 and June 2014. In total, 70.6 % of the targets were achieved albeit the non-disbursement of the advance payments. The key project challenges were delay in finalization of the financing agreement and conclusion of the RAP implementation.

Recommendations

- The MFPED and MEMD should fast track conclusion of the financing agreement between the China EXIM bank and GoU.
- The MEMD should expedite the process of compensation of the PAPs to avoid further project delays.

6.2.3 Vote Function 0303: Petroleum Exploration, Development and Production

The vote function effectively monitors all petroleum operations in the country for the exploitation of the petroleum resource in an economically and environmentally conducive manner. The new legislation, the creation of new institutions and the strengthening of existing ones will be undertaken to effectively carry out various mandates of the vote function. The vote function took only 4.2% of MEMD development budget.

Projects monitored during the Financial Year included; Project 1142: Management of Oil and Gas; and Project 1184: Construction of the oil Refinery.

Project: 1142: Management of Oil and Gas**Background**

The project is financed by both the GoU and the Government of Norway. Norwegian assistance under Oil for Development in Uganda was effected in 2006 under the programme, “Strengthening the State Administration of the Upstream Petroleum Sector in Uganda”. This program ended in 2009. Discussions were held between Norwegian Embassy, Oil for Development (OfD) and the GoU with regard to continued Norwegian support to the sector. This led to approval for continued support and an agreement for a new five year programme “Strengthening the Management of the Oil and Gas Sector in Uganda” which was signed in July 2009. Formal implementation of the programme commenced in 2010 following an inception period.

The overall objective of the programme is to contribute to the achievement of the goal of the National Oil and Gas Policy of Uganda “To use the country’s oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society” . The specific purpose of the program is to put in place institutional arrangements and capacities to ensure well-coordinated and result oriented resource management, revenue management, environmental management and Health Safety and Environment management in the oil and gas sector.

Annual planned outputs for FY2013/14 include:

- Geological, geophysical and geochemical data in the unlicensed basins collected and packaged; Investment promotion undertaken; resource assessment and laboratory analyses conducted
- New regulations and guidelines for the upstream activities developed; Model PSA reviewed and updated; Monitoring and Evaluation strategy for the National Oil and Gas Policy (NOGP) formulated
- Complete construction of Phase-2 new Data Centre and commence on Phase-3; maintenance of existing buildings and related infrastructure undertaken.
- Computer hardware and their accessories procured and computer software licenses renewed.
- Laboratory and geophysical equipment procured and maintained.
- Office Furniture and other Fittings procured and maintained.
- Standards and Codes for midstream petroleum operations are developed.
- RAP study for the acquisition of way eaves for the crude pipelines to the refinery and for products' pipeline from Hoima to Buloba and storage terminal commenced.
- Baseline Environmental Survey for crude oil pipelines and Hoima-Buloba pipeline completed.
- Legal framework for oil refining, gas processing and utilization in place.
- Regulations and the Licensing framework for midstream activities developed
- Geological, Geophysical and Geochemical data in the unlicensed basins collected and packaged; Investment promotion undertaken; resource assessment and laboratory analyses conducted.

Findings**Financial performance for GoU Funds**

The GoU approved development budget for FY2013/14 was Ug shs 20,182,440,000, of which Ug shs 16,432,266,588 (81%) was released according to Petroleum Exploration and Production Department (PEPD). All the released funds were absorbed by the end of the FY. The released funds were shared among the outputs with government buildings and service delivery infrastructure taking (31%), Capacity Building for the Oil and Gas Sector (14%), Transfer for Petroleum Refining (Midstream Unit) (12%), Initiate and Formulate Petroleum Policy and Legislation (10%). Other outputs took up between 7 and 3% with the lowest being purchase of office furniture and fittings at 2%. Allocative efficiency was good as the expenditures were majorly on development activities.

Variances of Ug shs 1.9 billion were noted in the released funds from MFPEP and the amount that PEPD acknowledged to have received for the output “Government Building and Service delivery infrastructure”. The released and the received funds on all other outputs were similar. The absorption rates also varied. The PEPD had indicated that all the released funds had been absorbed. Analysis of IFMS figures indicated that all the outputs had unspent balances. The largest unspent balance was on the output, “Government Building and Service delivery infrastructure” of Ug shs 1.799 billion while the smallest was on output: Purchase of office furniture and fittings of Ug shs 407,769. The variations are presented in table 6.30 below.

Table 1.30 Comparisons of release and expenditure performance from PEPD and MFPEP IFMS

Output name	Releases from MFPEP to PEPD (A) Ug shs	Received funds by PEPD (B) Ug shs	Variation in Received funds: (A)- (B) Ug shs	Expenditure by PEPD Ug shs	Expenditure According to IFMS Ug shs	Variation in Expenditure; (C) - (D) Ug shs
030301 Promotion of the Country's Petroleum Potential and Licensing	853,000,099	853,000,099	-	853,000,099	846,318,945	6,681,154
030302 Initiate and Formulate Petroleum Policy and Legislation	1,652,000,000	1,652,000,000	-	1,652,000,000	1,635,959,922	16,040,078
030303 Capacity Building for the Oil and Gas Sector	2,358,000,000	2,358,000,000	-	2,358,000,000	2,346,028,720	11,971,280
030304 Monitoring Upstream Petroleum activities	1,230,000,000	1,230,000,000	-	1,230,000,000	1,215,249,453	14,750,547

Output name	Releases from MFPEP to PEPD (A) Ug shs	Received funds by PEPD (B) Ug shs	Variation in Received funds: (A)- (B) Ug shs	Expenditure by PEPD Ug shs	Expenditure According to IFMS Ug shs	Variation in Expenditure; (C) - (D) Ug shs
030305 Develop and implement a Com strategy for the Oil & Gas Sector	945,000,000	945,000,000	-	945,000,000	910,562,931	34,437,069
030306 Participate in Regional initiatives	462,440,000	462,440,000	-	462,440,000	451,991,842	10,448,158
030351 Transfer for Petroleum Refining (Midstream Unit)	2,000,000,000	2,000,000,000	-	2,000,000,000	1,989,951,692	10,048,308
030372 Gov't Building and Service delivery infrastructure	7,049,826,489	5,149,826,489	1,900,000,000	5,149,826,489	6,948,692,074	-1,798,865,585
030376 Purchase of Office & ICT Equipment & Software	921,000,000	921,000,000	-	921,000,000	906,492,549	14,507,451

Output name	Releases from MFPEP to PEPD (A) Ug shs	Received funds by PEPD (B) Ug shs	Variation in Received funds: (A)- (B) Ug shs	Expenditure by PEPD Ug shs	Expenditure According to IFMS Ug shs	Variation in Expenditure; (C) - (D) Ug shs
030377 Purchase of specialized machinery & equipment	586,000,000	586,000,000	-	586,000,000	585,105,383	894,617
030378 Purchase of office furniture and fittings	275,000,000	275,000,000	-	275,000,000	274,592,231	407,769

Source: PEPD and IFMS data, 11th, July, 2014

Donor financial Performance

The Norwegian funding is used for the programme- Strengthening the Management of the Oil and Gas Sector in Uganda. From table 6.31, the oil resource pillar took up the biggest share of the budget while revenue pillar took up the least share of the budget. By the end of June, 2014 the donor funds budgeted for the different programme areas for four years exhibited varying absorption rates. Expenditures were mostly on the legal and regulatory framework under both the revenue and resource pillar. Least expenditures were on activities for review of existing acts, environmental regulations and standards under the environment pillar.

Table 1.31: Financial Performance of Donor financing

	Total Budget 2010-2014	Cumulative Expenditure to June,2014	Absorption Rates
	USD	Expenditures	Percentages
Resource Pillar (total)	9,893,906	4,164,112	42%
1.2 Legal & Regulatory Framework	2,421,490	1,956,896	81%
1.3 Licensing Strategy and Plan	919,526	389,301	42%
1.4 Monitoring & Supervision	1,115,767	543,025	49%
1.6 Institutional Development & Capacity Building	1,679,199	463,401	28%
1.11 Regional and international Cooperation	87,785	6,639	8%

Revenue Pillar (total)	2,373,602	1,279,533	54%
1 Legal framework and Policy	1,458,149	853,359	59%
Environment Pillar (total)	3,113,830	1,039,921	33%
3.4 Existing Acts reviewed	304,055	0	0%
3.7 Environmental regulations and standards	851,275	116,822	14%
Program Management (total)	2,508,935	847,084	34%
Communication strategy	1,295,741	682,786	53%
Monitoring of Oil and Gas Policy and Programs	599,312	130,485	22%

Source: PEPD Entebbe

i) Physical performance

Progress was noted on all planned outputs. The country's petroleum potential was advertised through a number of conferences and workshops; draft upstream regulations were also in place, equipment was also procured by the end of the FY 2013/14.

In the table 1.32 below the planned outputs and physical performance status for management of oil and gas is presented.

Table 1.32 Planned output and Physical Performance for FY2013/14

Annual Planned	Physical performance by the end of FY2013/14
030301 Promotion of the Country's Petroleum Potential and Licensing	
The country's petroleum potential presented at four (04) international conferences	Licensing strategy continued to be developed.
Develop and update promotional packages	Due diligence done on 20 companies that have shown interest to invest in the oil and gas sector.
Continue preparations for the first licensing round in the country	One Benchmarking study visit on licensing undertaken at the Tanzania Petroleum Development Corporation,
Appropriate due diligence on companies that expressed interest in participating in the Country's petroleum industry, undertaken.	One technical study tour to PETRONAS of Malaysia undertaken. Continued preparations for the country's 1 st licensing round including holding a workshop on data room building with Schlumberger. The International Conferences attended included:

	<p>Three staff attended Association of American Petroleum Geologists (AAPG) conference in USA</p> <p>Two staff attended Society of Petroleum Engineers (SPE) conference in UK</p> <p>Three staff attended Oil Technology Conference in USA</p> <p>Two staff attended AAPG Unconventional resources workshop, in Denver, USA.</p>
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030302 Initiate and Formulate Petroleum Policy and Legislation

<p>New Regulations and guidelines for the upstream activities developed;</p> <p>Model Production Sharing Agreement(PSA) reviewed and updated;</p> <p>Monitoring and Evaluation (M&E) strategy for the National Oil and Gas Policy (NOGP) formulated.</p>	<p>A zero draft for the upstream regulations was in place. The working group on the regulatory framework was in final stages of development of the upstream regulations.</p> <p>The M&E framework for the National Oil and Gas Policy was finalized; to be operationalized in the next FY-2014/15.</p>
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Annual Planned	Physical performance by the end of FY2013/14
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030303 Capacity Building for the Oil and Gas Sector

<p>National expertise for the oil and gas developed and maintained;</p> <p>National Content policy and strategy put in place;</p> <p>Creation of new institutions (The Authority, Directorate and National Oil Company).</p>	<p>Nine staff continued their Master’s degree studies in petroleum related studies, at various Universities abroad.</p> <p>Short term trainings included :</p> <p>Two staff in Pipeline systems design, at Japan; Oil, Gas & Minerals; staff in International arbitration in UK; 4 staff, Corelab joint study workshop in UK; One staff CISSP (IT) training in South Africa; eight staff, study visit to Mangala Oil fields in India;2 staff, Health Safety and Environment(HSE)Superintendent training at IFP, USA; four staff undertook Development Geology training in USA; two officers trained in International petroleum management program in USA</p> <p>The process of operationalization of the new petroleum institutions continued.</p>
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030304 Monitoring Upstream Petroleum activities

030304 Monitoring Upstream Petroleum activities	
<ul style="list-style-type: none"> • Surveys and field operations exploration costs uncured by licensees monitored; • Petroleum Data efficiently managed; • Environmental Impact Assessments (EIAs); • Drilling and Field Development programs; • Well proposals and Production Reservoir reports assessed; • National oil and gas reserves and production volumes compiled. 	<p>Monitoring on a 24- hour basis for the following activities undertaken:-</p> <p>Acquisition of 338.10 sq km of 3D seismic data in EA1 and EA1A by TOTAL, which commenced in February 2013, was completed;</p> <p>Acquisition of 9 line Km of 2D seismic data on a test line in Kingfisher Development Area (KFDA) by CNOOC;</p> <p>-Civil works in KFDA;</p> <p>- Drilling of appraisal wells Rii-2, Mpyo-5A, Mpyo-6, Mpyo-7, Jobi East-3, JobiEast- 4, JobiEast-6, Gunya-3, and Gunya-4 in EA1;</p> <p>Testing of wells, Rii-2, Mpyo-6, JobiEast-3, JobiEast-6 in EA1;</p> <p>Drilling of appraisal well Waraga-3 in EA2;</p> <p>Plugging and Abandon for well Ngiri-1 in EA1;</p> <p>Plugging and Abandon for wells Kasamene-2, Karuka-1, Karuka-2, Taitai and Ngassa-2 in</p>
Annual Planned	Physical performance by the end of FY2013/14
	<p>EA2;</p> <p>Continued review applications for production licenses over Kigogole-Ngege-Nsoga-Ngara (KNNN) and Kasamene-Wahrindi (KW) in EA2;</p> <p>Continued review application for production license over Ngiri, Jobi and Rii fields in EA1.</p>
030305 Develop and implement a Communication strategy for the Oil & Gas Sector	
<p>Information on oil and gas disseminated; stakeholders</p> <p>Sensitized on the ongoing oil and gas activities in the country;</p> <p>Departmental website upgraded and updated; Media reporting on the oil and Gas sector improved.</p> <p>Press conferences held;</p> <p>Queries and inquiries on the sector responded to.</p>	<p>Participated in meetings organised by the Rural Initiative for Community Empowerment-West Nile in four districts namely. Buliisa, Nwoya, Nebbi and Arua for district leaders and the Business community;</p> <p>-Participated in two community dialogues in Buliisa district and one dialogue with Anglican Bishops;</p> <p>-Held one media briefing;</p> <p>-Held 15 (fifteen) Radio talk shows;</p> <p>-Participated in three community sensitization</p>

	meetings with persons affected by the refinery organized by Hoima Caritas Development Organization (HOCADDO); -Held 6 sensitization meetings in refinery area.
030306 Participate in Regional initiatives	
Regional Conferences and meetings on oil and gas prepared and attended.	The department participated in three East African Conference Energy Committee meetings; The department also participated in three preparatory meetings for the East African Petroleum Conference and Exhibition - 2015 in Tanzania; Paid the government contribution for EAPCE'15 (USD50,000) The department participated in three engagements on co-operation with Democratic Republic of Congo in the oil and gas activities.
030351 Transfer for Petroleum Refining (Midstream Unit)	

Annual Planned	Physical performance by the end of FY2013/14
Support the administrative functions of the new (transitional) units and creation of new institutions	Continued supporting the activities of the transitional units to facilitate the new institutions of Petroleum Authority, National Oil company and the Petroleum Directorate
030372 Government Building and Service delivery infrastructure	
<ul style="list-style-type: none"> • Construction of Phase-2 of the new Data Centre completed and Phase-3 commenced • Maintenance of existing buildings and related infrastructure undertaken 	<p>The process of varying the Phase-2 contract to include an additional floor commenced;</p> <p>Routine maintenance of office buildings, the core lab and the surrounding environment was undertaken.</p> <p>Continued with phase 2 of the office building.</p> <p>Renovation of Commissioner's block.</p> <p>Putting up Uni-ports for storage and office accommodation.</p>
030376 Purchase of Office & ICT Equipment & Software	
Computer hardware and their accessories procured and computer software licenses renewed.	Acquired Arc Geographical Information System(GIS) License for Server and Desktop 10.2; Redesigning the Department's Website and Intranet undertaken;

	The department Procured; 34 desktop computers, 32 UPSs, 12 Laptops; Antivirus License renewal for one year; Heavy duty photocopying machine; 3 power stabilizers - Maintenance kit C and Toner for the Taska Alfa photocopier; Sixteen (16) I-pads procured; Data and Voice installed in Administration Block; Procurement to join the NITA-U NBI commenced.
030377 Purchase of specialized machinery & equipment	
Laboratory and Geophysical equipment procured and maintained.	Procurement of the gas generators, chemicals commenced; Thirty five (35) gas cylinders procured. Purchase and installation of a new Fume cupboard
030378 Purchase of office furniture and fittings.	
Office Furniture and other Fittings procured and maintained.	Ten (10) desks and ten chairs procured.

Field findings

- a) Field monitoring focused on the two outputs implemented by the PEPD. These were: Office Building and National Data repository/ Data Center; and monitoring upstream activities at the Albertine graben.
- a) **Office Building and national Data repository/ Data center**

Background

The MEMD is currently constructing an office building and National Data Repository at Plot 21-29 Johnstone Road-Entebbe after Uganda Wildlife Education Centre. This building will accommodate a modern National Data Repository, laboratories, core store and offices among others. The three storied building is planned to have three storeys and was designed with over 3500 square meters of office space to accommodate the new Petroleum Directorate which includes the Upstream, Midstream and Downstream Departments as well as the Petroleum Authority of Uganda. The building has since been changed to have four storeys to provide additional office space.

Financial performance of the data center

The contract for construction was awarded to Pearl Engineering Company Ltd at a contract amount of Ug shs 9,060,265,560. By the end of the FY Ug shs 6,391,028,061(71%) of the contract amount had been paid to the contractor. No additional certificates had been submitted for payment by the end of the FY albeit the ongoing works. Table 1.33 summarizes the payments to the contractor.

Table 1.33 Financial performance of Data Centre contractor (Ug shs)

Date	Item	Particulars	Amount Paid (Incl. 18% VAT)	Balance
		Total Contract Amount		9,060,265,560
26/09/2012	1	Advance 20% of contract price	1,812,053,112	7,248,212,448
26/03/2013	2	Payment, Interim certificate No.1	508,216,626	6,739,995,822
31/05/2013	4	Payment, Interim certificate No.2	580,574,070	6,159,421,752
21/06/2013	5	Payment, Interim certificate No.3	429,290,224	5,730,131,528
13/08/2013	6	Payment, Interim certificate No.4	395,387,468	5,334,744,060
23/09/2013	7	Payment, Interim certificate No.5	256,885,221	5,077,858,839
07/10/2013	8	Payment, Interim certificate No.6	320,420,939	4,757,437,900
05/11/2013	9	Payment, Interim certificate No.7	506,578,347	4,250,859,553
03/12/2013	10	Payment, Interim certificate No.8	625,375,849	3,625,483,704
11/02/2014	11	Payment, Interim certificate No.9	483,653,090	3,141,830,614
25/03/2014	12	Payment, Interim certificate No.10	472,593,115	2,669,237,499
TOTAL			6,391,028,061	

Source: PEPD Entebbe

The contract for supervision of the construction works was awarded to DESIGN GROUP & ASSOCIATES at a contract amount of Ug shs 315,190,952. By the end of the Ug shs 191,387,070 (61%) of the contract amount including the reimbursable expenses of Ug shs 2,272,500 had been paid. The details of payments are presented in table 1.34

Table 1.34: Summary of Payments to the Supervision Consultant

Date	Item	Particulars	Amount Ug shs	Payments Ug shs	Balance Ug shs
	1	Total Contract Amount	315,190,952		
24/07/2013	2	Payment, Interim certificate No.1		63,038,190	252,152,762
24/07/2013	3	Reimbursable expenses		2,272,500	249,880,262
02/05/2014	4	Payment, Interim certificate No.2		126,076,380	123,803,882
Totals			315,190,952	191,387,070	123,803,882

Source: PEPD Entebbe

Physical performance of the data center

Construction of the data center started in February 2013 with an expected completion date of July 2014. By the end of FY2013/14, 85% of the works had been completed. The key activities completed included: Slabbing and construction of columns for the four storey building. Some of the ongoing works included concentrate casting on some sections of the building and works for setting up of the roof.



L-R: Completed Building frame; ongoing construction works of the data center at PEPD in Entebbe

Challenges

- Unforeseen ground conditions leading to more preparatory works.
- Lengthy processes in the approval of structural designs to include an extra floor on the building.

Conclusion

Construction of Phase II of the data center progressed well upon acquisition of the contractor. The slabs for the four floors had been cast and roofing works had just commenced. The project was affected by the unforeseen ground conditions and the processes for structural redesigns approval by the contract committee of MEMD.

Recommendations

- Contractors should carry out adequate preparatory works before commencement of works.
- In future, MEMD should conclude the structural designs before final award of contracts.

b) Monitoring of upstream activities

The FY2013/14 monitoring focused on reviewing China National Offshore Oil Company (CNOOC), and Tullow Uganda Operations Pty Ltd operations.

Exploration Area (EA) 2

Background

The area is operated by Tullow Uganda Operations Pty Ltd. The company carries out seismic data acquisition, and drilling of oil wells for discovery, exploration, and appraisal purposes.

Physical Performance

Appraisal well drilling at Waraga 3 oil well was completed. The company encountered hydro carbons which indicated a potential for additional oil quantities. Additional materials from underground were obtained for further studies. The oil well was plugged and partially abandoned for future use. The first phase of restoration had been completed at Waraga 3 by the end of June 2014.

Other oil wells which had been plugged and abandoned included; Taitai, Karuka I and II, Kasamene II, Ngasa I and II. Restorations of the oil wells was ongoing. This included removal of the marrum and its replacement with the top soil upon which vegetation is planted.

MEMD had requested Tullow Uganda Operations Pty Ltd to select the oil wells which they hope to use in oil production phase. The oil company had submitted one Field Development Plan and two Petroleum Reservoir Reports (PRR) for Kigogole-Ngege-Nsoga- Ngara (KNNN) and Kasamene- Wahrindi (KW) in EA2. The other FDP and PRR that had been submitted to PEPD by end of June 2014 was for Kaiso- Tonyo area for the oil wells of Waraga- Mputa- Nzizi. These were to be reviewed by PEPD and grant production license if the plans meet the GoU requirements.



Left: Partially abandoned site at Waraga 3; Right: Restoration of site at Kasemene II

Kingfisher Development Area

Background

The area is operated by China National Offshore Oil Company (CNOOC) after the farm in and farm out of CNOOC and Tullow Uganda Operations Pty Ltd respectively in 2012. The total area of the field is 344 square Km.

Physical performance

CNOOC received the production license from GoU in September 2013. Acquisition of 9 line Km of 2D seismic data on a test line in Kingfisher Development Area progressed well. By 8th July, 2014 a number of prerequisite civil works in the development phase of the oil field were ongoing on the following fronts:

a) Rehabilitation of Masika Air strip and Jetty:

To ease transport to and from Kanywataba Oil field which is below an escarpment with no access road, during FY2013/14, CNOOC repaired 20 meters of the runway. A total of 1360 meters X 60 metres were fenced off by the end of the June 2014. The jetties for the speed boats and ferry had also been rehabilitated. The rehabilitation involved installation of the gabions and placement of marrum at the jetty approach and some concrete works.

b) Materials storage yard

By the 8th July, 2014 the perimeter fence had been completed. One metre thickness of marrum had been placed and surface hardened in the 200X200 metres of the storage yard. Anchor blocks which are to be used for placement drilling equipment had been constructed. Construction activities which were ongoing included: chemical shade, office space and guard house, and waste management unit where concrete casting and walling for the unit was ongoing. All the construction activities were to be completed on 30th July, 2014.

c) Civil works on Pad 2 – for Establishment of the production wells:

The civil works commenced in March, 2014 and were expected to be completed by August, 2014. By 8th July, 2014, derrick foundation (supports the oil drilling equipment) construction was in advanced stages and drilling operations were expected in September, 2014. Rig assembling which was expected to take a four weeks was expected to start mid-July, 2014. Other civil works which were ongoing included construction of: cutting treatment system, drilling fluid tank foundations, evaporation pit, and the dry drill cutting storage facility.

d) Construction of the main camp

Civil works which included paving of the construction site was ongoing. Some containers which are to be used as office had been set up.

e) Other civil works were- Construction of resettlement Houses for the PAPs

This was ongoing. Four houses had so far been approved for construction of which civil works had commenced for the two houses. The units were to include: four roomed, with a Kitchen and Pit latrine.



Implementation challenges

- Delays in approvals of work Environmental Impact Assessment permits. This was noted to take between 60- 90 days.
- Lack of proper and efficient transport means. Water transport takes about 10 days for materials to be delivered to CNOOC while road transport is lacking as Kanywataba is located below the escarpment without an access road.

Analysis

Link between Physical and financial performance

Majority of the funds (31%) were expended on the construction of Government Building and Service delivery infrastructure which took up 31% of the expenditure. A total of Ug shs 191,387,070 was utilized for supervision consultant for the Data centre construction contractor while Ug shs 6,391,028,061 was used for the construction of the building frame. The construction works for the roof had just commenced and the contractor had not yet made a payment claim to PEPD. Ug shs1,230,000,000 was spent on monitoring of the upstream activities which involves the drilling, appraisal operations and the civil works at the Kingfisher Development field.

Achievement of targets

Achievement of annual planned activities for FY2013/14 was excellent. All the planned activities progressed well. The CNOOC was at a stage of developing oil fields. Tullow is also submitted its Field Development plans and is awaiting a production license. Even multiyear projects like the construction of the data center also progressed well as roofing works had commenced by the end of the FY2013/14.

Conclusion

Management of oil and gas project is on course. A production license had been awarded to CNOOC, while Total and Tullow Uganda Operations Pty Ltd had submitted their field development Plans and the petroleum reservoir report to PEPD for analysis and possible award of the production licences. All other planned outputs for the financial year were on track. Construction of the data centre was affected by unexpected ground conditions and processes for completion of the structural design reviews and approval by the contract committee of MEMD. Kingfisher Development Area was constrained by delays in approval of environment permits for the activities in the oil field.

Recommendations

- The MEMD should conclude the design reviews and approval of the building designs before contracts are awarded.
- The NEMA should speed up the approval process of the environmental work permits for the oil companies.

Project 1184: Construction of the Oil Refinery Project**Background**

Following the exploration success in Uganda, MEMD formulated a Refinery Development Program (RDP) to guide the development of the refinery and its associated infrastructure. As a step towards implementing the RDP, Government of Uganda undertook a feasibility study for the development of an oil refinery which was completed in August 2010. The study determined that it is feasible to develop an oil refinery. The Public Private Partnership project commenced in July 2011 and is expected completed in June 2016. The main objectives of this project include to;

- i) Develop an appropriate legal and regulatory framework for crude oil refining and related infrastructure.
- ii) Plan for the development of the refinery, pipelines, storage facilities and related midstream infrastructure.
- iii) Contribute to capacity building in new emerging areas of crude oil valuation and midstream petroleum operations.
- iv) Develop an appropriate modern institutional framework for crude oil refining and related midstream petroleum operation.
- v) Promote private sector participation in the development, operation of refineries and related infrastructure
- vi) Promote regional and international cooperation in development of refineries and related infrastructure.

In FY2013/14 the following outputs were planned:

- i) Promotion of private sector participation in the development and operation of Midstream Infrastructure
- ii) Promote regional and international cooperation for the development of oil refining, gas conversion and infrastructure in Uganda
- iii) Legal framework for oil refining, gas processing and utilization in place
- iv) Regulation and licensing framework for midstream activities developed
- v) Standards and Codes for the Midstream petroleum operation developed
- vi) National Expertise for crude oil, refining, gas processing and utilization, transportation and storage development and maintained
- vii) Midstream Institutional framework implemented and require human resource capacity developed

- viii) Land for the refinery and supporting infrastructure acquired;
- ix) Continued implementation and completion of Logistics study
- x) Transaction Advisory services for Refinery development undertaken;
- xi) Pre - Front End Engineering Design (FEED) for refinery development completed.
- xii) Aviation studies for aerodrome development undertaken
- xiii) Crude oil pipeline to the refinery and storage facilities study recommendations implemented;
- xiv) Pre-FEED for refinery products' pipeline from Hoima to Buloba terminal conducted.

Findings

i) Financial performance

The GoU approved development Budget for the project for FY2013/14 was Ug shs 34,982,279,998. The Budget was shared among the three outputs. Output, “construction of the oil refinery” took the biggest share of 93%. Capacity Building for oil and gas sector took 4%, while Promotion of the country’s petroleum potential and Licensing took 3% of the total expenditure. A total of Ug shs 24,560,607,382 (70%) was released according to PEPD. All the released funds were absorbed. Majority(95%) of expenditures were made on the processes for land acquisition including payments to the PAPS, other line items like staff training, travel inland, postage and courier shared the 5% of the expenditures.

Table 1.35 shows the expenditure of funds for the refinery project. Expenditure analysis indicated differences in absorption of funds as reported by PEPD and as shown on the IFMS. Whereas PEPD reported to have absorbed all the funds, IFMS showed unspent balances from all the outputs. The largest unspent balance was Ug shs 1,000,000,000 for the construction of the refinery project, followed by Capacity Building for oil and gas sector at Ug shs 23,311,722 and Promotion of the country’s petroleum potential and Licensing with Ug shs 15,315,558. The largest difference was because of differences between what was released and amount received by PEPD.

There was also a marked difference of Ug shs 1,000,000,000 between the amounts released from MFPED and the amount received by PEPD for output. Oil Refinery construction.

Table 1.35 Financial performance as indicated by MFPED and PEPD

Output name	Releases from MFPED to PEPD (A)	Received Funds by PEPD (B)	Variation in the received funds (A)-(B)	Expenditure by PEPD (C)	Expenditure from the IFMS (D)	Variation in Expenditure; (C) -(D)
03 03 01 – Promotion of the country’s petroleum potential and Licensing	609,388,028	609,388,028	0	609,388,028	594,072,470	15,315,558
30303 Capacity Building for oil and gas sector	715,428,383	715,428,383	0	714,915,388	691,603,666	23,311,722
03 03 80 – Oil Refinery Construction	24,235,790,971	23,235,790,971	1,000,000,000	23,235,790,971	24,235,790,971	- 1,000,000,000

Source: IFMS, PEPD, Author (July 2014)

Table 1.36 outlines the planned activities under project 1184 for FY 2013/14 as outlined in the MEMD ministerial policy statement. The physical performance observed during FY 2013/14 is summarized against the planned activities.

ii) Physical performance

Table 1.36 Performance for Construction of Oil Refinery Project

Annual Planned outputs	Annual Cumulative performance
03 03 01 –Promotion of the country’s petroleum potential and Licensing	
<p>Promotion of private sector participation in the development and operation of Midstream Infrastructure</p> <p>Promote regional and international cooperation for the development of oil refining, gas conversion and infrastructure in Uganda</p> <p>Legal framework for oil refining, gas processing and utilization in place</p> <p>Regulation and licensing framework for midstream activities developed</p> <p>Standards and Codes for the Midstream petroleum operation developed</p>	<p>The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 enacted.</p> <p>120 copies of the Midstream Law printed</p> <p>37 copies of the refinery brochure printed</p> <p>Zero draft of the regulations for midstream operations developed and stakeholder consultations ongoing.</p> <p>Database of investors updated</p> <p>Technical committee to develop standards and codes for Midstream operations formed and several meetings held.</p> <p>Eight regional meetings/ summits held to support the infrastructure development in the region e.g. pipelines and refinery development</p>
030303- Capacity Building for oil and gas sector	
<p>National Expertise for crude oil, refining, gas processing and utilization, transportation and storage development and maintained</p> <p>Midstream Institutional</p>	<p>Officers in the Unit trained in various aspects e.g. refinery technology, refinery business economics pipelines development, Oil and Gas Flow Measurement and Control Technique and Standards, NOC, regulations</p> <p>Three officers undertaking training long term training</p>

Annual Planned outputs	Annual Cumulative performance
framework implemented and require human resource capacity developed	Recruitment of additional staff undertaken
03 03 80 – Oil Refinery Construction	
Land Acquired for the refinery and supporting infrastructure	To date 1370 PAPs out of 2615 who opted for compensation have been compensated which gives about 52.45% completion of the compensation process
Transaction Advisory services for Refinery development undertaken	Land for resettlement was identified and procurement process to purchase was ongoing
Crude oil pipeline to the refinery and storage facilities study recommendations implemented	Transaction Advisor hired to assist Government procure a lead investor/developer for the refinery, form the Special Purpose Vehicle, source for funding and also structure the refinery project
Planning for acquiring way leaves for the crude pipelines to the refinery, products’ pipelines to distribution centers and storage terminals	Proposals for refinery development were submitted on 30th May 2014 and evaluated in June 2014. Two bidders were shortlisted for negotiations and final offer submissions. These are; Consortium led by SK Energy (South Korea) and Consortium led by RT Global Resources (Russia).
Baseline Environmental Survey for pipelines completed	The Government was to commence negotiations with the two preferred bidders and thereafter issue a request for the Best and Final Offers (“BFO”) document. The two consortia were expected to submit their respective Best and Final Offers by the end of August 2014.
Pre-FEED for refinery products’ pipeline from Hoima to Buloba and development of Buloba terminal conducted	Development of National Strategy and Plan for Petroleum Transportation and Storage facilities still ongoing and expected to be complete by end of 2014
Pre-FEED for refinery development completed	Pipeline development: By the end of the FY2013/14 actual development on the ground had not commenced. It was noted that there are three pipelines to be constructed by the different stakeholders.
Aviation studies for aerodrome development	

Annual Planned outputs	Annual Cumulative performance
<p>undertaken</p>	<p>The first pipeline from the oil fields to the oil refinery is to be developed by government in partnership with the upstream oil companies of: Total Exploration and Production, China Offshore Oil Cooperation (CNOOC), and Tullow Uganda Operations Pty Ltd. The key role of Government is expected to participate in route surveys, land acquisition and sensitization workshops.</p> <p>The second pipe line from the oil refinery to Kampala is to be spearheaded by the Government of Uganda and its studies were concluded in December, 2013. By the end of the FY2013/14, the structuring processes of the line were to be discussed with the lead investor who was under procurement.</p> <p>The third pipeline - component for the crude exportation was reportedly to be implemented using by partner states of Uganda, Kenya which had already signed a Memorandum of Understanding. The duo are still awaiting the possibility of Rwanda joining.</p> <p>Terms of Reference for the Consultancy to conduct a detailed routing survey and Baseline Environmental Survey for the products pipeline from Hoima (refinery) to Kampala (Buloba) completed.</p> <p>Expression of Interest for the above procurement of the Consultancy expected to be issued in the Q1 of FY 2014/2015</p> <p>Plans to conduct the Pre-FEED for the refinery await the selection of the lead investor</p> <p>Terms of Reference for the Development of the Master Plan design for the Airport in Hoima were developed and procurement process for consultant on going spearheaded by International Civil Aviation Organization</p> <p>Baseline Environmental Survey for the refinery area concluded in December 2014.</p>

Annual Planned outputs	Annual Cumulative performance
	Aviation studies for aerodrome development had not been concluded except development of Terms of reference and the related meetings towards the output. It was noted that the Civil Aviation Authority of Canada was expected to undertake the studies in FY2014/15.

Source: PEPD and Field Findings

Field Findings

In July, 2014, land acquisition was reviewed to ascertain level of compensation and obtain views from the PAPs on the process of compensation.

Land acquisition: The 29 square Km were identified in Buseruka sub-county, Hoima district. By the end of the FY2013/14, 1370 (51%) of the 2708 PAPs had been compensated. The outstanding payments were due to unavailability funds to pay and some cases of disputed the compensation packages. The revaluations for the disputed cases was ongoing by the end of the FY2013/14.

It was noted that by July 2014, the number of PAPs who opted for resettlement in kind (Construction of resettlement houses) was 93. These were still awaiting the completion of the procurement process for the land and the contractor to construct their houses. Land totaling to 570 Acres had been identified in Kyakaboga village near Buseruka Sub County in Hoima district at a cost of Ug shs 2.7 billion. The payment processes were awaiting release of funds from the Ministry of finance, Planning and Economic Development. It was noted that identified land would also be serviced with utilities (water and electricity) in order to make PAPS live a better life. Box 1.3 highlights some of the challenges that PAPs raised concerning late compensation.

Box 1.3 Challenges that PAPs are facing due to late Compensation

The PAPs expected compensations by end of March 2014 but had not been paid as at 7th July, 2014. The 93 families which also require resettlement had not been catered for. The PAPs however noted that they were aware of some land that had been identified in Kyakaboga village near Buseruka sub-county. The PAPs were very unhappy with the delayed release of funds for compensation. The PAPs whose land was revaluated also complained of over waiting for the fresh disclosures.

The PAPs noted they urgently need to purchase the land elsewhere but have not been compensated. Due to delayed compensation the PAPS were faced with the following challenges:

- Food insecurity due to not planting of food crops since they expected to be relocated. Those who have planted are having their crops eaten by wild animals.
- Attacks from the wild animals in some villages like Nyamasoga due to increased presence of bush as a few PAPs remained unpaid.
- Absenteeism of pupils from schools due to lack of proper income generating activities to support them and the uncertainty about when compensation would be effected.
- Disappearance of road networks with the affected villages

- Loan defaulting since a number of PAPs took loans to purchase alternative land with a hope to reimburse the funds timely.
- Appreciation of land values in the neighboring areas where PAPs hoped to relocate. An acre which used to cost Ug shs 1,000,000 has increased to Ug shs 3,000,000 in 2014
- Worries that the PAPs who missed signing the compensation forms would not be paid.

Source: Field Findings



Field Discussions with unpaid Project Affected Persons of the Oil Refinery Project at Kabaale Hoima District

Implementation challenges

Non release of funds in Q4 FY2013/14 affected the RAP implementation. The number of PAPs who dispute continue to increase due to passage of time before compensation can be effected. The land rates used were for FY2011/12 and yet payments had not been effected by July 2014.

Analysis

Link between financial and physical performance

By the end of FY2013/14, Ug shs 34,982,279,998 was released to the sector and 95% of the funds were spent on processes for land acquisition. However, to date, only 51% of project affected people have been compensated. The outstanding payments were majorly due to unavailability of funds to pay the PAPs. The PAPs expected compensations by end of March, 2014 but had not been paid as at 7th July, 2014. The 93 families which also require resettlement had not been catered for. This was majorly due to the non-release of funds for Q4 FY 2013/14.

Achievement of set targets

The oil refinery project performance was good. However, the non release of funds constrained the process of completion of the resettlement action plan. By the end of the FY2013/14, 1370 (51%) of the 2708 PAPs had been compensated. The outstanding payments were due to unavailability funds to pay and some cases of disputed packages. The revaluations for the disputed cases was ongoing by the end of the FY2013/14. The number of PAPs who opted for resettlement in kind were still awaiting the completion of the procurement process for the land and the contractor to construct their houses. The payment processes were awaiting release of funds from MFPED.

Conclusion

Financial performance for the sector was unclear. Expenditure analysis indicated differences in absorption of funds as reported by PEPD and as shown on the IFMS. Physical performance was good although it was compromised by the non-release of funds for resettling the Project Affected People. The PEPD highlighted that all the funds were used for RAP compensation.

Recommendations

- The MFPED should fast track release of funds to expedite project implementation. Front loading of project funds may be considered in FY 2014/15

6.3 Vote 123 Rural Energy Electrification Agency (REA)

Introduction

The Rural Electrification Agency was established as a semi-autonomous agency by the Minister of Energy and Mineral Development through Statutory Instrument 2001 no. 75. It seeks to operationalize Government's rural electrification function under a public-private partnership. In FY2013/2014, the agency was upgraded to a vote status. It is mandated to facilitate provision of electricity for socio-economic and rural transformation in an equitable and sustainable manner. The medium term goal of REA is to achieve 26% rural electrification by June 2022.

The key functions of the vote include;

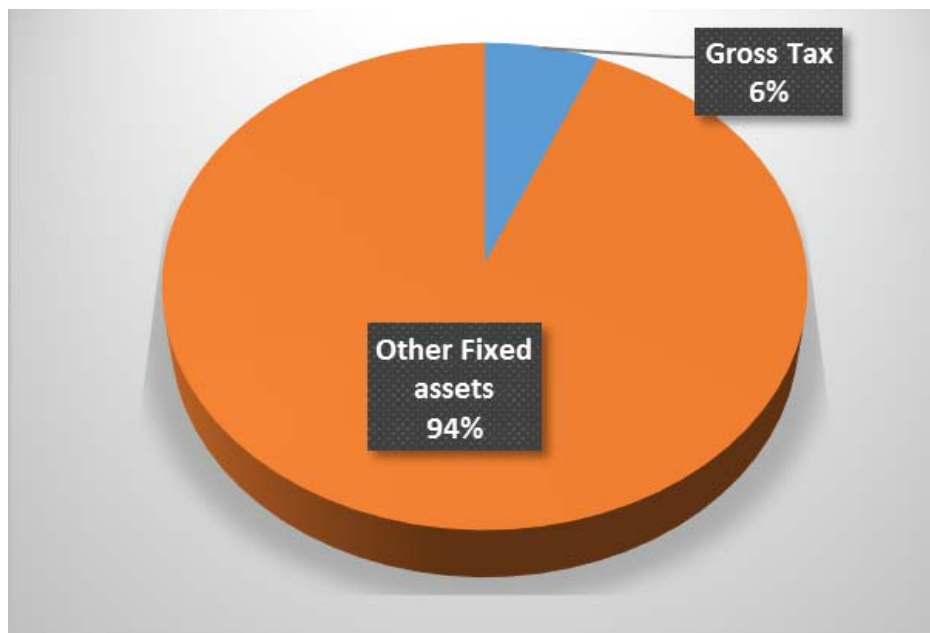
- Maintain a national data base on rural electrification
- Promote rural electrification
- Facilitate rural electrification projects,
- Receive and review applications for subsidy
- Advise MEMD on policies pertaining to rural electrification
- Implement government priority rural electrification projects and community schemes
- Monitor and evaluate rural electrification projects.

The vote has two key projects. These include; West Nile Grid Extension Program- GBOBA (Project: 1261), and Rural Electrification Project (Project 1262). In FY2013/14, performance of the two projects was reviewed.

Financial Performance of the REA

The approved GoU development budget for the vote for FY2013/14 was Ug shs 36,976,000,000 of which Ug shs 15,946,904,832 (43%) was released by the end of the FY according to the IFMS. This was poor release performance. The REA reported that Ug shs 14,946,904,832 was received by the end of the FY which translates into a release performance of 40%. All the released funds according to REA and IFMS were absorbed by the end of the Financial Year.

The expenditures were made on the two line items. The line item, "other fixed assets" took up the largest share as it represents the materials that are used in the construction of power lines like purchases of construction materials (including poles, conductors, and stay wires). Figure 1.3 shows the expenditure by line item.

Figure 1.3: Prioritization of Expenditure by Line Item

Source: IFMS Data, 11th, July, 2014

Project 1262: Rural Electrification project

Background

This project takes over from the old project implemented under Vote 017 that ended with the first Rural Electrification Strategy and Plan (RESP 2001 - 2010). The RESP II (2013-2022) will provide funding for undertaking rural electrification projects with the overall objective of achieving rural electrification access of 26%. The project will be supported with funding by the GoU and Development partners. The projects are initiated by REA in pursuit to achieve increased access to electricity by rural communities.

In the course of FY2012/2013, REA received US\$ 20 million from the Energy Fund for implementation of selected priority projects. Preliminary implementation commenced during the same year and continued during FY2013/2014.

The selected planned outputs included:

- 60% construction of Wakiso/Mpigi/Mityana/Busunju - Lot 1 Central: completed.
- 70% construction of embabule/Mbarara/Bundibugyo/Mubende/Kiroso/Kiruhura/Lyantonde/Nakasongola/Ibanda completed. Lot: 2 Western.
- 60% construction of Rukungiri/Kanungu/Ntungamo/Kabale - Lot 8: Western completed.
- 80% construction of Kamuli/Buyende/Kayunga/Jinja - Lot 2 Eastern completed.
- 60% construction of Mbale/Manafwa/Tororo/Butaleja/Kapchorwa/Pallisa - Lot 3 Far- eastern completed
- 60% construction of Masindi/Lira - Lot 4 completed west/Central

Financial Performance

The approved development budget for the project for FY2013/14 was Ug shs 33,976,000,000 which was 92% share of the budget for the vote. A total of Ug shs 14,465,919,460(43%) of the budget was released by the end of the FY. All the released funds as shown in table 1.37 were spent. Expenditures were distributed between other fixed assets (93%) and gross tax. Other fixed assets includes items used the construction of distribution power lines.

Table 1.37 Financial Performance of Rural Electrification Project

Approved Budget	Releases	Expenditure	Release performance	Expenditure Performance
33,976,000,000	14,465,919,460	14,465,919,460	43%	100%

Source: IFMS Data, 11th, July, 2014

Physical performance

A sample of power lines in the western and Eastern Uganda were monitored. Some of the lines were under construction, although majority of the power lines were at initial stages of construction. Overall, performance was below average. Construction had not started on two of the sampled lots and none of the power lines met its target of completion by FY 2013/14. Physical performance by lot is detailed below.

- a) Lot. 2 Western lot: Construction of the power networks in the districts of Sembabule/ Mbarara/ Bundibugyo/ Mubende/Kisoro /Kiruhura/ Lyantonde/ Nakasongola/ Ibanda

The project involved the construction of sections of High Voltage (HV) power networks in the districts of Sembabule, Mbarara, Bundibugyo, Mubende, Kisoro, Kiruhura, Lyantonde, Nakasongola, and Ibanda. The total route length for the lot is 84.38km of HV power network and 60.871 km of LV network

The contract was awarded to M &T construction company Ltd in November, 2013. Construction works started in January, 2014 with an expected completion date in November, 2014. The contract amount for the lot was Ug shs 6,060,000,000 and by the end of the FY Ug shs 1,400,000,000 had been paid to the contractor.

Pit excavations and pole erections had been completed in most of the districts except in Kisoro where workers had been mobilized to commence pegging, excavations and pole erection. Factory Acceptance tests for the required equipment had been completed and the processes for importation were under way. The equipment was expected in September, 2014. Table 1.38 shows status of implementation by district.

Table 1.38 Physical Performance of the Power line Construction

Scope of works	Observed physical performance by line section in August, 2014
<p>Mubende district</p> <p>2.5Km of HV power network</p> <p>1.01Km of 3phase LV power network</p> <p>1.75Km of single phase LV power network</p> <p>1x25kVA transformer</p> <p>1x50kVA transformer</p>	<p>Works started in May 2014 and expected completion date was September 2014. However, the contractor expects to complete works by October 2014.</p> <p>Pit excavations and pole erection was ongoing by July 2014.</p> <p>The power line is to serve Nakasaga Trading centre, and extension in Kasambya and environs, Kasambya water supply, a primary school and a church.</p> <p>The delay in implementation was caused by a temporary lack of pole supply from the supplier and delays in the shipment process for the electro mechanical equipment.</p> <p>It was noted that the electromechanical equipment was under shipment and was expected to be received in August from China and Turkey.</p>
<p>Ibanda district</p> <p>0.12Km of HV power network</p> <p>1.2Km of LV power network</p> <p>1x50kVA transformers to serve Njemba and Nyakahita areas.</p> <p>3Km of HV power network</p> <p>4.7Km of power network</p> <p>2x50kVA transformers to serve Bwamate - Kigunga</p>	<p>Works started in July 2014. Excavations and pole erections had been completed by the same month.</p> <p>The Factory Acceptance Tests (FAT) had been completed and the importation of the equipment was underway.</p> <p>Installation of conductor and stringing was expected to commence upon receipt of the equipment from Turkey and China in September 2014.</p> <p>The power line is to serve 10 homes between Njemba and Nyakahita areas, and 45 homes in Bwamate and Kigunga areas. The Bwamate- Kigunga section is addition expected to serve some social institutions like Bugarama Junior school.</p>
<p>Kiruhura district</p> <p>1.5Km of HV power net work</p> <p>1Km of LV power network</p> <p>1x50kVA to serve water sources.</p>	<p>Excavations and pole erections had been completed by August 2014.</p> <p>The power line is expected to serve two water sources in Kiruhura district. This will substitute or reduce reliance on diesel generators to pump water to in the area.</p>

Scope of works	Observed physical performance by line section in August, 2014
<p>Lyantonde district</p> <ul style="list-style-type: none"> - 3x50kVA transformers - 8Km of LV power network to serve Buyanga, Biwolobo, Kagongo, and Kanombe trading centres - 13.7Km of HV power network - 12Km of LV power network - 5x50kVA transformers to serve Rwamiyanga - Rwensali areas - 22.3Km of HV power network - 9.2Km of LV power network - 4x25kVA transformers - 1x50kVA transformer to serve Katebe farm – Kasagama areas and environs 	<p>Pit excavations and pole erections had been completed awaiting arrival of equipment before stringing commences.</p> <p>The power line is to serve social institutions, trading centres and homes in the different areas. Some of the social institutions include: Biwolobo primary School, Lugalo Church of Uganda Primary School, Kavuya Health Centre (HC) II, St Joseph’s Kabatema Primary School, Bamunanika Primary School, Nyabitanga Primary school, Kabeja Primary School, Namutamba Secondary School, and Nabitanga Valley tanks in Ntusi village.</p>
<p>Sembabule district</p> <ul style="list-style-type: none"> - 11.2Km of HV power network - 6Km of LV power network - 3x50kVA transformers - 1x100kVA transformers to serve Kyoga water pump 	<p>Excavation and pole erection had been completed by the 01st, August, 2014. Installation of conductors was yet to commence.</p> <p>The power line is expected to serve Kyoga Water Pump, Uganda College of Business and Vocational Studies, Mabido Primary school, Sky limit infant school.</p>

Source: Field Findings



L-R: Completed Pole erection in Kasambya Subcounty; Ongoing stringing works in Kayunga District

- b) Lot. 1: Kamuli/Buyende/Kayunga/Jinja: The contract was awarded to C & G Andijes Group Limited and construction works commenced in November, 2013. By the 4th July, 2014, excavations and pole erections had been completed in Kayunga, Luuka, Iganga districts. Stringing was ongoing in Kayunga while in other districts stringing was yet to commence.
- c) Lot. 1: Wakiso/Mpigi/Mityana/Busunju: The contract was awarded to C & G Andijes Group Limited. By the end of the FY, line route surveys and pegging had commenced. Excavations and pole erections was yet to commence.
- d) Lot. 8: Western Rukungiri/Kanungu/Ntungamo/Kabale: The contract was awarded to China Jiangxi. By the end of the FY construction had not commenced. Preliminary works of line surveys and pegging were ongoing.
- e) Lot. 3: Mbale/Manafwa/Tororo/Butaleja/Kapchorwa/Pallisa: The contract was awarded to Dott Services Ltd and Utility Engineering Services Ltd as a joint venture at a cost of Ug shs 10,981,401,904. Project commencement date was 11th March 2013 and expected to be completed by 10th March 2014. Completion date was extended to September 2014. Completion rate was 45% by February, 2014. See Quarter Two/Three BMAU Report for details)
- f) Lot: 4 Masindi/Nakasongola/Lira: The contract was awarded to Dott Services Ltd and Utility Engineering Services Ltd as a Joint venture. Completion was 45%. Stringing was ongoing. (See Quarter Two/Three BMAU Report for details)

Challenges

- Shortage of electric poles from UEDCL and Nile Ply the key suppliers to the contractors.
- Inadequate financial capacity of local contractors amidst high financial security requirements for contract award.

The PAPs and the beneficiaries for the rural grid extension were interviewed to ascertain level of knowledge about the project and beneficiary satisfaction of the intervention. The details are presented in the text box 1.4 and 1.5 below.

Box 1.4 Level of Knowledge about the Project in Kasambya Sub County, Mubende district

An interview was held with the She sub-county chairperson, Kasambya sub-county, Mubende district. He noted that due to inadequate supply of water, the area leadership wrote to REA requesting for power extension to the water pumping site.

This was to replace the Diesel Generator which the private supplier uses to pump water. The sub-county leadership was happy with the intervention as it was expected to yield a number of benefits including:

- Increased hours of water supply from 3 to at least 12 hours.
- Reduction in the price of water which was at Ug shs 150 per jerrican and a unit (40-45 jerricans) at Ug shs 3,500
- Supply power to the new water supply point once REA grants the request to extend power to the station. The new water supply scheme is expected to have a capacity of 30,000 liters up from 10,000 liters capacity of the current one.

The key challenge was:

- Delayed implementation of the project as stringing had not commenced after a couple of months.

It was recommended that the contractor expedites implementation of the project.

Source: Fieldwork Findings

Box 1.5: Interaction with PAPs on Lot 1: Eastern Uganda

Three PAPs (Semwanga Edward ,Lubanga Emmanuel, and Kakande Moses of Nawandagala Village, Bukoloto Parish, Kayunga Subcounty in Kayunga district and Jesca Kaweile and Naigaga Celina of Naimuli village, Irongo Parish, Irongo Subcounty in Luuka district)were interviewed concerning the Lot and below were their comments:

The PAPs were happy with the project as it was expected to bring electricity nearer to them. The expected uses for the power included:

- Use in the social institutions like schools and health centres
- Charging phones and other business which was being done in Kyampisi Trading Centre(Kayunga) 2Km away from their households

The PAPs in Kayunga were hopeful that with the introduction of prepaid meters community members would at least afford to pay and utilize the extended power. The key issues noted by the PAPs were: Plantations were destroyed without compensating the owners. The PAPs simply kept silent in order not to sabotage government programmes; and limited sensitization as some local leaders did not know about the commencement of the project.

Source: Field Findings

Analysis

Link between physical and financial performance

A total of Ug shs 14,465,919,460 was spent largely on the payments to the contractors for the construction of the lines and gross tax for tax. Advance payment was made to all the lots reviewed using both the released funds and some money other fund amounting to USD20 million from the energy fund. The details of financials from the energy fund were not available. However, the lines visited performed below average.

Achievement of targets

Achievement for the grid extension project was below average. All the monitored power lines were below 60% completion the target for the FY2013/14. Construction of lines, for lots 1 central and 8 in western had not commenced against the planned target of 60% completion by the end of the FY. The lots where physical construction was ongoing were. Sembabule/ Mbarara/ Bundibugyo/ Mubende/Kisoro /Kiruhura/ Lyantonde/ Nakasongola/ Ibanda, Kamuli/Buyende/Kayunga /Jinja, Mbale/ Manafwa/ Tororo /Butaleja/ Kapchorwa/Pallisa and construction of Masindi/Lira

Conclusion

Grid extension is vital in development of business enterprises, improvement in living standards and value addition. The implementation of the selected projects was behind schedule as the planned outputs were not achieved. The slow pace was attributed to shortage of electricity poles from the main suppliers, limited financial capacity of the contractors, and delays in the importation of the required materials for the construction.

Recommendations

Government should regulate export of electric poles during local peak demand as it interrupts project implementation.

The REA/ GoU should lower the financial requirements/ package contracts up to a maximum of Ug shs 10 billion to enable local contractors build capacity.

Advance payment to the contractors should be made early enough to enable timely importation of materials required in the line construction.

Project 1261: West Nile Grid Extension Program-GBOBA

Uganda grid-based Output Based Aid (OBA) project is a four and a half year project funded by the Global Partnership on Output-Based Aid (GPOBA) through the World Bank (IDA), the government of the federal Republic of German and the European Union (EU) through the German Financial Cooperation (KfW), and the Government of Uganda. The project provides subsidization of an output grant for household electricity connection to defray the capital costs associated with obtaining electricity connections, which has been a significant barrier for rural households. The total project funding is US\$21.3million; US\$4 million by GoU, US\$ 5.5million by GPOBA/World Bank, 5million Euros (equivalent to US\$ 6.25 million) by German Government/KfW, EUR3.95million (equivalent to 5.5million) by EU/KfW

The subsidies are channeled through REA to eligible poor households. The output against which funds are disbursed, are household connections to the electricity network and some demonstration of electricity consumed. The service providers pre-finance and make connections to eligible households and claim re-imburement. The OBA service provider is reimbursed 67% of the cost of a household connection after

independent verification of installation of a working connection, and 33% after six months demonstration of use of service. The OBA service providers are electricity distribution companies licensed to make household connections, provide electricity to households, and undertake other aspects of electricity service, including billing, connections and customer service. The connection charges are approved by the Electricity Regulatory Authority (ERA)

The project is intended to facilitate connections under the output based aid arrangement. The objective of the project is to provide connection materials to households and enterprises that have been under the grid for a period of 18 months without connection.

The project specifically targets potential customers in two categories;

- a) Households within easy reach of the low voltage network of the Licensed Distribution Companies (LDC), who need a no pole service and are able to pay for the energy consumed but have not connected themselves for at least 18 months after commissioning of the network
- b) Eligible poor households identified in newly electrified areas where poverty mapping has been undertaken by an independent consultant.

The project was scheduled to start in June 2012 and expected completion date was June 2017. However, implementation did not commence until July 2013.

The electricity connections under the OBA project are made by; Umeme Limited; West Nile Rural Electrification Company (WENRECO), Ferdult Engineering Services Limited (FESL), Kilembe Investment Limited (KIL), Bundibugyo Energy Cooperative Society (BECs) and Pader-Abim Community Multi-Purpose Electric Cooperative Society Limited (PECMEC)

Annual monitoring focused on the OBA connections in West Nile, Western and Eastern regions of the country.

The annual planned outputs were; 40,000 customer connections country wide

Findings

Financial Performance

The approved Development Budget for the project for FY2013/14 was Ug shs 3,000,000,000 of which Ug shs1, 480,985,372 (49%) was released by the end of the FY2013/14. All the released funds were absorbed by the end of the FY. All the expenditures were on the output increased household connections and on the specific line item of other fixed assets. Other fixed assets line item represents the items used in connections and other related costs (Payments for connection wires, meters, among others.)

Donor Financial Performance

The total Project funding is US\$21.3million; US\$ 4 million by GoU, US\$ 5.5million by GPOBA/World Bank, €5 million (equiv. US\$ 6.25 million) by German Government/KfW, EUR3.95million (equiv. US\$5.5million) by EU/KfW. The operators upon completion of connections are refunded US\$200 per connection. By the end of the FY, the expenditures from the Donor component were not readily available.

Physical Performance

Overall physical performance for the sector was below average. Table 1.39 outlines the planned activities under the GPOBA project for FY 2013/14.

Table 1.39: Status of connections by FY 2013/14

Planned number of Connections	Actual Connections
40,000	1,803

Source: REA, Field Findings

Over all, the project performed poorly in terms of achievement of the project targets as only 5% connections out of the GPOBA targets were made by the end of FY 2013/14. The reasons for the low performance was attributed to;

- Umeme which is the biggest service provider came on board in April 2014 and yet it was expected to generate most of the connections
- Inadequate connection materials by the service providers
- Un affordable cost of wiring the houses
- Many of the would be beneficiaries were far away from the LV network

Findings

The FY 2013/14 monitoring focused on electricity connections made by WENRECo in the districts of Nebbi and Arua; Umeme Limited in Iganga and Mbale; and KIL in Kasese and Rubirizi.

The company managers highlighted that the criteria for selection included;

- Building must have been in existence for 18 months without connection
- The premise should be residential. The only enterprises chosen are those are those with a residential facility
- Housing must be wired by a licensed electrician
- Potential beneficiary should be not more than 35 meters from LV pole.

On average, the company spends about Ug shs 450,000 per customer. About 80% of the funds are used for buying materials such as service cables, User Interface unit, communication cables, clips, meter box, circuit breaker, rod wire, meter, connector block, wood screws and wall plugs.

a) Grid Connections by WENRECO

The electricity operator serves the districts of Moyo, Arua, Yumbe, Nebbi, Maracha, and Terego. The operator learnt about the project through REA in December 2013 and started customer connections in January 2014. Connections have only been done in Arua district. The total number of OBA connections was 410 of which 315 were submitted to REA for verification in May 2014.

The electricity rate for the domestic customers was reported to be Ug shs 506 up from Ug shs 440. This rate was considered high for the domestic customer although WENRECO found the rate to be still low given the operational costs the company incurs. The company noted that all OBA connections had active electricity accounts with average monthly payments of Ug shs 7,500.

A sample of three households were interviewed to further establish status of the connection. Beneficiaries were happy with the connections as they were able to light their houses, ability to watch TV, and children can study at night.



House hold connections in Dadamu Sub County, Arua district

The project was popular among the beneficiaries that successfully connected to power. However, they noted a challenge with power interruptions and load shedding.

By July 2014, the connections had stalled as the company had ran out of connection materials. The company had invested approximately Ug shs 131,000,000 using own resources they could not proceed with other districts due to lack of connection materials. The REA and Electricity Regulatory Authority (ERA) had monitored their connection but the audit firms to verify the connections had not yet visited the areas. The selection criteria however, was said to be rigid as it compromised the would be beneficiaries. A person may not have a pole close to their residence and yet they are poor. So many places do not have poles to qualify for the OBA. Also, social institutions such as schools, health centres, were majority of the poor households receive services are not eligible for the project.

Potential beneficiaries were also not aware about the program as the sensitization efforts are low. To that end, REA has contacted a company to do the marketing. The REA also aired an advert on two Arua FM radio stations of Pacis Radio and Arua 1.

Challenges to implementation included;

- Delay in verification and reimbursement of funds for the connections by REA and verification team. The REA and ERA visited the site to establish connections made. However, the audit firm had not verified the connections
- The selection criteria leaves out would be eligible customers and social institutions where the poor households access services such as schools and health centres.
- A number of eligible customers have grass thatched houses which cannot easily have an electric wiring.

Recommendation

- The REA should provide advance payment to WENRECO to proceed with the connections.
- The REA should relax conditions for connection

Umeme Limited

The OBA progress report (March 2014) had highlighted that connections have commenced in the districts of Mbale and Iganga regions. However, connections had only been made in Iganga service area Overall, there was reluctance by Umeme to commence connections due to lack of return on investment through the

OBA connections. According to Umeme, the OBA implementation arrangement is less beneficial. The status of the project performance of Umeme service areas is presented below;

a) Mbale Region

No connections have been made in the district yet. Adverts were run by REA asking people to apply for the connection subsidy. A total of 51 customers have applied by July 2014. It was highlighted that a consultancy firm, Real Marketing Agency was hired to market the project to different communities. However, the community has a perception that Umeme is supposed to wire for them their houses and that electricity is free. Other people are not aware about the project.

The manager recommended an improvement in the marketing of the project.

b) Iganga Region

The Umeme operator in Iganga district serves the districts of; Iganga, Bugiri, Luuka, Kaliro, Kamuli, and Mayuge districts. The operator learnt about the project in 2013. The connections started in March 2014. By July 2014, a total of 46 customers had been connected in the districts of Iganga and Bugiri.

The delay in commencement of customer connections was due to system difficulties. The Umeme system for connections management generates connections instructions upon payment for the inspection and connection fees and yet OBA payments are made after connections are complete. The difference between the system operations in Umeme and OBA project design caused a delay as Umeme had to adjust the automated system to handle OBA customers separately.

It was noted that the response is slow as few people are aware of the connection subsidy. It was highlighted that the project is good but the wiring cost (about Ug shs 500,000) is higher than the connection cost for a no pole service. The social institutions which serve the poor were excluded from the OBA program.

A sample of 10 beneficiaries were selected from Iganga and Bugiri districts. Interviews were held with them concerning the connection subsidy. Beneficiaries received the subsidy between May and June 2014. The requirements that Umeme asked for included; a wired house, recommendation letter from the LC chairperson, passport photograph, land agreement or title, and inspection fee worth Ug shs 41,300. On average, customers were using only two to three lights

Several benefits associated with the electricity were highlighted such as; lighting, improved security due to lighting, ability to charge phone and use the radio, improved health due to reduced smoke emitted from the candles. It was also highlighted that the prepaid meter billing has saved the customers from cases of bill estimations.



Household connections in Bugiri district

Some of the challenge highlighted included;

- Some households highlighted that purchasing cards to load power is not easy as they are in remote places.
- The units get used up very fast. This is because Value Added Tax worth 15% is charged on the units.

Suggested recommendation included;

- The need for Umeme to open up branches in villages to enable users purchase prepaid cards
- Need to review the tax on the units to enable a poor person also afford the power

c) Kilembe Investments Limited

The operator serves in the districts of Kasese and Rubirizi. The operator signed the contract to make the OBA connections in December 2012 and commenced connection in 2013. By July 2014, the company had connected 1347 customers. The REA engaged Real Marketing Limited (RML) to sensitize people about the subsidy but it delayed. Therefore KIL went down to do the sensitization through among others, radio. The manager of KIL highlighted that the response is enthusiastic about the project. The need for power was still high despite the current lack of new LV poles to make the connections.

Interviews with a sample of 10 beneficiaries indicated that they received the connection between July 2013 and July 2014. The connection cost for the power ranged between Ug shs 40,000 and Ug shs 50,000. They mentioned similar benefits from the power such as lighting, ability to watch TV, charge phones and improved security. Those that had small enterprises mentioned that they are able to use items like a fridge to sell cold refreshments. The issue of high cost of electricity was highlighted due to the 15% service charge on units purchased. The main recommendation was the need to reduce service fee.

Some of the challenges pointed out with the connection included;

- Difficulty to procure materials. Much as there is a re-imburement, there are other costs apart from the OBA
- Failure to wire houses. The cost of wiring a house is high. A two roomed house could cost Ug shs 400,000 which is high
- Maintaining standards was challenging as a poor household may settle for cheaper materials
- The benchmark is a pole and the market is exhausted but there are no power lines

Analysis

Link between Financial and Physical Performance

Electricity operators pre finance and make connections to the eligible households and then claim for reimbursement. By the end of FY 2013/14, The REA had not yet reimbursed the operators for the connections made. In Arua the connections that had been made valued and submitted to REA for verification and reimbursement totaled to Ug shs 131,000,000. In Mbale UMEME district office had not made any connections by the end of the FY while in Iganga the connections had not yet been valued. The unavailability of funds slowed down the progress as, as the companies had run out of connection materials.

Achievement of set targets

The project scored below average in the achievement of its core objective of providing connection materials to households and enterprises that had been under the grid for a period of 18 months without connections. About 5% connections were made. The Umeme was reluctant to make connections due to lack of Return on Investment through the OBA connections. The WENRECO and KIL also noted that they had slowed down on connections after running out of connection materials.

Conclusion

Overall, the project has not been embraced as expected since few poor households have been connected to the grid. Delay in verification and reimbursement of funds for the connections by REA and verification team has slowed down progress. The selection criteria also leaves out would-be eligible customers and social institutions where the poor households access services such as schools and health centres. In addition, there has been a slow start of the roll out of the implementation of the customer awareness campaign and communication strategy

Recommendations

The REA and development partners should relax the selection criteria to enable key social intuitions like schools, health centres to benefit from the OBA project.

The OBA project should adopt the use of ready board switches to serve the rural households which cannot afford wiring of their premises.

The REA should timely ensure that the audit firm quickly verifies the completed connections complete to facilitate the reimbursement.

Chapter 4: OVERALL CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

Performance for the sector was rated fair in meeting some of its priorities of increasing; electricity generation capacity and transmission network, rural electrification, renewable energy, petroleum exploration; and developing petroleum refining. Sixty three percent of the projects performed below average.

Overall release performance for the sector was poor with only 15% of approved budget that was released. This was due to the delayed Karuma hydropower plant that has the largest share of the sector budget.

Projects that performed well included; PREEEP, Management of Oil and Gas Sector in Uganda, and Construction of the oil refinery. The PREEEP project performed well in enhancing access to renewable energy technologies and increasing energy efficiency. The management of oil and gas sector project was on course to promote petroleum exploration and development.. In addition, the process of land acquisition for the refinery and supporting infrastructure continued.

The low performance was most common among transmission infrastructure projects where there were delays in acquisition of the corridor due to disputes, low compensation rates, delays in; approval of compensation packages by the CGV, payment of the PAPs; and procurement of RAP consultants. Delay in conclusion of the financing agreement affected performance of especially large hydropower plants. Other projects also highlighted low and late release of funds.

4.2 Recommendations

A number of proposals for improving performance were made.

1. Government should come up with fair compensation values for all projects that use the way leave corridor.
2. The CGV's office should be enhanced with staff to speed up approvals submitted by UETCL.
3. The PPDA should develop the capacity of UETCL Project Implementation unit to handle procurements.
4. The UETCL, MEMD should initiate procurements early enough to enhance timely funds absorption.
5. The MEMD and MFPED should fast track the finalization of the financing agreement with the EXIM bank to expedite implementation of Karuma and Isimba Hydropower plants.

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