

Promise Tracker

New special report. The *Promise Tracker* is *Daily Monitor's* weekly special feature that will track the promises made by leaders of all categories as well as public agencies to the people. The aim is to cause accountability, show status and analyse whether it was a realistic, unrealistic or empty promise.

Isimba months away from adding power to the national grid

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THE PROMISE:

In the run up to the 2011 general election, the ruling NRM released a manifesto in which it committed itself to increasing power generation capacity from 595 megawatts to 3,885 megawatts in the period between 2010 and 2015.

The increment was meant to be realised by completion of the construction of four hydroelectric power plants, establishment of a solar thermo plant, a geothermal plant, cogeneration from wood, waster crop and garbage and small hydro power plants.

Among the four major hydro power plants from which government hoped to generate 1,170 megawatts was the 183-megawatt Isimba Dam.

Others on the list include Bujagali (250 megawatts), Karuma (700 megawatts) and Ayago (700 megawatts).

The ground breaking ceremony on River Nile, downstream of the Bujagali power plant was conducted by President Museveni in Busaana Sub-county in Kayunga District on October 5, 2013.

"...Isimba power station... will provide electricity, especially to run industries

Construction.
 A section of Isimba dam.
 PHOTOS BY STEPHEN OTAGE



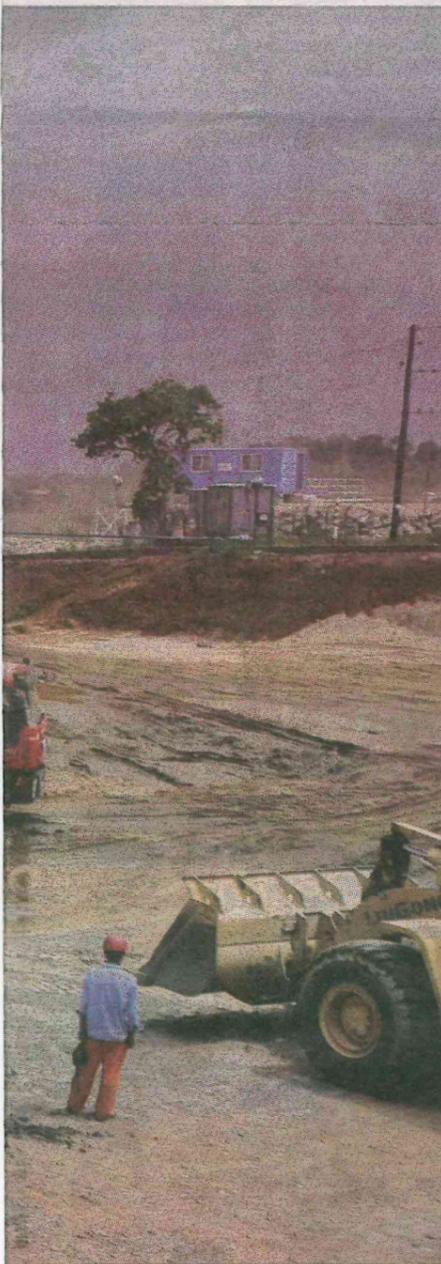
Infrastructure.
 Construction works at Isimba dam.

in Uganda. I thank the government of the Republic of China for their support in the construction of both Karuma and now Isimba. I thank you, too, people of Kayunga for supporting industrialisation," Mr Museveni said shortly after the ceremony.





The project located on Koova Island was designed to sprawl over at least 2,867.6 acres of land that would house, among other things, a concrete gravity dam, a clay-core rock fill dam, a spillway, a power house, electro-mechanical equipment,



switching stations, and auxiliary power transmission works.

The same designs indicated that the facility would be equipped with four Kaplan turbines and annually generate 1,039 gigawatt hours.

The dam would also support a bridge and road that would open up both Kamuli and Kayunga districts to the rest of the country.

Initial figures had indicated that the plant and associated substation would cost \$556 million and the transmission line \$11.7 million.

Funding

The bulk of the funding for the project is being provided by the Chinese government, which has provided a concessional loan through the China Export Import Bank (Exim). The \$482.5 million loan was approved by Parliament in March 2015.

The government of Uganda was expected to fund the resettlement action plan and also oversee its implementation.

It was projected that Isimba would not only increase the amount of electricity on the national grid by at least 23 per cent, but also occasion a reduction in the cost of power.

A unit of power costs about 12 American cents, which is one of the highest in the East African region, and one that the President has voiced his discomfort, saying it is a hindrance to investment and industrialisation.

One June 23, 2016, while speaking at State House, Entebbe where he opened the inaugural meeting of the Cabinet after the general election, Mr Museveni directed Ministry of Finance officials to work on lowering the tariff.

"Work with the proprietors of Bujagali to lower the costs of electricity produced by that station. It may involve tax exemption and whatever other measures that are needed that must bring down the cost of that electricity to may be around six American cents per unit from the present 11 American cents per unit," he directed.

"Then a subsidy must be put in place to reduce the cost of electricity to the manufacturer to five American cents. These measures must be concluded in the next six months i.e. by February 2017," he added.

The generation tariff for power at Bujagali is \$13 cents (Shs462) per unit, but the cost of generation at Isimba is expected to be much less and the cost of a unit is expected to come down to as low as four cents.

The contractor, China International Water and Electric Company (CWE), had been expected to take 40 months to complete work. The project had been expected to come on stream by the close of 2017, but that did not happen. The completion date has since been extended.

OFFICIAL POSITION

In the second week of January this year when it unveiled the French firm, Artelia EAU & Environment, as the foreign firm that will partner with KATT Consults Limited to replace the Indian firm, Infratech Pvt Limited as the owners' contractor on the Isimba Project, the

Managing Director of the UEGCL, Eng Harrison Mutikanga, told journalists in Kampala that 70 per cent of the work on Isimba dam is complete and that the target is to commission the power project in August this year. "We have had challenges in terms of supervision, poor workmanship

and quality assurance. We are glad to have expedited the process of procuring the new owner's engineer...We believe the new owner's engineer will go on to remedy not just the defects on the project, but also make sure it is fit for the purpose by August," he said.

VOICES



"One of the biggest challenges we have had as urban authorities has been attracting investors at a time when the tariffs are very high. At the same time, we have been unable to pay for street lighting. That is why almost all our towns descend into darkness at nightfall. The projected reduction in tariffs is therefore most welcome."

MAJID BATAMBUZE, MAYOR JINJA AND CHAIRMAN URBAN AUTHORITIES ASSOCIATION OF UGANDA (UAAU)



"The promise that the cost of power from Karuma and Isimba will be cheap is quite realistic because the money that is being used to fund the projects is concessional. The costs associated with funding from commercial financial institutions do not arise here. The cost per unit might even be less than 5 cents."

DAUDI MIGEREKO, FORMER MINISTER FOR ENERGY AND MINERAL DEVELOPMENT



We are looking forward to the reduction in tariffs. The President promised the manufacturers some time back that the cost would go down, but instead it has been going up. We also sometimes have challenges of quality and availability. It at times fluctuates and at times like this week, it has been going off for whole days. This affects production,

MWINE JIM KABEHO, CHAIRMAN EAST AFRICAN BUSINESS COUNCIL (EABC)

IMPACT

During the ground-breaking ceremony, the Minister for Energy and Mineral Development, Ms Irene Muloni, told the gathering that the project would come with several spinoffs such as jobs, business opportunities and royalties.

"During construction, both districts will provide labour and construction materials to the project. In addition, the local communities in both districts will

be supplied electricity. As provided for by Section 76 of the electricity Act, 1999, both Kamuli and Kayunga districts will receive royalties which will accrue from production of electricity," she said.

The two districts are expected to earn at least Shs212 million per a year. Those royalties were never expected to come immediately, but the jobs and business opportunities were. Unfortunately, it is only jobs that have materialised.

There had been very high expectations in the business communities in Kamuli, Kayunga and Jinja that the project would open up big business with the contractors, but that has not materialised.

Business outlook

Sources within the project have since indicated that apart from Tororo Cement, which is providing most of the cement that the project needs, no other local firm is involved in supply construction materials. The steel is imported from China.

"Of course, the sand is not imported, but these people (contractors) have their own way of raising it and they also leased some rocks which they blast in order to raise the required stone aggregates," the source revealed.

The hotel industry, the nightclubs and appreciation of the value of property and growth in the real estate sector, but those have not materialised.

The contractors prefer to sleep in camp sites. No houses have been rented. The restaurants, bars and nightclubs are not doing brisk business.

The contractors seem to have their own sources of refreshments, meals and entertainment.

Farmers in the nearby sub-counties, who had hoped to cash in on a projected need for foodstuffs and vegetables have had their hopes dashed.

It is hard to put a finger or point out anyone who is doing big business with the project. Simply put, this one is one power project too near, but a dime too far.

At the same time, unlike other projects like the construction of the Owen Falls Dam, which came with additional housing units, schools, health facilities and Amber Court Club, or the Owen Falls Dam extension project which also saw a number of new houses constructed, this one has so far not seen benefits such as community projects.

MONITOR'S POSITION

President Museveni and his government deserve a commendation for championing efforts to build more power generation plants and increase the amount of electricity on the national grid. That Isimba is likely to lead to a reduction in the power tariffs to is even greater news for which they should still be lauded. One of the biggest challenges to manufacturers has been the high cost of doing business in Uganda,

which has often been attributed to, among others, the prohibitive power tariffs. Now that there is a chance that the tariffs will go down, chances are that the economy will be stimulated by attracting more investments.

Increased investments mean that more jobs opening will be made available at a time when the economy is hardly generating any new jobs. However, while government is doing a

great job in ensuring that the country has more power, policy makers should be keen on negotiating in such a way that local manufacturers and members of the business community cash in on such projects.

It is incomprehensible that the contractor imported all the steel they needed from China yet local firms such as Roofing's Uganda Limited and East African Steel Corporation upped their game by installing

some of the latest equipment on the market to enable them produce very high quality steel. That way, the country would ensure that sizeable percentages of the project sums would remain in the country to give the economy a boost.

Similarly, such projects should come with social amenities such as schools, health centres and community centres. Those details should be provided for in contract documents.

VERDICT

Promise was Realistic

Promise was Unrealistic

Promise was Empty

Promise is Overdue

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