

Business

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Eskom's concession renewal uncertain as govt goes silent

Both government and Eskom say they have not discussed renewal of the 20-year concession, which has only two years to expire.

BY CHRISTINE KASEMIIRE

Eskom is staring at an uncertain future as government is tight-lipped about renewal of the South African concessionaire's contract, which expires in two years.

Eskom entered into a concession and assignment agreement with government in 2002 to operate and maintain Nalubaale and Kira Dam on behalf of Uganda Electricity Generation Company Limited (UEGCL), the asset owner.

The concession, which took effect in 2003, is for a period of 20 years and will expire in December 2023. However, government is yet to start any discussion on renewing the concession.

"We have not yet started discussions with the other group (Eskom). I cannot say it will be renewed because there is need for discussions. We haven't even started discussing with Eskom," Energy State Minister Simon D'ujanga, told *Daily Monitor* in response to queries on the extension of the concession.

Yesterday, Eskom said that whereas government had not reached out on the renewal, it has not tabled any proposals in regard to the concession.

Eskom could not as well reveal whether it will seek to request for an extension.

"At this moment government has not got in touch with us regarding the concession and we have also not approached them," Mr Emmanuel Njuki, the Eskom communications manager, said without going in details.

It was not immediately clear why there has not been any activity in regard to the renewal of the concession.

However, Eskom's parent company in South Africa has for close to five years now been beleaguered over debt concerns, heavy losses and corruption among others.

However, in both government and Eskom's responses to *Daily Monitor* queries, it was clear that the two parties still have time to discuss whether to renew or not.

While replying to our queries in regard to whether UEGCL was ready to take over in the event that the concession is not renewed, Mr Enock Kusasira, the UEGCL spokesperson, said: "We still have time to discuss the concession. It is still early."

However, it should be noted that government is currently in negotiations in regard to renewing Umeme's concession, which has four years to expire.

Mr Peter Twesigye, a PhD energy policy scholar at the Graduate School of Business, University of Cape Town, told *Daily Monitor* that two years is still adequate time to review Eskom's performance and investments to make an informed decision.



Eskom operates and maintain Nalubaale and Kira Dam on behalf of Uganda Electricity Generation Company Limited. PHOTO COURTESY

ESKOM'S PERFORMANCE

Eskom operates and maintains the Jinja complex dams with a total installed capacity of 380MW.

The dams produce 31 per cent of the power generated in the country and are the cheapest source of electricity sold at 1.12 dollar cents.

According to Eskom, the company has maintained average plant availability at 97 per cent against a minimum target of 95 per cent and invested Shs129b in the dams.

However, the 2020 Auditor General's report about UEGCL noted that there is inadequate investment by Eskom plus delayed implementation of projects at the Jinja Complex.

This, Mr Muwanga said, had exposed the generation facility to risks that reduced asset life and equipment damage due to concrete expansion and cracking as a result of Alkali-Silica Reaction.

Alkali silicate reaction is a chemical reaction between aggregate in the concrete and water. Research published by

engineers from Eskom in the Engineers Registration Board noted that whereas Eskom was undertaking remedial works to resolve the challenge, a permanent solution needs to be taken.

Is UEGCL ready to step up? Mr Twesigye urged government to scrutinise the competencies and track records of both entities irrespective of nationalistic sentiments for better service delivery.

UEGCL is currently running Isimba Dam, which produced 183MMW and is expected take charge of Karuma after commissioning.

However, he wondered why the ministries of Finance and Energy had not taken interest in the discussions given that there are a number of underlying discussions.

"Government should have by now constituted a competent technical team to review the performance of Eskom with clear benchmarks. If government can't do that, the other easier option is to tender [or] run an auction of the Eskom concession internationally," he said adding "Donors and investors want certainty over Eskom's concession so that financial commitments can be made."

He noted that waiting for the concession to run down would be more costly as it limits Eskom's ability to raise debt capital in time for the next years, adding that late negotiations open the country up to signing bad deals which are poorly structured.

Eskom, in accordance with the contract, recovers its investment through tariffs.

However, in his report for the period ended June 2020, Auditor General John Muwanga, warned that government might be required to pay a buy out if the investments are not recouped by the end of the concession.

According to the Auditor General, Eskom's investments, capital investments worth Shs38.7b had by December 2019 not been recovered through the capacity price, a liability that was expected to escalate given that Eskom had made additional investments worth Shs21.4b in 2019.

This, Mr Muwanga said, could lead to a significant liability payable by government at the end of the concession, noting that non-payment will give Eskom the right to continue operating until the amounts are recovered.

However, in their response, Ministry of Finance said any outstanding obligations will be paid by government at the end of the concession.

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Microfinance Support Centre fails to account for Shs3.4b

BY DOROTHY NAKAWEESI

KAMPALA. The Microfinance Support Centre, had by June 2020, failed to account for Shs3.4b, a year and half after the money had been disbursed to different persons to promote government programmes, according to the Auditor General.

The money, which is highlighted in the Auditor General's report for the period ended June 2020, was advanced to individuals inside Microfinance Support Centre to mobilise, especially for programmes related to Saving Credit and Cooperative Organisations (Saccos).

"Shs3.4b was advanced externally as mobilisation whose accountability was yet to be received one and half years after the close of the financial year," Auditor General John Muwanga said in the report, noting that the money had been advanced to persons who operate outside the Micro Finance Support Centre to advocate for government programmes, among them Saccos.

It is was not immediately clear which individuals or group of persons the money was advanced to.

However, yesterday Mr Simon Peter Rukorera, the Microfinance Support Centre finance manager, said that because they deal with external stakeholders, who engage in different government programmes, it is difficult to obtain accountability records on time.

"At the time the Auditor General [compiled the report], not all funds had been accounted for. But we have engaged all stakeholders and we have [obtained] all accountabilities," he said.

The Microfinance Support Centre has been active throughout and before the campaigns in which government officials, including Microfinance State Minister Haruna Kasolo, had been promoting poverty-related programmes, key among them *Emyooga*.

Emyooga, which in the Runyankole dialect means specialised groups, is a Presidential initiative that seeks to enhance wealth and job creation.

The Microfinance Support Centre has been cited in a number of accountability challenges some of which have resulted in indictment or imprisonment of members of top management.

In September last year, the Anti-Corruption Court in Kampala charged and remanded three top officials from the Microfinance Support Centre over embezzlement of Shs10b that had been donated to a teachers' Sacco by President Museveni.

CHARGED

Last year, three officials including Mr John Peter Mujuni, the Microfinance Support Centre executive director, Mr John Mwebembezi, the head of finance and administration and Ms Julia Birungi, an assistant credits officer were charged over corruption.

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