Energy Sub-Sector Semi-Annual Performance FY2016-17: Who were the Achievers?

Overview

The Energy Sub-Sector contributes to the second objective of the second National Development Plan (NDP II); ‘‘to increase the stock and quality of strategic infrastructure to accelerate the country’s competitiveness.’’ The contribution of the sector to the NDP II objective is pursued through the sector outcomes that include:

a) Increased access to affordable and efficient sources of energy
b) Sustainable management of the country’s oil and gas resources

This **Briefing Paper** examines the extent to which the Energy Sub-Sector achieved the key focus areas for the first half of FY 2016/17 (July-December 2016), and the key challenges that need to be addressed.

Methodology: The Budget Monitoring and Accountability Unit (BMAU) collected primary data using a combination of random and purposive sampling methods during January and February 2017.

Fieldwork covered 17 out of the 23 projects implemented by the Ministry of Energy and Mineral Development (MEMD); and 3 out of the 4 projects implemented by the Rural Electrification Agency (REA). The financial information was sourced from the Integrated Financial Management System (IFMS), project documents, performance reports and various budget and policy documents.

Performance Rating: A Weighted Scoring Method was used to rate the achievement of outputs relative to their budgets: Very Good (90% +); Good (70%-89%); Fair (50%-69%) and Poor (Less than 50%).

Key Issues

- Household access to electricity is still low (20%) in part due to high connection costs especially in non UMEME and Uganda Electricity Distribution Company Limited (UEDCL) service territories.

- Delayed acquisition of Right of Way (RoW) remains a major cause for time and cost overruns of energy infrastructure projects.

- Spending entities have not embraced the idea of early initiation of procurements so that contracts are signed upon receipt of funds.

Sub-sector focus areas for FY 2016/17 include:

- Increase electricity generation capacity and expansion of the transmission and distribution networks,
- Increase access to modern energy services through rural electrification and renewable energy development,
- Promote and monitor petroleum exploration and development in order to achieve local production,
- Develop petroleum refining, pipeline transportation, and bulk storage infrastructure,
- Promotion of efficient utilization of energy.

Sector Financial Performance

The sector release performance was poor at 37% of the total sector budget. This was attributed to the low disbursement from the donor component, which is dependent on projects requirements. As at January 2017, majority of the donor funded projects particularly transmission lines were behind schedule. The Government of Uganda (GoU) development budget performance however was very good at 62% as compared to the expected 50% as at 31st December, 2016. The absorption of the released funds was very good at 88% of the development budget released. A summary of financial performance is presented in Table 1.

Table 1: Energy Sub-Sector Financial Performance

Component		Approved budget (Ug shs billion)	Release (Ug shs billion)	Expenditure (Ug shs billion)	Percentage releases	Percentage spent
Recurrent budget	Wage	4.063	2.031	1.709	50	84
	Non-wage	3.326	1.368	0.823	41	60
Development budget	GoU	433.491	269.922	238.27	62	88
	Donor	1,922.943	601.061	627.177	31	104
Taxes	Arrears	0.095	0.095	0	100	0
& Arrears	Taxes	0	0	0	0	0
A.I.A	Appropriation in Aid total	40.8	22.644	19.657	56	87
Totals	**Grand total**	**2,404.718**	**897.121**	**887.636**	**37**	**99**
	Excluding Taxes and Arrears	2,404.623	897.026	887.636	37	99

Source: MEMD and REA, Q2 Performance Report

Overall sub-sector performance

The energy sub-sector performance at half year FY2016/17 was fair at 65% of the sector semi-annual target achieved.

Good performing projects included;

a) Bujagali Switchyard Upgrade

The Bujagali Switchyard Upgrade was at nearly 100% as it had been completed and commissioned but was still under the defects liability period.

Installed Control and Protection Panels at Bujagali Switchyard in Jinja District

b) Isimba Hydropower Plant

Project performance was good at 82% of the semi-annual target. Construction works for the Hydro Power Plant (HPP) was cumulatively at 52% against 40% financial progress. Works on the dam were at 62%, electromechanical works (draft tubes and spiral casing) at 49% and hydro-mechanical works (sluice gates, spiral-casing inlets, bridge crane) at 39%. The 4 draft tubes and their cones and shattering for the spiral casing are being erected at site for units 1, 2, 3 and 4. The embedded parts for the gates are being done (3 lower spillway radial gates and 2 upper spillway gates). The concrete works are at 85% completion and were slightly ahead of schedule.

The good progress of works was in part due to the solving of the contract management issues and poor quality of works that had previously affected smooth implementation at the Karuma and Isimba HPP. Quality issues were in part due to the inadequate capacity to manage and supervise, lean structure, and lack of full time presence of the MEMD engineers at the project sites.

Civil works for the generator foundations and installation of draft tubes and spiral casing in the powerhouse at Isimba HPP

c) Oil Refinery Project

The project performance was good at 83% of the semi-annual target. By the end of December 2016, cash compensations for the refinery land was at 98%. The construction of houses for relocation of the project affected persons (PAPs) in Kyakaboga in Kabaale – Hoima district was at 95% complete. The MEMD is searching for a strategic partner for the refinery.

L-R: Some completed units for the PAPs; Observed cracks near the door frame joint in one of the units in Kyakaboga, Hoima district

The poorly performing projects included;

a) Nyagak III Hydropower Project

Project performance was poor at 10% of the semi-annual target. Works were at a very slow pace a year after signing of the contract for the Public Private Partnership (PPP).

b) Karuma Interconnection Project

Karuma Interconnection line was the worst performing among the transmission line projects at 25% achievement. Only preliminary works (detailed route survey and check survey) was ongoing. RoW issues were the main constraint to the progress of works especially on the Kawanda–Karuma Transmission line component. The Resettlement Action Plan (RAP) implementation team was also lean (one person) compared to the line length of 248 Km.

c) Output Based Aid Project (OBA)

Performance of the Output Based Aid project was poor at 45.6%. The rate of connection this financial year has been low as the project closes. Some of the factors that contributed to the poor performance among others were; the low financial capacity of the smaller service providers to procure and stock adequate connection materials, and the high wiring costs for the poor households.

Key Implementation Challenges

- Inadequate capacity to manage and supervise works on various infrastructure projects in the sub-sector. There has been delay in works, for example on the large hydro power plants, there were contract management issues, including quality control of works.
- Delay in acquisition of RoW occasioned by delay in compensations. This has continued to affect the works on all the transmission line projects which if not resolved will delay projects critical for evacuation of power from the on-going power generation projects. Contractors are being denied access to line corridor leading Government to incur charges of idle equipment.
- Delay in implementation of projects due to delayed procurement of goods, services and works. The procurement processes for most of the donor and GoU funded projects are completed late which leads to a hold-up in implementation and service delivery.
- Low demand for electricity connections among the households due to the high wiring and connection costs. The connection cost is even higher for the service territories of the small operators (Kilembe Investments Limited, and Kyegegwa Rural Energy Cooperative etc.) compared to UMEME and UEDCL service territories where subsidies are provided.

Conclusion

The overall sub-sector performance was fair at 65% of the semi-annual targets. The key constraints in the achievement of sector outcomes were; inadequate capacity to manage and supervise works, delayed acquisition of RoW, delayed initiation of procurements, and high electricity connection costs are not insurmountable.

Recommendations

- The sector should increase funding for capacity building since the number of ongoing projects has increased without matching increase in workforce to oversee their implementation.
- The Uganda Electricity Transmission Company Limited (UETCL), Ministry of Finance, Planning and Economic Development (MFPED) should fast track compensations to avail RoW to the contractors. The capacity of the Chief Government Valuer's office to handle the workload on the various projects needs to be supported to ensure timely approval of the compensation reports.
- Project implementing agencies should adhere to the work plans and approved procurement plans to reduce delays attributed to procurement. Accounting officers and project managers should ensure all procurements are initiated in time.
- The Government should harmonize the subsidy for the cheapest category of connections (No-pole and 1-pole) so that all service territory operators can charge rates like those offered by UMEME and UEDCL.

References

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