



**IMPLEMENTATION  
OF  
BUJAGALI  
INTERCONNECTION  
PROJECT**

**BY**

**UGANDA ELECTRICITY  
TRANSMISSION COMPANY  
LIMITED**

**OFFICE OF THE  
AUDITOR GENERAL  
UGANDA**

**DECEMBER 2011**

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## **ABBREVIATIONS**

ADB/F	African Development Bank/Fund
BEL	Bujagali Energy Limited
BHS	Bujagali Hydropower Station
BIP	Bujagali Interconnection Project
BLB	Buganda Land Board
CFR	Central Forest Reserve
CGV	Chief Government Valuer
COD	Commercial Operations Date
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement and Construct
ERA	Electricity Regulatory Authority
GOU	Government of Uganda
IPP	Independent Power Producer
JBIC	Japan Bank for International Cooperation
JPY	Japanese Yen
Km	Kilometer
kV	kilo Volt
MW	megawatt
NEMA	National Environment Management Authority
NFA	National Forestry Authority
PAP	Project Affected Person
PDH	Project Displaced Household
PDP	Project Displaced Person
PIU	Project Implementation Unit
RCDAP	Resettlement and Community Development Action Plan
SEA	Social Environment Assessment
UA	Unit of Account
UETCL	Uganda Electricity Transmission Company Limited
UShs	Uganda Shillings

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Government of Uganda together with development partners have invested Shillings 219 billion in the construction of Bujagali Interconnection Project (BIP). In this regard, 220 kilo Volt (kV) and 132 kV transmission lines with associated substations are in advanced stages of construction and installation. The project which is implemented by Uganda Electricity Transmission Company Limited (UETCL) is to evacuate power expected to be generated by the Bujagali Hydropower Station (BHS) to the national grid.

### **FINDINGS**

By the time of the audit inspection (Oct 2011), the BIP completion had delayed by one year and three months and was still in progress. Further analysis of the completion delay, revealed an average delay of 25 months (2 years and 1 month) and 19 months (1 year and seven months) for the transmission lines and substations respectively.

The delays in construction and installation were caused by failure by UETCL to handover the power line corridor on time to the contractor due to late commencement of compensations, increase in the number of Project Affected Persons (PAPs) to compensate, delays by the office of the Chief Government Valuer (CGV) to approve valuation packages and emergence of people claiming ownership/interest in the land in wetlands of Nansana and Ganda where the lines were meant to pass.

The progress of the project was also affected by PAPs disputing the compensation amounts/packages disclosed by UETCL and not following the set project grievance solving mechanisms resulted in delays in settlement of court cases.

Due to the project delay, completion dates were revised from March 2010 to December 2010 later to March 2011 and now to December 2011. Given the trend of extensions and the various stages of works completion, it is doubtful if the current projected completion date of December 2011 will be achieved. This will compromise power evacuation if BHS starts generating power prior to its Commercial Operations Date

(COD) of June 2012 as envisaged. This could negatively impact on the benefits that would accrue to the public from the timely completion of both projects.

It was further noted that the environmental impact mitigation activities were being implemented by the contractor. However, annual environmental audits were not carried out by UETCL as required by NEMA. It was also discovered that the National Forestry Authority (NFA) received Shs.588 million towards the implementation of mitigation measures/activities for the trees cut in the Central Forest Reserves (CFRs) of Mabira, Kifu and Namwo, however, the activities were not implemented due to funds diversion.

Other issues noted during audit were: project employees not using personal protective equipment during construction and delay by the Ministry of Lands, Housing and Urban Development to process land titles for transfer to UETCL.

## **RECOMMENDATIONS**

Following our audit findings, it is recommended that:-

1. For future projects, UETCL should ensure that it complies with its resettlement obligations by promptly compensating PAPs before handing the transmission corridor to the contractor.
2. For future projects, UETCL should set a cutoff date when all compensations should be effected so as to avoid new cases coming up.
3. Government should consider recruiting optimal staff for the office of the CGV so as to ensure timely execution of valuation duties.
4. UETCL and NEMA should in future projects strengthen coordination capacity so as to expeditiously handle cases of PAPs claiming ownership/interest in the land in wetlands to avoid stalling of projects.
5. Compensations should be promptly paid to PAPs to avoid rejections of packages offered due to changes in economic factors such as appreciation of values of assets and inflation.
6. The management of UETCL should in future adequately sensitize PAPs on the benefits of exploring all the available grievance solving mechanisms specified in the project design before resorting to the courts of law.

7. For future projects, government, in conjunction with other agencies/bodies, should plan ahead and secure corridors for transmission lines and other investments, like oil pipelines and communication networks.
8. UETCL should consider tack welding of the tower members in the BIP and future projects to avert the continued vandalism of the installed structure.
9. UETCL in collaboration with security agencies should improve on surveillance to deter continued thefts of tower members.
10. UETCL may also in future projects consider the use of monopole towers which are not prone to thefts as is the case with lattice towers.
11. UETCL in future projects should ensure that the environmental audits are carried out at the intervals stipulated to ensure that negative environmental effects are detected so that mitigations are sought in time.
12. NFA should be urged to carry out mitigation measures for the trees cut during the construction and installation of the power line in the CFRs.
13. UETCL and the Bujagali Energy Limited (BEL) management should adequately supervise and monitor the contractor during installation of equipment to ensure that agreed upon safety measures are adhered to.
14. UETCL in liaison with Ministry of Energy and Mineral Development should urge the Ministry of Lands, Housing and Urban Development to expedite the processing of titles for the acquired land.



## **CHAPTER 1**

### **INTRODUCTION**

#### **BACKGROUND**

##### **1.1 Motivation**

Uganda has a low electricity access of about 70 kilowatt hour per capita, according to the State of the Nation-address, June 2011, which is negatively affecting the nation's economy and the well-being of its citizens. The low electricity access has led to intermittent power supply in the country with users going for days without supply. It has also led to high dependence on wood fuel, with 97%<sup>1</sup> of Ugandan households estimated to be dependent on wood fuel leading to loss of forest cover<sup>2</sup>. The demand for electricity is continuously increasing as the economy grows yet accessibility to electricity is still low. In comparison, the percentage of the population with access to electricity in Uganda was 9% compared to Kenya (15%) and Tanzania (11.5%)<sup>3</sup> in 2008. Currently (2011), according to data obtained from Rural Electrification Agency (REA), about 12% of Uganda's population has access to electricity.

In the quest to improve on the accessibility of electricity to the population, the Government of Uganda (GOU) together with development partners engaged in many initiatives geared towards increasing power generation. One of these initiatives is the construction of Bujagali Hydropower Station (BHS) by an Independent Power Producer (IPP) geared towards building a 250-megawatt (MW) hydropower plant at Bujagali.

The BHS is due for power generation on its Commercial Operations Date (COD) of June 2012 but may start power generation prior to the COD. In order to evacuate power from the BHS to the national grid, the GOU - Uganda Electricity Transmission Company Limited (UETCL) developed an associated transmission system – the Bujagali Interconnection Project (BIP).

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<sup>1</sup> Uganda Population and Housing Census, 2002

<sup>2</sup> NEMA Report, 2000

<sup>3</sup> World Energy Outlook - IEA, 2008

The completion of these two associated projects is expected to increase electricity generation and distribution by 250 MWs hence lowering the cost of electricity, which in turn would increase the population's accessibility to electricity. This will further boost production, create jobs, increase government revenue, provide clean source of energy and preserve the environment.

Government and development partners have invested a substantial amount of money totaling Uganda Shillings 219 billion in the BIP project. The BIP completion was slated for July 2010 but by the time of audit inspection (October 2011), the project had not yet been completed. This was a delay of one year and three months. The delay may compromise power evacuation if BHS starts generating power prior to its COD of June 2012, which will negatively impact on the benefits that would accrue to the public from the completion of both projects as aforementioned.

It is against this background that an independent assessment of BIP was undertaken by the Office of the Auditor General to ascertain the challenges affecting the project progress, the reasons for the delay and suggest recommendations, which will bring the project back on track.

## **1.2 Description of the Audit Area**

### **1.2.1 General Description**

BIP is a project implemented by the Uganda Electricity Transmission Company Limited (UETCL) on behalf of GOU. UETCL contracted Jyoti Structures Limited, under an Engineering, Procurement and Construct (EPC) contract, to construct three transmission lines and two substations. Pursuant to the BHS Power Purchase Agreement, BEL was to manage and supervise the construction of the transmission lines on behalf of UETCL. BEL also manages the escrow account meant for the resettlement and compensation of Project Affected Persons (PAPs).

### 1.2.2 **Legal Framework**

The legal mandate of UETCL is derived from the Electricity Act, 1999 Cap 145. The Act created the Electricity Regulatory Authority (ERA) which is mandated to oversee and regulate the operations of UETCL.

The operational framework for the implementation of the BIP project is governed by: the loan agreement between the Republic of Uganda and the African Development Bank (ADB), environmental laws in the country, ADB's: rules, regulations, and procedures on the use of consultants and the procurement of goods, services and works.

### 1.2.3 **UETCL Vision and Mission**

#### **Vision is:**

"To become a leading strategic business partner in the transmission and single buyer business and to support sustainable energy development in Uganda".

#### **Mission is:**

"To dispatch, transmit quality and reliable bulk power in a viable and efficient manner";

"To be an efficient and commercially focused single buyer actor" and

"To mitigate emergency power situations in Uganda".

### 1.2.4 **BIP Objective and Outputs**

#### **Objective**

"Provision of adequate transmission capacity to evacuate power generated at BHS to the existing National grid".

#### **Outputs**

The project outputs comprise<sup>4</sup>:-

#### **A. Construction and Installation**

- (1) Construction of a 220 kilo Volt (kV) transmission line initially to operate at 132 kV from the Bujagali switchyard to a new substation at Kawanda (70.5 km).

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<sup>4</sup> Quarterly Reports

- (2) Construction of a 132 kV line from Bujagali switchyard to the existing 132 kV line from Owen falls to Tororo (5 km).
- (3) Construction of a second 132 kV line extending north from the Bujagali switchyard to interconnect with the Owen falls switch yard (8 km).
- (4) Construction of a new 132 kV line from Kawanda substation to the existing 132 kV substation at Mutundwe (17.5 km).
- (5) Construction of a new substation of 132 kV/ 33 kV at Kawanda.
- (6) Internal improvements (new bay and switchyard) at Mutundwe substation to accommodate the new 132 kV line.

## **B. Environment and Social Management**

- (1) Environmental impact mitigation and compliance monitoring.
- (2) Resettlement action plan for the compensation and resettlement of Project Affected Persons (PAPs).

### **1.2.5 The BIP Interface**

Uganda Electricity Transmission and Company Limited (UETCL) is headed by a Chief Executive Officer (CEO) who reports to a Board. The CEO is assisted by the Deputy Chief Executive Officer (DCEO) and eight (8) managers. The Project Implementing Unit (PIU) is headed by the Manager Projects' Implementation, who reports to CEO. **See Appendix 3 for the details of the BIP Interface.**

### **1.2.6 Funding**

The project is financed by the African Development Bank (ADB), the Japan Bank for International Cooperation (JBIC) loans and the Government of Uganda (GOU). The total funding of the project is about Unit of Account (UA) 31 million and Japanese Yen (JPY) 3,484 million, equivalent to about Uganda Shillings 219 billion<sup>5</sup>, as at September 2011, as detailed in **Table 1**.

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<sup>5</sup> 1UA = US\$ 1.2727; 1US\$ = UShs 2797 ; 1JPY = Ushs 31.568

**Table 1: BIP Disbursements**

	Source of Funding		
	ADF (UA)	JBIC (JPY)	GOU Contribution (UA)
Loan Amount/Budget	19,210,000	3,484,000,000	11,370,000
Disbursements to-date	12,832,055	1,740,635,457	12,461,143
<b>%age of Loan Disbursed</b>	<b>67%</b>	<b>50%</b>	<b>110%</b>

Source: BIP Quarterly Report of September 2011

### 1.3 **Audit Objective**

The audit objective was to evaluate the progress of the BIP construction and installation, the implementation of mitigation measures for the negative environmental and the social impacts of the project.

### 1.4 **Scope**

The study was carried out at UETCL Headquarters in Kampala and at BEL and Jyoti offices. The study further involved visiting the sub-stations of Kawanda and Mutundwe and sections of the transmission lines of Bujagali to Kawanda, Kawanda to Mutundwe, Bujagali to existing Tororo line and Bujagali to the existing Naluubale substation.

The study covered the project period from January 2007 to current (November 2011).

## **CHAPTER 2**

### **AUDIT METHODOLOGY**

The audit was conducted in accordance with the International Organization of Supreme Audit Institutions Auditing Standards and guidelines in the Office of the Auditor General's Value For Money manual. The standards require that the audit is planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

#### **2.1 Sampling**

All aspects involved in the project implementation were considered except for compensation payments where we sampled. High value compensation claims of Shillings 50 million and above, which comprised more than 50% of the value of payments, were selected from the population of 2,471 cleared/paid PAPs using a scientific method guided by scientific software (Win IDEA). As a result, seventy (70) claims were selected for review under this category. From the rest of the population, thirty (30) claims were randomly selected using the same software.

#### **2.2 Data Collection**

The team collected data using the following methods:-

##### **Document review**

The documents listed in **Appendix 1** were reviewed with the purpose of understanding the operations of BIP, implementation progress and the challenges faced.

##### **Interviews**

The audit team conducted interviews with twenty six (26) officers of UETCL, BEL, Jyoti and SIEMENS. The audit team also interviewed eleven (11) Project Affected Persons (PAPs) along the BIP corridor. Details of the interviews conducted are in **Appendix 2**.

##### **Inspection**

BIP construction and installation sites were inspected to ascertain the progress of work. During the inspections, photographs of the project sites were taken to provide evidence of status of progress.

### 2.3 **Data Analysis**

Data and information was collected on funding, compensation of PAPs and progress of works. Collected data and information was analysed to determine variances and percentages. Comparisons of the intended/planned and actual project deliverables were made.

## **CHAPTER 3**

### **SYSTEM AND PROCESS DESCRIPTION**

#### **3.1 Roles and Responsibilities of Key Players**

- **African Development Bank and Japan Bank for International Cooperation**

These are the project funders and are responsible for the supervision of the implementation of the project. They also participate in the mid-term reviews of the project performance.

- **Ministry of Finance, Planning and Economic Development**

The Ministry of Finance Planning and Economic Development (MoFPED) on behalf of the government is responsible for signing the loan agreement and preparing and authorising the disbursement applications. It also has a monitoring unit responsible for monitoring all the government projects.

- **Ministry of Energy and Mineral Development**

The Ministry of Energy and Mineral Development (MEMD) has the overall responsibility of overseeing the energy sector and offers policy guidance. MEMD's mandate is also to establish and promote the sustainable development of energy and mineral resources for social and economic development.

- **National Forestry Authority**

The National Forestry Authority (NFA) signed a memorandum of understanding with UETCL to carry out sustainable activities as an offset for the trees cut as a result of the creation of the project power corridor and to guide in the cutting of trees.

- **Uganda Electricity Transmission Company Limited**

The Uganda Electricity Transmission Company Limited (UETCL) is the owner of the project, charged with the duty of implementing the project on behalf of GOU. UETCL awards contracts and approves BEL's quarterly budgets and recommends to PS MEMD to authorize the transfer of funds to BIP. It also monitors the project progress.



- **Bujagali Energy Limited**

BEL is the sponsor of the BHS and is also contracted to supervise and manage the BIP project. BEL was also charged with the duty of evaluating the selection of the contractor, reviewing contractor's designs, calculations and drawings, supervising the installation of equipment, monitoring environmental measures, overseeing the testing and commissioning of the project installations and preparing the implementation progress reports.

- **NEMA**

National Environment Management Authority (NEMA) is the national agency which ensures that the project complies with the environmental requirements and it also issues permits for use of wetlands.

- **Bank of Uganda**

The Bank of Uganda holds the escrow account, which is a special account where compensation and operational funds are deposited.

- **Ministry of Lands Housing and Urban Development**

The compensation division in the Ministry of Lands Housing and Urban Development is responsible for the valuation of land, structures and crops affected by the project for the purpose of compensating PAPs. The ministry also handles title searches and titling.

### 3.2 **Process Description**

#### **Implementation**

The implementation of the BIP is as described below:-

#### **Construction and Installation Process**

BIP is implemented by UETCL's Project Implementing Unit (PIU). The BIP should be constructed in 24 months from the effective start date of 17<sup>th</sup> July 2008<sup>6</sup>, implying a completion date of July 2010. The completion dates for the specific transmission lines and substations are summarised in **Table 2:-**

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<sup>6</sup> EPC Contract

**Table 2: Work completion dates**

<b>Project Components</b>	<b>Completion dates</b>
<b>Transmission lines</b>	
Mutundwe - Kawanda 132 kV	9 <sup>th</sup> Mar 2010
Kawanda - Bujagali 220 kV	9 <sup>th</sup> July 2009
Bujagali T lines 132 kV	5 <sup>th</sup> Dec 2009
Nalubaale line	June 2009
<b>Substations</b>	
Kawanda	28 <sup>th</sup> Dec 2009
Mutundwe	27 <sup>th</sup> July 2010

Source: EPC Contract and Quarterly reports

Upon completion of works by the contractor, BEL and UETCL verify and sign off the works carried out before payment is made. Funds are paid directly to the contractor after BEL has issued certificates of completion of works, which are backed by contractors' invoices.

When the BIP infrastructure has been completed, UETCL is supposed to secure them, according to Section 87 of the Electricity Act of 1999. The Act prohibits persons to work or engage in any activity within the vicinity (way leaves) of any electrical installation in a manner likely to interfere with any electrical installations or cause danger to any person or property without the lawful permission of UETCL or the Electricity Regulatory Authority (ERA).

### **Supervision Process**

According to the Power Purchase Agreement for the BHS, the PIU is supposed to delegate the day to day management of the project to BEL – the implementer of the BHS. This supervision arrangement is contained, as a component, in the agreement between BEL and GOU for construction of BHS. This involves conducting the bidding exercise for procurement of contractors; reviewing the technical specifications (contractor's designs, calculations and drawings); supervising the installation of equipment; monitoring of the adherence to environmental measures and overseeing the

testing and commissioning of the project installations. BEL also ensures that the contractor adheres to social aspects of the project like providing the personal protective equipment to employees. The project has a committee formed by UETCL and BEL to coordinate the implementation.

### **Environmental Management Process**

BIP was to carry out activities geared towards mitigating negative environmental impacts and ensure compliance to National environmental laws. An Environmental Impact Assessment (EIA) for BIP was to be carried out before implementation could commence. Thereafter, NEMA, in consultation with UETCL, was to carry out environmental audits of activities that were likely to have significant effects on the environment. Further UETCL was to keep records and make annual reports to NEMA describing the extent to which the project conformed in its operations to the statement made in the environmental impact statement. Furthermore, mitigation measures/activities were to be carried out in the Central Forest Reserves (CFRs) of Mabira, Kifu and Namwoya where trees were cut to make way to the transmission lines.

### **Compensation and Resettlement Process**

BIP was to resettle and compensate persons affected by the project. This was to be done in line with the Resettlement and Community Development Action Plan (RCDAP) of November 2006 and in compliance with Ugandan legislations, including The Constitution of Uganda, 1995, The Land Act, 1998, The Land Acquisition Act, 1965 and The Electricity Act, 1999.

All physically or economically displaced people are offered an option between either a full resettlement package, including the provision of replacement of residential land and house, or cash compensation. The project encourages resettlement rather than cash compensation.

The compensation process starts with initial meetings at sub-county level with local leaders of all affected villages where the principles of compensation for the various types of losses and affected land are detailed. The list of plots to be acquired is disclosed at sub-county and parish land committee offices clearly indicating the surfaces,

locations, and landowners' names. Additionally, at this level, timeframes for consultation meetings with each affected individual are published.

Further meetings are also held at individual level, with each affected head of household where the proposed compensation is detailed. PAPs are assisted by whoever they wish, including local council leaders, family members, lawyers and legal counselors. Family members are then identified and made to express consent under Section 40 of the Land Act. When the deal is agreeable to both parties, a compensation certificate is signed and the compensations executed depending on the nature of displacement as detailed below:-

- When the affected household is neither physically nor economically displaced and the remaining land is deemed economically viable and no residential building has to be removed, cash compensation is offered. Cash compensation is effected at the District Land Board rates for crops, and permanent structures, with payment of disturbance allowance as per Ugandan regulations stated prior. Adjustment may be carried out on disputed compensations after due process in consultation with the Chief Government Valuer (CGV).
- When the affected household is physically displaced but not economically affected, the construction of a replacement house is supposed to be offered. Depending on situations, resettlement may involve the construction of a replacement house either on the remaining part of the plot, if the remaining land holding in the neighborhood of the affected plot is deemed economically viable, or if the household's livelihood is not based on agriculture. If the affected household agrees to such a solution; in such cases, no replacement of the agricultural land is provided and the household will simply continue to use the land as previously or continue to engage in their non-agricultural activities, while dwelling in their new residence or on another resettlement plot. In circumstances where the remainder of the affected plot is not economically viable; replacement of the agricultural land of similar potential is provided in the vicinity of the residential resettlement plot.

Residential land is provided to resettlers under secure tenure (either freehold or very long term leases), regardless of the previous regime of occupation. Agricultural land

is provided under the same regime of occupation as the land in the previous location.

- When the affected household is economically displaced but not physically displaced (the residential building of the affected household is not affected), but the land taken jeopardizes their agricultural sustainability, the PAP will be compensated through the provision of replacement agricultural land with or without physical relocation of the homestead, depending on whether replacement land is available in the vicinity.

UETCL then prepares a compensation package file containing all supporting documents of the beneficiary and indicating the amounts involved. The Chief Government Valuer's (CGV) office then values the properties and returns the valuation reports to UETCL who in turn submits to BEL to process payments. When compensation is monetary, amounts of more than Ushs. 100,000, are paid by cheque. The threshold of US\$ 20 million and above is paid through Electronic Funds Transfer.

To manage grievances and disputes that arise, the project operates an amicable, extra-judicial mechanism based on explanation and mediation by third parties. Each of the affected persons is supposed to trigger this mechanism, while still being able to resort to the judicial system. The amicable mechanisms include three levels: registration by UETCL of the complaint, grievance or dispute; Processing by UETCL of the grievance or dispute until its closure, which is based on the evidence that acceptable action amongst parties has been taken; and in instances where the complainant is not satisfied with action taken by UETCL, an amicable mediation is triggered involving a mediation committee independent of the Project.

RCDAP's implementation and outcomes are monitored and evaluated as part of a transparent process. PAPs and host communities are informed and consulted during the whole course of RCDAP development, implementation and evaluation.

### **Monitoring, Evaluation and Reporting Process**

The Monitoring and Evaluation of the project is carried out by UETCL, BEL and the development partners during the Mid-term review meetings.

UETCL's project implementation department has the primary responsibility for monitoring the project implementation and fulfilling the environmental assessment reporting obligations to the Fund, including preparing Quarterly Progress Reports (QPRs) and annual audit reports. These QPRs cover all aspects of project implementation, including the status of progress against agreed implementation and disbursement schedules, implementation of environmental and social mitigation measures as well as fulfilment of loan conditions. In addition, BEL also submits monthly reports to UETCL for internal use.

The development partners on the other hand closely monitor the project implementation through the supervision missions and review of annual audit reports. The supervision consultant is required to prepare and submit the final commissioning reports at the completion of the assignments to the implementing agency and the Fund. After the commissioning of the project, the implementing agency is supposed to prepare and submit a Project Completion Report (PCR), which serves as input in the preparation of the Bank's own PCR.

The monitoring desk of the MoFPED annually captures the project progress in conjunction with the project implementation unit.

## **CHAPTER 4**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents findings, conclusions and recommendations on:-

#### **4.1 BIP Construction and Installation**

According to the Engineering, Procurement and Construct (EPC) contract, the project was to be constructed in 24 months from the effective starting date of 17<sup>th</sup> July 2008, implying a completion date of July 2010.

By the time of audit inspection (October 2011), the construction and installation works had not been completed, representing a general project delay of 1 year and 3 months. Further analysis showed that the average delay in the construction of the transmission lines was 25 months (2 years and 1 month) and 19 months (1 year and seven months) on average for the substations. The details of the delays are summarized in **Table No 3**.

**Table 3: Delay in Construction and Installation Works**

<b>Project Components</b>	<b>Completion date</b>	<b>Delay in months as at time of audit inspection (October 2011)</b>
<b>Transmission Lines</b>		
Mutundwe - Kawanda 132 kV	9 <sup>th</sup> Mar 2010	20
Kawanda - Bujagali 220 kV	9 <sup>th</sup> July 2009	28
Bujagali T lines 132 kV	5 <sup>th</sup> Dec 2009	23
Nalubaale line	June 2009	28
<b>Average delay</b>		<b>25</b>
<b>Substations</b>		
Kawanda	28 <sup>th</sup> Dec 2009	22
Mutundwe	27 <sup>th</sup> July 2010	15
<b>Average delay</b>		<b>19</b>

Source: EPC Contract and Project Quarterly Reports

By the time of audit inspection (Oct 2010), there was still pending construction and installation works at various transmission lines and substations as detailed in **Table No 4.**

**Table 4: Status of Construction and Installation Works**

	Expected Works	Status
<b>Transmission Lines</b>		
Mutundwe - Kawanda Section (132 kV)	Tower foundations (72)	71 completed. <b>See picture 1(a)</b>
	Tower erections (72)	62 erected
	Stringing (17.5 km)	Had not started.
Kawanda - Bujagali Section (220kV)	Tower foundations and erections	All 214 tower foundations and erections completed.
	Stringing (70.5 km)	Almost complete. <b>See Picture 1(b)</b>
	Construction of the access roads	Completed.
Bujagali - Nalubaale Section	Erection and stringing (8 km)	Erection and stringing complete. The pending work on the 3 km stretch from tower 540 to Nalubaale hydro power station where energizing of the west side circuit of the new line (ie shutting down the existing line), dismantling of old towers and removal of the foundation columns up-to 1 metre below ground level had not commenced.
Bujagali - Tororo (Existing) Line	Erection and stringing (5 km)	Erection and stringing was complete and awaiting testing, commissioning and handover by the time of audit. <b>See Picture 1(c)</b>
<b>Substations</b>		
Kawanda	switchyard equipment erection, water supply and	Complete. <b>See Picture 1(d)</b>



	sanitation system, road and parking works, earthing, cable trenches and ducts	
	Auxiliary transformer	Erected
	Fencing and gate	95% Complete
	Guard house Construction	95% Complete
	Switch yard leveling, compaction and stone spreading	90% Complete
	Control building works	97% Complete
	Protection, control and communication works	85% Complete
	Road from the main road to Kawanda substation	Had not been constructed by the time of audit due to delay to compensate the people whom the road was to displace.
<b>Mutundwe</b>	Equipment foundation, equipment erection, and wiring for protection and control panels, earthing, Gantry erection, cable trenches and ducts complete	Complete
	Site gravelling	95% Complete
	Cable trenches and ducts	80% Complete
	Cable traps	Had not been covered.

Source: Inspections and Quarter Sept 2011 report

## **Picture 1: Status of Construction Works**

**(a): Construction Work in Nansana Tower Spot**



Ongoing construction of the remaining tower foundation in Nansana on the Mutundwe – Kawanda transmission line picture taken by OAG staff on 25th/10/2011

**(b): Stringing Works near Kawanda Substation**



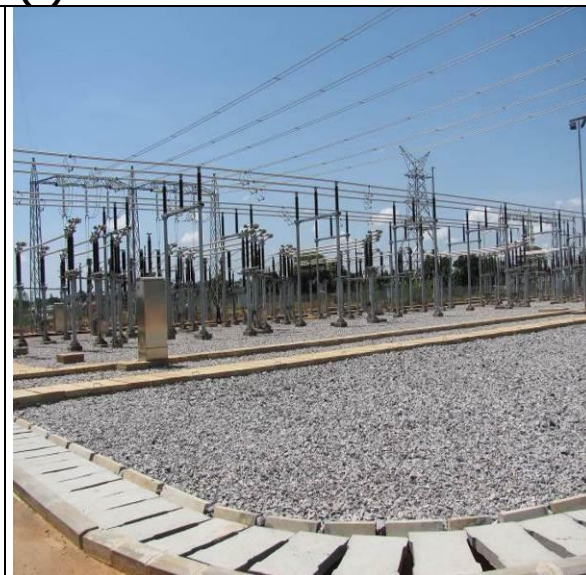
Stringing going on - Kawanda – Bujagali transmission line, picture taken from Kawanda substation by OAG staff on 25th/10/2011

**(c): Completed 5 km transmission line**



Parallel transmission lines (5 km). Right: connects to the existing Tororo line. picture taken by OAG staff on 7<sup>th</sup>/10/2011

**(d): Kawanda Substation**



Construction works nearing completion at Kawanda Sub-station, picture taken by OAG staff on 25<sup>th</sup>/10/2011

The delay in completing the transmission lines was due to the delay by UETCL in handing over the power line corridors to the contractor. This was mainly as a result of the delay in commencing the payment of compensation claims to Project Affected Persons (PAPs), which started on 22<sup>nd</sup> June 2008 yet it was supposed to have been started in December 2007.

The delay was made worse by the decision of management to increase the number of PAPs eligible for compensation by 24% from 2,148 to 2,674 (excluding households with more than one plot). This was in contravention of the RCDAP which had stipulated that no structures or fields established in the project affected area after 14th August 2006 were to be compensated.

The delays in the commencement of compensations, coupled with the increase in the number of PAPs to be compensated, resulted in management failing to compensate all PAPs within one year as planned. This is bound to increase the money spent by Government on the project because, by the time of audit, BEL had requisitioned for additional Shs. 7.73 billion to cater for increase in total compensations. It is worth noting that even by the time of audit, more than 4 years of project implementation, there were still 203 PAPs who had not been compensated.

Another cause of delays, noted through document review and interviews held with UETCL management, was the delays by the office of the Chief Government Valuer (CGV) to approve valuation packages. For example, the implementation of the Resettlement and Community Development Action Plan (RCDAP), which had been approved in December 2007, actually started in June 2008 (a delay of about 6 months). During the interview with the CGV, he acknowledged the delays in approving valuation packages and cited the challenges of staffing deficiencies. The analysis of the staffing levels revealed that out of the approved structure of 16 valuers, only 10 had been filled.

Through interviews with UETCL management and field inspections, it was noted that the delay in the construction of the Kawanda – Mutundwe transmission line was also due to the delay in solving the cases of emergence of people claiming ownership/interest in the land in the wetlands of Nansana and Ganda where the line was meant to pass. Efforts to

have NEMA evict them were futile. The construction stalled (**See Picture 2**) until the emerging claimants were paid Shs.163 million (**See Table 5**) between June and August 2011.

**Picture 2: Disputed tower spot in Nansana Wetland**



**A claimant in Nansana wetland, standing on a tower spot where construction had stalled. The claimant was showing the audit team boundaries of his purported land.**

**Table 5: Payment of Claimants in Wetlands**

<b>Area</b>	<b>Total number of PAPs</b>	<b>Total number of PAPs paid</b>	<b>Amount Paid</b>	<b>Pending Payment</b>
Ganda	18	18	97,970,832	-
Nansana	10	5	65, 369,342	66,425,114
<b>Total</b>			<b>163,340,174</b>	<b>66,425,114</b>

**Source: UETCL database and Payment Approval**

The progress of the project was also affected by PAPs disputing the compensation amounts/packages offered by UETCL. The amounts offered, according to them were below the market values and did not reflect the economic factors prevailing, such as appreciation of values of assets and land. The review of these cases and eventual

approval by CGV either delayed or were again rejected by the PAPs. Some of these cases occasioned shifting the transmission lines, leading to more compensations.

Delay was further caused by PAPs' refusal to follow the set project grievance solving mechanisms as laid out in the the BIP resettlement and community development action plan. The PAPs preferred to solve their grievances through the judicial system before exhausting the would be first mechanisms of amicable explanations and mediation by third parties. This resulted in delays in the settlement of court cases and therefore the compensation claims.

Due to the above factors, the project had to revise the completion dates from March 2010 to December 2010, later to March 2011<sup>7</sup> and now to December 2011.

### **Management Responses**

The number of PAPs increased due to increase in land claimants when the compensation process started caused by:

- Absentees during valuation who emerged later and had to be included.
- Speculation where individuals sold their plots cheaply to unsuspecting persons leading into new claims.
- Wetland areas where land was previously taken as 'not owned' but later proven otherwise. These individuals later emerged with evidence of ownership (like payment of *Busulu* to Buganda Land Board) with evidence of occupancy from LCs. They stopped the contractor from progressing until a compensation and eventual settlement was made to allow work proceed.
- Diversions which were occasioned by compensation disputes. For example, at Tula, Professor Ssempebwa adamantly refused the line to pass through his land. The UETCL option was to divert the line which resulted into additional PAPs in the 3-km diversion.
- The geotechnical risks at the time of tendering meant that final line profile was not completed and the risk associated with it was assigned to the employer. This took time to resolve when the contractor eventually requested for a variation in price due to

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<sup>7</sup> Aide memoire – 8<sup>th</sup>-11<sup>th</sup> Nov 2010



changes in tower types. The negotiations to conclude the variation order took time, leading to project delays.

In addition, in any resettlement exercise the number of PAPs is never constant. This was anticipated even by lenders in their appraisal document issued in Feb. 2007 during project preparations.

## **Conclusion**

Given the trend of extensions and the various stages of works completion, it is doubtful if the current projected completion date of December 2011 will be attained. The delay of the two projects is affecting the populace who expected power supply by March 2010. This is affecting people's ability to increase productivity, create jobs and increase revenue generation. Limited accessibility to power also has far reaching effects on existing forests, which are destroyed to provide for alternative source of fuel energy. Uganda is also heavily dependent on wood fuel and 97% (82% firewood and 15% charcoal)<sup>8</sup>, is generated from existing forests and woodlands.

## **Recommendations**

- 1. For future projects, UETCL should ensure that it complies with its resettlement obligations by promptly compensating PAPs before handing the transmission corridor to the contractor.**
- 2. For future projects, UETCL should set a cutoff date when all compensations should be effected so as to avoid new cases coming up.**
- 3. Government should consider recruiting optimal staff for the office of the CGV so as to ensure timely execution of valuation duties.**
- 4. UETCL and NEMA should in future projects strengthen coordination capacity so as to expeditiously handle cases of PAPs claiming ownership/interest in the land in wetlands to avoid stalling of projects.**
- 5. Compensations should be promptly paid to PAPs to avoid rejections of packages offered due to changes in economic factors such as appreciation of values of assets and inflation.**

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<sup>8</sup> Uganda Population and Housing Census, 2002

- 6. The management of UETCL should in future adequately sensitize PAPs on the benefits of exploring all the available grievance solving mechanisms specified in the project design before resorting to the courts of law.**
- 7. For future projects, government, in conjunction with other agencies/bodies, should plan ahead and secure corridors for transmission lines and other investments, like oil pipelines and communication networks.**

The other issues noted during the audit of the project construction and installation and which can affect the project either currently or in future are noted below:-

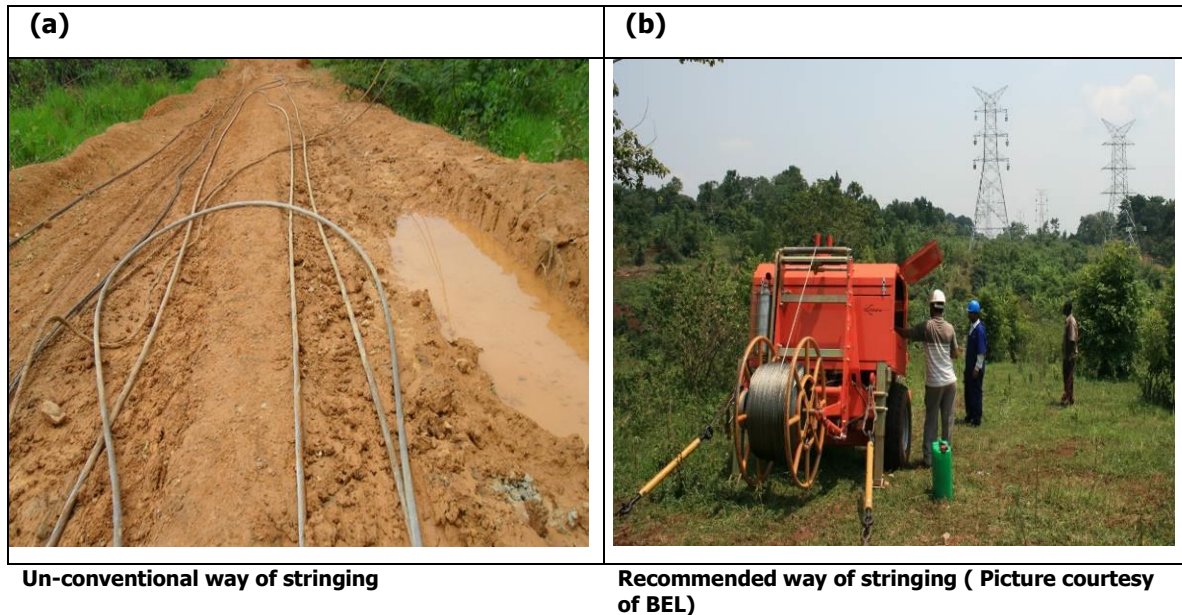
#### **4.1.1 Material Handling**

According to Section VI- Part D of the Transmission Line Erection and Civil Specification - installation of insulator strings, insulators should be transported in boxes or crates, wrapped in polythene or other suitable cover and insulators should be clean when being hung. Wool and clean rugs should be used to remove any foreign matter and surfaces should be wiped to a bright finish and metal surfaces shall be free from any noticeable contamination.

It was noted that the insulator strings were sometimes pulled on the ground during stringing as showed in **picture 3(a)** as opposed to the recommended way of stringing as shown in **picture 3(b)**. BEL, the supervisors of the contractor, acknowledged the occurrence of the anomaly and stated that the contractor was asked to correct the mistake by cutting off the affected insulator strings. This could not be independently confirmed by the auditors.

This unconventional way of stringing was caused by inadequate supervision/inspection of stringing by the BEL site engineers and UETCL inspection teams. According to UETCL engineers, the anomaly may lead to unacceptable levels of corona (discharge of electrical energy) and energy loss.

**Picture 3: Stringing Process**



### **Management Response**

The contract is an EPC contract. The EPC contractor is required to submit the quality manual to ensure quality at all times of installation. It is the responsibility of the EPC contractor to ensure quality of the works. Where there are cases of poor quality or where such works are detected, the portion of work is rejected and redone.

The management response does not exonerate BEL whose role is to supervise the contractor.

### **Conclusion**

If a sensitive construction stage like stringing is not well supervised by site engineers, it can compromise the quality of insulator strings that may lead to power loss during transmission.

### **Recommendation**

**BEL should strengthen the supervision of the stringing works by the contractor.**



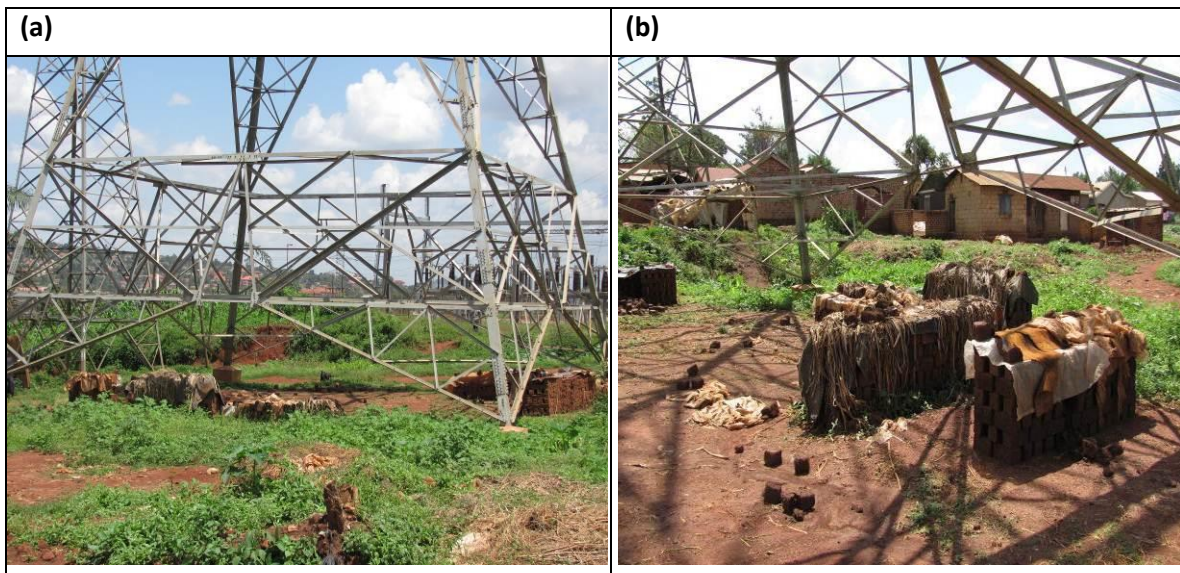
#### 4.1.2 **Activities on Right of Way**

Section 87 of the Electricity Act of 1999 prohibits persons without the lawful permission of the ERA or UETCL to work or engage in any activity within the vicinity (Way leaves) of any electrical installation in a manner likely to interfere with any electrical installations or cause danger to any person or property.

During the inspection of the Kawanda – Mutundwe transmission line, it was noted that brick laying was taking place on the right of way right below the towers as seen in **Picture 4**. This was caused by failure by UETCL to monitor the right of way to ensure that no activities are taking place on the secured right of way.

These activities will in future jeopardize the safety of the installations by weakening the tower footings and also endanger the lives of the people engaged in the illegal activities.

**Picture 4: Brick making under a tower**



**Brick making below a transmission tower line in Mutundwe, photo taken on 25th/ Oct /2011**

#### **Management Response**

UETCL handed over the corridor to the contractor and it belongs to them until handover. UETCL has reminded the contractor of this obligation several times in coordination meetings.

## **Conclusion**

Carrying out of activities by intruders in the right of way amounts to trespass and yet UETCL seems not to have taken steps to mitigate yet the said activities take place during the day. There is a risk of these intruders vandalizing tower materials.

## **Recommendation**

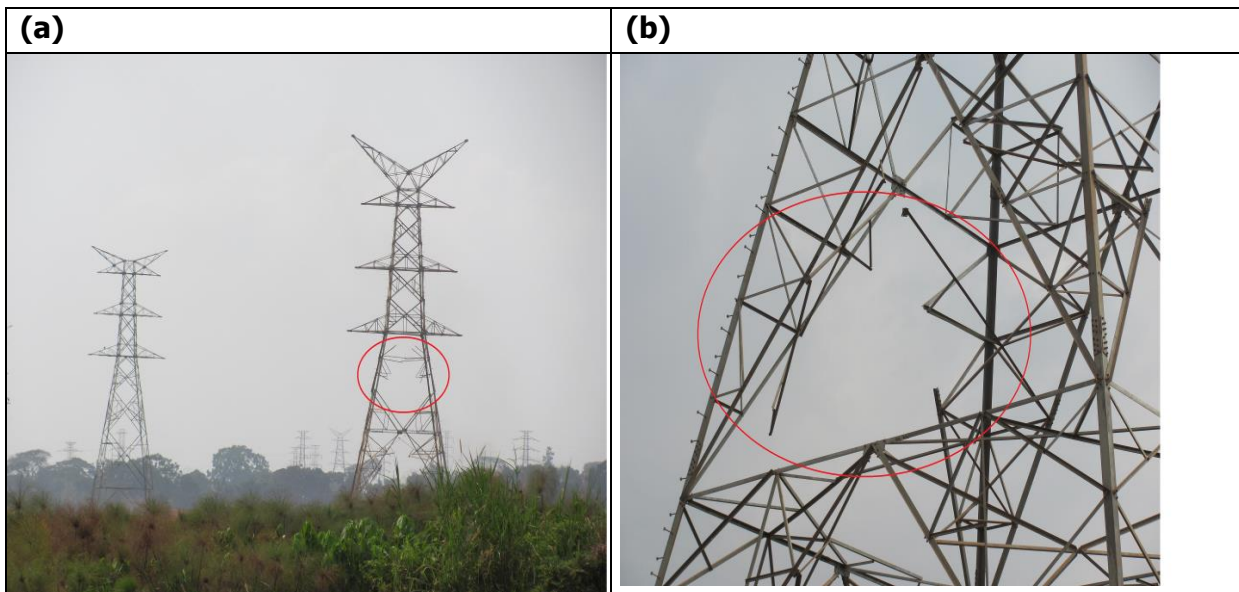
**UETCL should strengthen the monitoring of the right of way on all its installations to ensure that no activities are undertaken in them.**

### **4.1.3 Protection of Tower Materials**

Investing in the energy sector is very costly and therefore installations should be protected from vandalism so as to safeguard value for money spent.

UETCL provided for special anti-theft bolts on the towers constructed (up-to 3m above the foundation cap) and anti-climbing devices in the EPC contract. During the field visits it was noted that the anti-theft bolts and anti-climbing devices had been installed on towers on the completed sections of the transmission lines while the un-completed sections did not have. It was however found that these measures were not effective in protecting tower members from theft as noted in the Kawanda – Mutundwe and Bujagali - Kawanda transmission lines, as shown in **Picture 5**. By the time of audit, 53 cases of material thefts had been reported to different police stations but values had not yet been attached to them.

**Picture 5: Vandalized Tower Members**



**Pictures taken by OAG staff showing vandalized tower members (encircled in red)**

In order to solve the problem, management held several meetings with the local council leaders, Resident District Commissioners and the police but the vice has still continued.

The theft of tower members was mainly caused by the failure by UETCL to provide for welding of tower members and bolts (after erection) in the project design, which was a key intervention measure used in the earlier transmission lines in Uganda. The thefts may result into cost escalation if the contractor in future decides to bill for the replacement of stolen members and time overruns because the materials have to be imported from India. The proposed additional works (tack welding) being proposed by management, if approved, will equally lead to increased costs for the project<sup>9</sup>.

### **Management Response**

Tack welding offers only a partial solution. This practice is already being used on the old line and it shall be implemented in all future lattice tower power lines. However, thieves have been cutting these materials even after welding the bolts.

<sup>9</sup> Quarterly Report, Sept 30<sup>th</sup> 2011

## **Conclusion**

It is evident that the meetings held between UETCL and security organs are not yielding positive results and because of that UETCL should explore other ways of securing its installations.

### **Recommendations**

- 1. UETCL should consider tack welding of the tower members in the BIP and future projects to avert the continued vandalism of the installed structure.**
- 2. UETCL in collaboration with security agencies should improve on surveillance to deter continued thefts of tower members.**
- 3. UETCL may also in future projects consider the use of monopole towers which are not prone to thefts as is the case with lattice towers.**

## **4.2 Environmental and Social Management**

### **4.2.1 Environmental Impact Mitigation and Compliance Monitoring**

#### **4.2.1.1 Environmental Studies**

According to the National Environment Regulations 2000, Sec 33 (1) a development desiring to conduct a project which may have a significant impact on a wetland, river bank or lake shore shall be required to carry out an Environmental Impact Assessment (EIA). The developer shall carry out annual audits and monitoring on such activities, and shall submit a report to the NEMA Executive Director

It was noted that the EIA for BIP project was carried out by Burnside International Ltd and a report produced in December 2006. A Social and Environment Assessment (SEA) permit for the project was thereafter issued on 20<sup>th</sup> April 2007 together with a wetland permit issued on 21st April 2008. However, annual environmental audits were not carried out by UETCL as required by NEMA.

Management however explained that they had put in place an environmental and monitoring plan for BIP, which was being implemented by the contractor and supervised by BEL environment management team. According to the aide memoire, 3-11 April 2011, the implementation of the social and environmental action plan was progressing

satisfactorily and that the environmental mitigation and monitoring plan was being complied with by the contractor.

According to UETCL management, the annual environmental audits were not carried out because the project schedules had been revised and therefore most of the planned milestones were not met in the first two years. This however does not suffice because UETCL should have still carried out the annual environmental audits when the construction started. Failure to carry out annual environmental audits jeopardized the compliance to the environmental aspects recommended in the EIA report.

#### **Management Response**

The deferral of environmental audits is because the project schedules were revised and therefore most of the planned milestones were not met in the first two years. The audit was therefore deferred to the time when the project is near completion. The procurement of the auditor is currently underway and the selection should coincide with the project completion date to enable the proper identification of proper outstanding issues.

#### **Conclusion**

The compliance of the project with the Environmental Impact Assessment recommendations made on the project can best be evaluated through environmental audits. Lack of these audits, compromises the vigilance of the project implementers in following up the recommendations put in place to safeguard the environment.

#### **Recommendation**

**UETCL, in future projects, should ensure that the environmental audits are carried out at the intervals stipulated to ensure that negative environmental effects are detected so that mitigations are sought in time.**

#### **4.2.1.2 Environmental Mitigation by NFA**

According to the MEMD annual report of 2008 and Memorandum of Understanding (MoU) signed between NFA and UETCL, NFA was to receive compensation towards

mitigation measures for any activities in the Central Forest Reserves (CFRs) of Mabira, Kifu and Namwoya.

Document review revealed that NFA received a total of Shs. 588 million towards mitigation measures for the CFRs of Mabira, Kifu and Namwoya that the project affected. Interview with the management of NFA revealed that the said mitigation activities were not undertaken as agreed in the MoU but the money was instead used for NFA's operational activities during the time when their bank accounts had been frozen.

The cause of this was deliberate diversion of funds by NFA to other uses implying that the trees that were cut, which the Burnside study estimated at 50 cubic metres were not replaced.

### **Conclusion**

The diversion of funds meant for mitigation measures in the affected CFRs as agreed in the MoU meant loss of forest cover which was not replaced.

### **Recommendation**

**NFA should be urged to carry out mitigation measures for the trees cut during the construction and installation of the power line in the CFRs of Mabira, Kifu and Namwo as agreed in the MoU.**

#### **4.2.2 Social Mitigation**

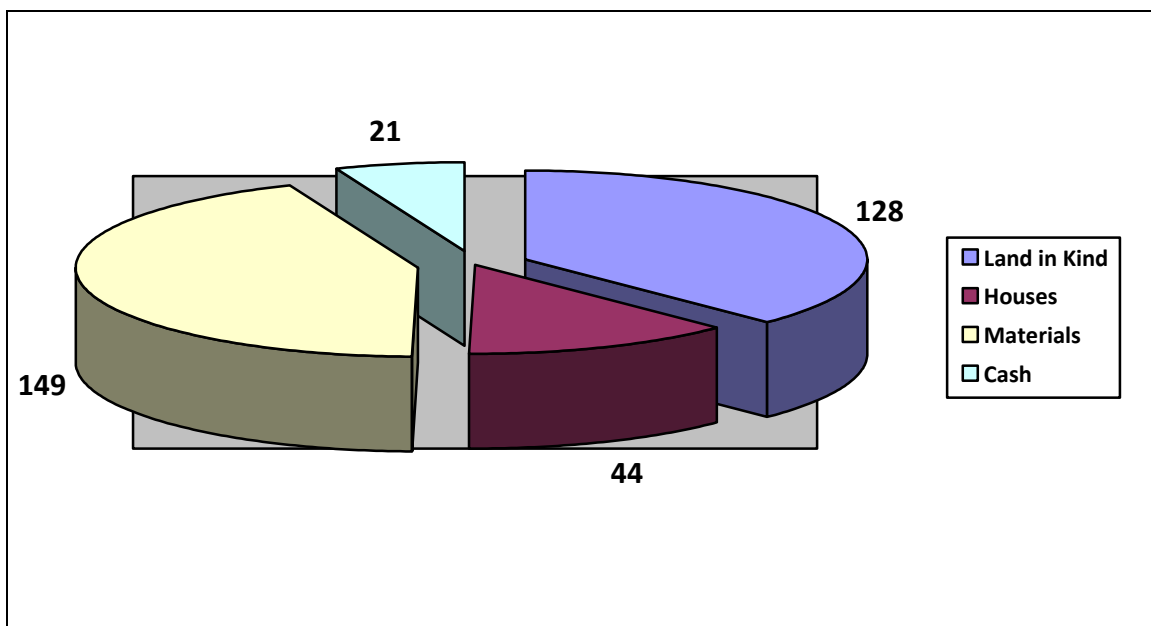
##### **4.2.2.1 Resettlement of Project Displaced Persons**

According to the resettlement and community development action plan, all physically or economically displaced people should be offered an option between either a full resettlement package, including the provision of replacement residential land and a house or cash payment.

Document review revealed that out of the 219 Physically Displaced Households, 216 agreed to the disclosed compensations and were compensated land in kind, houses,

building materials and cash as detailed in **Figure 1**. Three (3) PDHs disagreed with the values awarded for their structures and refused to take kind options.

**Figure 1: Resettlement Options**



Source: BIP RCDAP Completion Report

### **Houses Constructed**

UETCL was to build standard replacement four room houses built in brick with corrugated iron roof, concrete floor, provision of ceiling and plastering, roof rain water catchment system and a Ventilated Improved Pit two-stance latrine for the Physically Displaced Persons (PDPs).

According to the project reports, all the 44 houses in 12 resettlement sites had been completed and handed over to the project displaced persons. Inspections of the Kanyogoga and Masiko settlements sites revealed that the resettlement houses were well constructed and the specifications had been followed as seen in **Picture 6**. The households also received land for cultivation.



**Picture 6: House Constructed by UETCL**



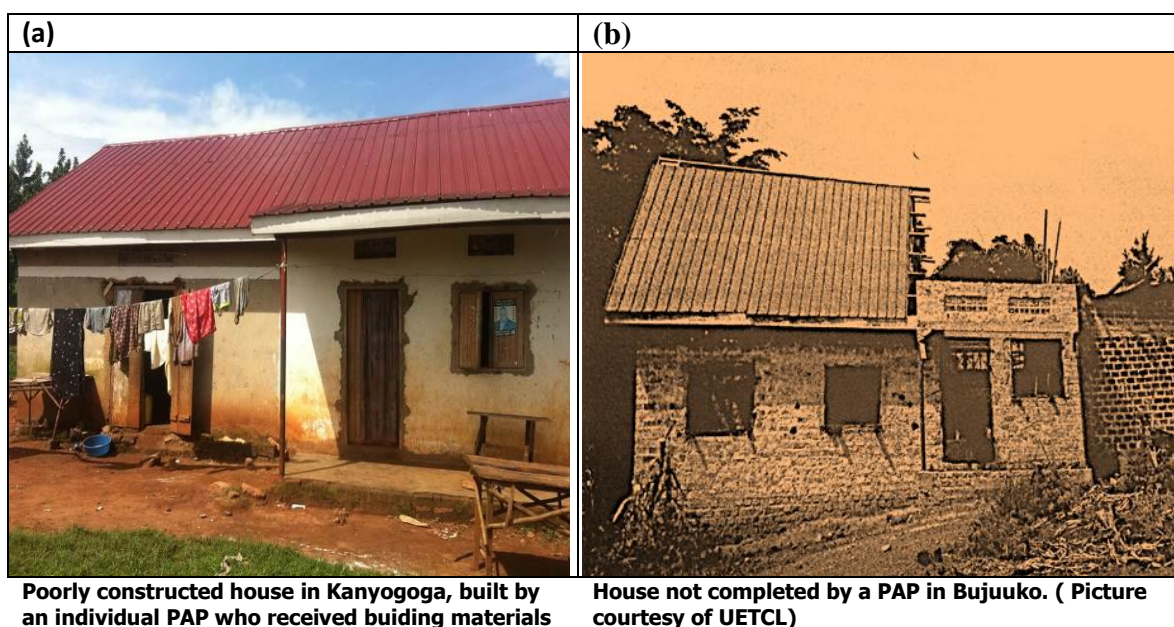
### **Building Materials**

Some PAPs who opted for building materials were supposed to receive building materials worth Uganda Shillings 20 million for construction of houses at the resettlement sites or at their own sites if they owned land.

As indicated in **Figure 1** above, 149 households received building materials in kind as their compensation packages. It was however noted during the inspection of the Kanyogoga settlements that some of the households who received building materials took on bigger house plans than what the materials received could accomplish as evidenced in **Picture 7**. Management estimated the completion rate of 90% for houses built by PDPs who opted for building materials.



**Picture 7: Poorly Constructed Resettlement Houses**



This anomaly was caused by failure by UETCL to put in place adequate safeguards to ensure that PDPs who received building materials put up houses in accordance with the agreed upon building plans. This has resulted in some PDPs putting up in ramshackled houses, as evidenced in **Picture 7 (a)** or struggling to finish the incomplete houses as seen in **Picture 7 (b)**.

### Management Response

PAPs were given adequate information but they failed to implement the requirement on modifying the design. The PAPs on their own motion and against advice opted to build houses larger than the approved design resulting in shortage of materials. The affected households have been advised to complete their houses. UETCL contends that the houses will be completed gradually.

Due to the difficulty in stopping the modification of house designs, UETCL has dropped/scrapped the material option out of any future and ongoing projects.

### Conclusion

UETCL could not guarantee the quality of houses constructed by the individual PDPs.

### **Recommendation**

**The management of UETCL, in future projects should put in place adequate safeguards for all resettlement options available to PDPs to ensure adherence to the standards set in the project resettlement plans.**

#### **4.2.2.2 Working Conditions of BIP employees**

According to the Bujagali Interconnection Project Social and Environmental Assessment Report of Dec 2006, employees involved in climbing towers must be provided with nonslip footwear, gloves, helmets, face protection, leggings and other necessary protective equipment.

From the field visits on the Kawanda – Mutundwe transmission line, it was observed that the workers constructing the towers did not use personal protective equipment for protection against accidents. The workers lacked the nonslip footwear, gloves, helmets, face protection and leggings as seen in **Picture No 8**.

**Picture 8: Ongoing erection of tower**



**Employees erecting a tower without using the personal protection equipment , picture taken by OAG staff on 25th/10/2011**

The failure to provide protective gear to employees was attributed to non-adherence to contract provisions by the contractor. In addition, UETCL and BEL management were not vigilant enough during their supervisory and inspection visits to identify the irregularity and enforce compliance by the contractor. Lack of safety measures resulted into poor working conditions, which exposed the lives of workers to risk.

#### **Management Response**

The responsibility of ensuring compliance lies with the contractor. When there are lapses on site, as was the case noted during audit, the contractor is warned in writing.

#### **Conclusion**

The contractor did not take measures to safeguard the lives of the employees, which did not conform to the requirements of the Bujagali Interconnection Project Social and Environmental Assessment Report.

#### **Recommendation**

**UETCL and BEL management should adequately supervise and monitor the contractor during the installation of equipment to ensure that agreed upon safety measures are adhered to.**

### **4.3 OTHER RCDAP FINDINGS**

Other issues noted pertaining to the implementation of the RCDAP include:-

#### **4.3.1 Double Payment of PAP**

When compensation options have been agreed with PAPs, compensation files containing all supporting documents are prepared by UETCL so as to effect payments to the affected PAPs.

During the review of PAPs payments, together with the compensation files, it was found that a PAP by the names of Lwanga John Stanley was paid twice for the same property affected by the project. Instead of being paid only Shs 56,087,059, the PAP received a total of Shs 112,174,118 vide cheque numbers 005429 and 005531. Management

acknowledged the mistake and had invited the PAP so as to recover the excess money in question.

Management attributed this occurrence to a lapse in control at BEL. This money if not recovered will occasion a loss of Shs. 56,087,059 to government.

#### **Management Response**

The PAP was paid twice due to a lapse in control at BEL. When the payment instruction was sent to BEL, it was realized that there was a caveat on PAP's title. An instruction was then sent to BEL by e-mail to halt the payment until the caveat is settled.

Efforts to recover these funds are in place. UETCL has written a demand note to the PAP, who has agreed to pay back. In addition, we are processing a caveat onto his 22 acres land title in Namugongo area.

#### **Conclusion**

The internal control system governing the payment of the PAPs was overridden by both UETCL and BEL management, who depended on verbal communication to effect payment leading to a loss of shs.56,087,059.

#### **Recommendation**

**UETCL and BEL should strictly observe the internal control systems, which govern payment of PAPs to avoid double payment of PAPs.**

#### **4.3.2 Titling of Acquired Land**

According to the BIP quarterly report of 30<sup>th</sup> September 2011, UETCL is supposed to obtain and transfer 423 land titles from the transmission corridor to its name. Out of the 423 titles expected to be acquired; only 138 had been processed and transferred and easements registered, representing 33% performance in this respect.

The progress in titling is slow due to the lengthy process in the Ministry of Lands Housing and Urban Development. The delays have distressed PAPs whose titles have not been handed back. If the process of titling is not expedited, other PAPs may become reluctant to hand in their titles to UETCL.

## **Conclusion**

There is a risk to the ownership of the acquired land if UETCL does not expedite the process of registration of titles.

## **Recommendation**

**UETCL, in liaison with MEMD should urge the Ministry of Lands, Housing and Urban Development to expedite the processing of titles for the acquired land.**

### **4.3.3 CGV Approval of Valuation Packages**

According to the BIP resettlement and community development action plan, the Chief Government Valuer's (CGV) office is supposed to value all properties in connection with the acquisition of land for public interest.

It was noted that the valuation of the properties of PAPs was not carried out by the office of the CGV itself but by private valuers - the East African Consulting Surveyors and Valuers, appointed by UETCL, due to shortage of staff in the department of valuation at the Ministry of Lands, Housing and Urban Development (MOLHUD). Interview with the CGV revealed that the role of his office in BIP was to supervise the valuation process of the private valuers and approve the valuation reports that they produced.

Scrutiny of the availed copies of valuation reports prepared by the private valuers revealed that although the CGV approved the compensation packages, his approvals were found not to have been properly communicated. When approving the reports, the CGV only signed the cover pages of the valuation reports and left the rest of the pages unsigned. The CGV acknowledged not signing all the pages of the valuation reports because, according to him, he did not author the reports and therefore could not authenticate the valuation figures therein. He stated that his signature only confirmed the methodology, principles and practices that were followed during the valuation process/exercise.

It was further noted, through document review and the interviews held with UETCL management, that there were delays by the office of the Chief Government Valuer

(CGV) to approve valuation packages. For example, the implementation of the Resettlement and Community Development Action Plan (RCDAP), which had been approved in December 2007, actually started in June 2008 (a delay of about 6 months) due to delay by CGV in approving the valuations. During the interview held with the CGV, he acknowledged the delays in approving valuation packages.

The failure by the CGV to sign all pages of valuation reports was due to his failure to effectively supervise the valuation processes due to staffing deficiencies and therefore being non committal in owning up to the output (valuation reports) produced. The delays to approve valuation packages were also caused by inadequacy in staffing as seen in the

**Table 6:-**

**Table 6: Staffing levels in Valuation Division (CGV)**

<b>Post</b>	<b>Approved Number</b>	<b>Filled Number</b>	<b>Variance</b>
Asst Commissioner/Government Valuer	1	0	1
Principal Government Valuer	2	0	2
Senior Govt Valuer	3	2	1
Senior Assistant Valuer	3	3	0
Govt Valuer	7	5	2
<b>Totals</b>	<b>16</b>	<b>10</b>	<b>6</b>

**Source: Ministerial Policy Statement FY 2011/12 – Ministry of Lands Housing and Urban Development**

The failure by the CGV to critically review the valuation of each property included in the valuation report of the private valuers casts doubt on the correctness of the values pegged on the properties therein and their eventual compensation amounts. The failure to sign all pages of the valuation reports also posed a risk of un scrupulous persons replacing pages in the valuation reports with new forged pages after the approval by CGV. The delays to approve the valuation packages by the CGV delayed the payment of PAPs as earlier noted thus affecting the project implementation timelines.

## **Conclusion**

The valuation process was not properly supervised by the CGV and the communication of his approval was flawed which cast doubt on the correctness of the values attached to properties. There was a risk of payments being made to PAPs whose valuations were not correct or were unscrupulously inserted in the valuation report. The CGV also delayed the approval of valuations, which eventually delayed the compensation of PAPs, thus delaying the implementation of the project.

## **Recommendations**

- 1. The CGV should strengthen the supervision role of the valuation engagements of private valuers and thereafter commit to authenticate the results in the valuation reports.**
- 2. The CGV should authenticate each page of the valuation reports to avoid creating room for forgeries.**
- 3. Government should consider recruiting optimal staff for the office of the CGV so as to ensure timely execution of valuation duties.**

John F.S. Muwanga  
**AUDITOR GENERAL**

**KAMPALA**

**13th December 2011**



## **GLOSSARY OF TERMS**

<b>CGV</b>	Government valuer who ascertains; (i) the current value of the Plots, Residential Structures, Fixtures and crops and (ii) the Valuer's Replacement Structure.
<b>Compensation</b>	Payment in cash or in kind at replacement value for an asset or a resource that is acquired or affected by the project at the time the assets need to be replaced.
<b>Economic Displacement</b>	Loss of income streams or means of livelihood resulting from land acquisition or obstructed access to resources (land, water or forest) caused by the construction or operation of the project or its associated facilities.
<b>EPC contract</b>	This is a contract where the contract works involve Engineering, Procurement and Construction.
<b>Kilo Volt</b>	Unit of potential energy equal to a thousand volts.
<b>Model House</b>	An UETCL resettlement house constructed for displaced PAPs qualifying for it.
<b>Physical Displacement</b>	Loss of shelter and assets resulting from the acquisition of land associated with the project that requires the affected person(s) to move to another location.
<b>Project-Affected Person</b>	Any person who, as a result of the implementation of the Project, loses the right to own, use or benefit from a built structure, land (residential, agricultural, pasture or undeveloped/unused land), annual or perennial crops and trees, or any other fixed or moveable asset, either in full or in part, permanently or temporarily.
<b>Replacement Value</b>	The rate of compensation for lost assets must be calculated at full replacement value, that is, the market value of the assets plus transaction costs. The replacement value must reflect the cost at the time the item must be replaced.
<b>Resettlement Assistance</b>	Support provided to people who are physically displaced by the Project.
<b>Residential Plot</b>	A plot on which there is a residential structure.
<b>Residential structure</b>	A house or dwelling currently owned and occupied by a Project Affected Person and that has been identified as such by the Company as affected by the project.
<b>Right of Way:</b>	The corridor of Land 5 meters wide on which the project Affected Person has granted a right, license and easement over, across, upon, under and through,



which will be permanently injured to be used for the construction of pylons, and for access to the Transmission Line for which the project Affected Person is paid the full Land market value and should not be occupied by other Person other than UETCL.

<b>Sponsor</b>	Financer of the BHS project under Public Private Partnership
<b>Stringing</b>	Is the cable wiring of the erected towers.
<b>The Bank/Fund</b>	African Development Bank/Fund.
<b>UETCL Building Materials</b>	Building materials to the value of 20,000,000 Uganda shillings, which is one of the two in kind compensation options available to a project Affected Person who has a Residential Structure.
<b>UETCL Resettlement House</b>	A house to the value of Uganda shillings 25,000,000, which will be constructed by the company at a designated site and is one of the two in kind compensation options available to a project Affected Person.
<b>Uganda Shillings</b>	The currency that is the legal tender in the Republic of Uganda, was equivalent; 1US\$ = Ushs 2,797 in September 2011.
<b>Volt</b>	The SI (International System) derived unit of electromotive force, commonly known as voltage.
<b>Way Leave</b>	The corridor of Land constituting 25, 30-35, as the case may be, on which the Project Affected Person has granted a right, license and easement over, across, upon, under and through for the construction, maintenance and operation of the Transmission line.

## Appendix 1: Documents reviewed

Document	Purpose(s) of Review
	To ascertain:-
BIP resettlement and community development action plan	The Compensation and resettlement procedures
UETCL Act, Land Acquisition Act, NFA Act and NEMA Act	Legislation on land acquisition and use; compensations; forests and environment.
ADB and JICA Loan agreement	Financing terms and conditions
List of legal suits	Status of legal suits.
BIP appraisal document	The project appraisal assumptions, risks etc
BEL amended and restated power purchase agreement	Linkage of BEL with BIP
ADB aide memoire	ADB's assesment of the progress of the project.
M&E quarterly reports	Challenges faced by the project and recommendations for improvement
Minutes of management meetings	Resolutions of management about the project
Environmental mitigation and monitoring plan; Contractors' social and environmental action plan; Waste management plan and Social and environmental action plan framework	Environmental protection issues
BIP Resettlement Action Plan	Resettlement and compensation plans
BIP project implementation plan	Implementation procedures
Project audited accounts (years under review).	The funding of the project and its performance over the years.
Rules of Procedure for procurement of goods, services and use of Consultants.	The rules and guidelines for procurement of goods, services and consultancy.
Ministerial policy statements for MEMD (years under review)	Activities and how they are integrated into the overall Ministerial programs.
Contract for supply of building materials	Terms and conditions and the general requirements
BEL Monthly reports	Project progress
BIP Cash books	Payments to PAPs

PAPs Personal Files	Processing of PAPs payments
PAPs Data base	General information about PAPs and the payment processing stage of each PAP.
Survey and valuation reports of the corridor Mutundwe-Kawanda-Bujagali	Confirmation of the affected acreage on plots along the corridor.
Bills of Quantities	Bills of Quantities of towers, transmission lines.
Theft Reports	Compilation of theft cases of tower members.
Certificates of Works Completion	Stages of works completion by the EPC contractor.

## Appendix 2: Interviews conducted

	Unit	Designation	Purpose of the Interviews
			<b>To ascertain/get:-</b>
1	Management of UETCL	<ul style="list-style-type: none"> <li>- Manager Project implementation</li> <li>- Principal Environment officer</li> <li>- Senior Projects Officer</li> <li>- Information systems officer</li> <li>- Projects Community Liaison Officer</li> <li>- Project Information Officer</li> </ul>	<ul style="list-style-type: none"> <li>- The roles and responsibilities, functions and activities of UETCL in the BIP project.</li> <li>- The other stakeholders in the project and what roles do they play.</li> <li>- The resources (inputs) for activities of the project and the expected results (output) from the activities performed.</li> <li>- How are the project deliverables measured</li> <li>- Progress of BIP works.</li> <li>- Challenges in the implementation of the project and way forward.</li> <li>- PAPs Database management.</li> <li>- Processing of PAPs compensation packages from identification to payment.</li> </ul>
		<ul style="list-style-type: none"> <li>- Principal Accountant</li> </ul>	The funds flow, the total funding to the project so far and Challenges in the implementation of the project and way forward.
		<ul style="list-style-type: none"> <li>- Engineers (3) (1) for Mutundwe and 1 for Kawanda sub-stations) and (1) attached to UETCL headoffice.</li> </ul>	Status of works at Mutundwe and Kawanda sub-stations and pending challenges.
2	Management of BEL	<ul style="list-style-type: none"> <li>- Transmission line manager</li> <li>- Transmission line consultant</li> <li>- Assistant Financial controller</li> <li>- Accountants(2)</li> </ul>	<ul style="list-style-type: none"> <li>- BEL's legal status</li> <li>- The core activities/functions of BEL?</li> <li>- The resources (inputs) for activities performed by BEL and the expected results/results (output).</li> <li>- How BEL relates with other stakeholders of the project?</li> <li>- Status of BIP works.</li> <li>- Compensation process.</li> <li>- The funds flow</li> <li>- Challenges faced and way forward on the</li> </ul>

			challenges.
3	Management of SIEMENS	Engineers (3)	Status of the installation works in the sub-stations, challenges faced and way forward.
4	Claimants of land along the BIP corridor (5)		<ul style="list-style-type: none"> <li>- Existence of claimants, the un-resolved issues with UETCL concerning their claims.</li> <li>- Steps they have taken to solve their claims with UETCL</li> </ul>
5	PAPs under the resettlement housing scheme (11)		<ul style="list-style-type: none"> <li>- To verify status of the housing units and whether they had received titles.</li> </ul>
6	Management of National Forestry Authority	Director Natural Resources	<ul style="list-style-type: none"> <li>- Memorandum of understanding between UETCL and National Forestry Authority.</li> </ul>
7	Management of National Environment Management Authority	Director Environmental Monitoring and compliance	<ul style="list-style-type: none"> <li>- Environmental Impact Assessment done on the BIP Project</li> <li>- NEMAs responsibility on the BIP project</li> <li>- PAPs paid in Wetlands</li> </ul>
8	Office of the Chief Government valuer	CGV	<ul style="list-style-type: none"> <li>- Unsigned valuation sheets</li> </ul>
9	Management of the EPC contractor - JYOTI	<ul style="list-style-type: none"> <li>- Senior Project Manager</li> <li>- Accountant</li> <li>- Project Coordinator</li> </ul>	<ul style="list-style-type: none"> <li>- Overview of the project and the status</li> <li>- Payments so far received from the contractors</li> <li>- Thefts of materials and measures taken</li> <li>- Challenges faced and way forward</li> </ul>

### Appendix 3: BIP Interface Chart

