Financier pulls out of Nyagak III power dam

By Vivian Agaba and Mary Karugaba

The KfW, a German government-owned development bank, has pulled out of the deal to finance the construction of Nyagak III hydro power project citing issues of incompetence by the private partner, Hydromax.

Following complaints of incompetence, KfW cancelled the grant funding of Euro 6M about (sh27b) and this has affected the construction works of the project.

Nyagak III power station, a 5.5MW mini hydroelectric power station is located across the Nyagak river in Nyapea sub county, Okoro county, Zombo district in the West Nile sub-region of the Northern region.

Nyagak hydro-power plant represents a strategic investment, correcting the intermittent commercial energy supply in the West Nile region.

The scheme is a private sector-led investment and is very much in line with the Government policy which encourages private sector participation in the energy sector with important implications for rural electrification.

The Minister of Energy and Mineral Development, Irene Muloni while appearing before the MPs on the natural resources committee last week said the cancellation of the funding has delayed the start of the actual civil works as the Government is mobilising funds to cater for the gap created.

Documents presented to the committee by Muloni, indicate that the strategic partner Hydromax was unable to fulfill the KfW condition of commencement of excavation and foundation works within the second half of 2017 for extension of the grant disbursement period because of KfW's further condition that no construction works should commence before full approval of the updated Environmental and Social Impact Assessment (ESIA) Report, Contractor's Environmental and Social Management Plan(ESMP) and Environmental and Social Action Plan(ESAP) from KfW, GOPA and the National Environment Management Authority (NEMA).

"This led to KfW cancellation of grant funding due to the failure by the developer to fulfill the above conditions precedent for the extension of grant disbursement period," said Muloni

"This has delayed the start of the actual civil works as the Government is mobilising funds to cater for the gap created by the cancellation of the Euro 6M by the KfW.

In case we do not get the funding, the Government has no choice, but to fund the project itself," she added

Relatedly, the Chief Executive officer, Uganda Electricity Generation Company Limited (UEGCL), Dr Eng Harrison E. Mutikanga told MPs that the incompetence on the side of Hydromax raised by KfW was related to delays in financial closure and absence of designs.

According to the documents, there were key milestones attained; financial closure was attained by the private partner, Hydromax in late September.

Workers camp and access roads were constructed by the developer and procurement of Engineering, Procurement, and Construction (EPC) contractor was completed in November.

During the meeting, it was also revealed that 33% of the funds provided had been used on the project, and the MPs tasked the minister and her team to explain.

Thomas Tayebwa, the MP, Ruhinda north asked, "What did you spend the 33% of the funds on, when you are saying there were no designs?

Mutikanga said the money was used by the Government to acquire land for the project and also compensating land owners that were to be affected by the project.

The Isingiro county south MP, who is also the chairperson of the committee, Alex Byaruhanga asked Muloni to prepare a written explanation with solid details concerning the project and make recommendations to plenary.

BETWEEN THE LINES:

- Following complaints of incompetence, KfW cancelled the grant funding of Euro 6m (about sh27b).