MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

STATEMENT TO PARLIAMENT ON THE ENGINEERING DESIGN AND CONSTRUCTION OF THE ISIMBA PUBLIC ACCESS BRIDGE CONNECTING KAYUNGA AND KAMULI DISTRICTS

(By the Minister of Energy and Mineral Development)

A. PURPOSE OF THE STATEMENT

1. Rt. Hon. Speaker and Honorable colleagues, the purpose of this statement is to:-

   ii) Request Parliament to note that the cost of the Isimba Public Access Bridge is an integral part of the Isimba Hydropower project lumpsum Contract Price as agreed before commencement of the project works in a contract signed on 6th September 2013 and that payment to the contractor is effected directly from China Exim Bank to the Contractor’s Bank Account in China;

   iii) Apprise Parliament of the status of payments to the Isimba Hydropower Project Contractor.

B. BACKGROUND TO THE ISIMBA PUBLIC ACCESS BRIDGE CONNECTING KAYUNGA AND KAMULI DISTRICTS

2. Rt. Hon. Speaker, Government through the Ministry of Energy and Mineral Development (MEMD) under a Bilateral Agreement with the Government
of China received financing from the EXIM Bank of China to develop the 183 MW Isimba hydropower project as a National flagship project, which is aimed at increasing power generation in the country in order to support social-economic development.

3. The components of the project were;
   a) The 183 MW Hydropower plant;
   b) The 132 kV Transmission Line from Isimba to Bujagali Substation and the associated substation at Isimba and required extension at Bujagali Substation;

4. On 22 July 2013, My Ministry entered into a Memorandum of Understanding (MoU) with China International Water and Electric Corporation (CWE) for the EPC plus financing. The Engineering, Procurement and Construction (EPC) contract to develop the project at a lumpsum price of USD 567,738,990.96, was later signed on 6 September 2013.

5. Rt. Hon. Speaker, you will note that Fichtner GmbH of Germany that undertook the feasibility study of the Isimba hydropower project also supported Government to review CWE’s technical and financial implementation proposals and contract negotiations.

6. The Contract for Isimba hydropower project provided for the construction of a Public Access Bridge on top of the dam as part of the Hydropower Plant, to connect Kayunga and Kamuli Districts as well as construction of a 3.5 km access road to the project site and 1.5 km roads within the project site.

7. The Contractor through the Ministry of Energy and Mineral Development submitted designs of the Isimba Public Access Bridge to Uganda National Roads Authority (UNRA) for approval as was required by the contract. On
8 September 2017, UNRA pronounced itself that the Public Access Bridge designs submitted by the Contractor in August 2017 were inadequate.

8. The Public Access Bridge designed by the Contractor on top of the Isimba dam was found unsuitable for Public use because the contractor had provided only one lane in some sections instead of two lanes as specified in the Contract.


10. Based on the Technical Committee engagements, Government directed the Contractor to construct a separate Public Access Bridge with two lanes as specified in the Contract since construction of the Isimba dam had advanced. Further consideration was given to security and terrorism concerns, avoidance of interference with dam operation and maintenance activities as well as traffic blockage during removal of the trash and water hyacinth.

11. In a letter dated 16 July 2018, the Office of the President and the Rt. Hon. Speaker of Parliament were apprised on the new developments of the Isimba Public Access Bridge upon Government concluding engagements with the Contractor whereby the Contractor agreed to construct a separate bridge downstream Isimba hydropower plant.

12. The Contractor is constructing the re-designed Isimba Public Access Bridge as approved by UNRA at no additional cost to the Employer.
(Government) since it was incumbent upon the Contractor to design and construct the Isimba Public Access Bridge as specified in the contract.

13. The Isimba Hydropower plant and transmission line have since been completed and commissioned on 21 March 2019 by His Excellency the President of Uganda, but completion of the Isimba Public Access Bridge is scheduled for 31 December 2020.

C. CONSTRUCTION PROGRESS OF THE ISIMBA PUBLIC ACCESS BRIDGE

14. Rt. Hon. Speaker, to provide for the smooth construction of the redesigned Isimba Public Access Bridge, a tripartite agreement was signed between the Ministry of Energy and Mineral Development, Uganda National Roads Authority (UNRA) and Uganda Electricity Generation Company Limited. Under the tripartite agreement, UNRA is responsible for supervising the construction of the Isimba Public Access Bridge to connect Kayunga and Kamuli Districts.

15. The Contractor undertook feasibility studies for the separate Isimba Public Access Bridge located 500m downstream of the Isimba hydropower dam. The feasibility studies were completed in November 2018 after which UNRA cleared the Contractor to proceed with the detailed designs. The Contractor submitted the detailed designs in May 2019 which were approved by UNRA in July 2019. The construction works commenced thereafter and are ongoing smoothly.

16. In the approved design, the Isimba Public Access Bridge consists of two sections joined at Koova Island. The section on the left river channel is 433 metres while the section on the right river channel is 457 metres. The road section on Koova Island is 301 metres.
12. The Physical Progress as at 10 January 2020 was 31%. The cost of the Public Bridge is part of the Lump sum Contract Price. Over 90% of the required equipment and material is on site and construction works are expected to be completed by 31 December 2020. The remaining 69% of the works is to be completed by 31 December 2020. Monthly Progress report is herein attached as Annex 1.

13. Rt. Hon. Speaker, Hon. James Waluswaka (Member of Parliament – Bunyole West County, Butaleja District) and Hon. Amos Lugolobi (Member of Parliament – Ntenjeru North, Kayunga District) accompanied by my colleague Hon. Eng. Simon D’Ujanga (Minister of State for Energy) visited Isimba Project site on Wednesday 20 November 2019 and witnessed the ongoing works under the Isimba Public Access Bridge

D. CASH FLOW CHALLENGES BY THE ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC) CONTRACTOR

14. Rt. Hon. Speaker, as at 31 December, 2019, the certified net payment was 92% of the contract price. This brings the cumulative net payments to USD 522,324,420.5 out of the contract price of USD 567,738,990.96

15. The outstanding amount of USD 45,414,570.24 consists of USD 13,684,152.17 for retention and USD 31,730,418.07 for outstanding scope of works.

16. Rt. Hon. Speaker, under Addendum No. 4 to the EPC Contract it was envisaged that there was a likelihood of cash flow challenges to the EPC Contractor and hence the Addendum No. 4 provided for provision of a Bond against release of retention.

17. However, to date, the Contractor is yet to take this opportunity availed to mitigate cash challenges. The Ministry has made efforts to engage the
Contractor to exercise this option in order to mitigate the cash flow challenges.

18. Rt. Hon. Speaker, the outstanding **USD 31,730,418.07** is yet to be certified for payment considering that many of the activities against which it should be certified are yet to be completed. However, my technical team has engaged the contractor to revise the payment schedule in order to further relieve the Contractor of the Cash Flow challenges as per the provisions of the Contract.

19. Rt. Hon. Speaker, **USD 3 Million** is currently being processed against Interim Payment Certificate No. 20 (**IPC 20**) as part of the efforts to provide cash flow to the Contractor

E. CONCLUSION

20. Rt. Hon. Speaker and Honorable Colleagues, as I conclude, I will request you to note:

a) The progress made by Government in the construction of the Isimba Public Access Bridge connecting Kayunga and Kamuli Districts;

b) That the cost for the Isimba Public Access Bridge is an integral part of the EPC lumpsum contract price provided in the original contract signed on 6 September 2013. Government shall not pay the Contractor any additional money to construct the Isimba Public Access Bridge; and
c) The efforts being undertaken to ensure that the Contractor has sufficient cash flow to continue and complete construction by 31 December 2020 as per the provisions of the Contract.

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