



FOR IMMEDIATE RELEASE

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Kampala

PRESIDENT MUSEVENI'S LETTER ON NON-RENEWAL OF UMEME CONCESSION: GOVERNMENT OFFICIALS WHO SIGNED THE CONCESSION MUST BE PUNISHED

Africa Institute for Energy Governance (AFIEGO) welcomes President Museveni's directives to the Ministry of Energy and the IGG not to renew UMEME's concession and to investigate the company's exploitation of electricity consumers in connivance with Ministry of Energy officials respectively.

The directives, which are contained in a March 12, 2018 letter to the Minister of Energy that is also copied to the IGG and other government officials, is a positive step towards cleaning Uganda's electricity sector.

However, with the above being said, AFIEGO notes that non-renewal of UMEME's concession and the investigation of Ministry of Energy officials without decisively putting an end to the endemic corruption in and the general mismanagement of the electricity sector will not result in lower tariffs and will not address the many challenges in the sector.

Mismanagement in the electricity sector is characterised by:

a). **Single-sourcing** of companies to build dams as was seen when the president himself directed the Ministry of Energy to award the Karuma and Isimba dam projects to Sinohydro and China International Water and Electric Corporation without open bidding and despite evidence showing that the companies were not the best.

The above lack of competitive bidding or single sourcing means that selection of companies with the best terms including a lower return on investment is ignored. It also encourages corruption as government officials collude with the investors to guarantee the investor high returns on investment in exchange of bribes. This results in high end user tariffs that citizens shoulder!

b). **Poor leadership at the Ministry of Energy** has seen the ministry consistently fail to implement parliamentary and government committee recommendations for better management of

the electricity sector. Such recommendations include those by the 2009 Interim Review of Electricity Tariff Committee headed by Gen. Salim Saleh to review UMEME's concession and recover over UGX 400 billion that UMEME illegally collected from consumers by inflating power losses in addition to those by the 2014 adhoc parliamentary committee that investigated electricity failures and called for termination of UMEME's contract.

When directives by parliament and government committees are ignored, impunity grows. Little wonder that today, UMEME tells Ugandans that it has invested over \$500 million yet its distribution network cannot guarantee reliable power supply especially in the rainy season, its aging transformers collapse on citizens and Ugandans across the country continue to die from electrocution!

UMEME also claims that it is now collecting 100% bills due to elimination of commercial losses to zero, yet they continue to claim that the many Ugandans being electrocuted in all parts of Uganda is due to power theft. Can we believe UMEME? Where is the Electricity Regulatory Authority (ERA) in these claims and counter-claims?

c). **Weakness of ERA** which has failed to stop UMEME's exploitation of consumers. ERA, which should be protecting Ugandans from UMEME's exploitation, has occasionally come out to defend UMEME. For instance, when UNBS confirmed in January 2018 that over 92% of the electricity metres including UMEME's metres that it tested between June and December 2017 were faulty, ERA, through an article published in the newspapers, defended UMEME saying that its metres were not faulty. This is despite UNBS confirming that the metres were faulty. ERA also has too little power to stop UMEME from demanding for increases in electricity tariffs for UMEME's benefit! Further, four years ago, ERA was working with the Ministry of Energy to amend the 1999 Electricity Act to among other things, stop power theft but to date, the amended Act is nowhere. Yet ERA and UMEME want Ugandans to believe that they eliminated commercial powers losses.

d). **Continued payment of Jacobsen and Electro Maxx** for expensive thermal power that Ugandans do not consume. The fact that these companies continue to be paid from taxpayers' money when Uganda is generating more power –over 900mw- than citizens can consume is gross mismanagement of the highest order.

All the above factors combine to result in an unacceptably high tariff that results in the majority of Uganda's population -79.6%- being denied access to power in addition to presenting several socio-economic challenges such as leading to a harsh business environment that sees Ugandans businesses collapse. Women also to cook using dirty energy such as fuel wood.

AFIEGO is therefore calling for following to be done:

- i. Censuring of the Minister of Energy by parliament for failing to address the challenges in the electricity sector based on the recommendations of the Gen. Saleh Interim Tariff Review Committee in addition to those of the adhoc parliamentary committee;
 - ii. Immediately investigate and prosecute government officials who ignored the 2004 Auditor General's report that had put the power losses at 28% and went ahead to sign a concession with UMEME that put power losses at 38% thus causing a loss of over UGX 400 billion to Ugandans;
 - iii. Stopping payments for thermal power provided by Jacobsen and Electro Maxx because this power is not needed yet payment for this power by citizens leads to high tariffs;
 - iv. Review the Karuma and Isimba dam projects because they were inflated and will not give Ugandans affordable power at \$5 cents as promised. Like Bujagali dam which remains one of the most expensive dams in the world, the two dams will not deliver cheaper power. Moreover government is already incurring more costs in repairing the dams that are yet to be finished due to shoddy work.
 - v. Amend the 1999 Electricity Act to guarantee the independence of ERA through improving funding to ERA so that the organisation can stop siding with rich private companies as a means to finance her activities. The amended Act should also provide for punitive measures for government officials who sign bad power contracts, as well protect government from liabilities against companies that provide poor services to Ugandans through lies and manipulation;
 - vi. There should be no negotiations to renew UMEME's concession. Indeed, 13 years is a long time and throughout this time UMEME has failed to make Uganda's power reliable and affordable.
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