

**GET FIT
UGANDA**

LESSONS LEARNED FROM
**IMPLEMENTATION OF A SUCCESSFUL
PPP PROGRAMME**



5 COMPLYING WITH ENVIRONMENTAL AND SOCIAL
PERFORMANCE STANDARDS
DEALING WITH LIMITED E&S EXPERIENCE

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Dealing with limited E&S experience

Public-Private Partnership (PPP) programmes financed by international donors are expected to comply with international environmental and social (E&S) standards. A main challenge in the GET FiT Uganda Programme was project developers' limited experience with international E&S standards, at times also their limited understanding of the Ugandan E&S regulations. Developers were often unable to contextualise and apply standards and regulations to their project-specific setting. Most developers gradually overcame limitations, but not without considerable additional efforts from both developers and the GET FiT Programme. Similar PPP programmes could benefit from modifications to programme design and implementation based on GET FiT Uganda experiences.



"The high E&S standards and procedures set under GET FiT Programme have significantly raised the E&S profile of ERA nationally and internationally, as well as strengthened the integration and monitoring of E&S aspects into the ERA licensing regime. From an E&S point of view, this has raised the power project investment profile of Uganda's energy sector internationally. All future power project appraisals, licensing and monitoring conducted by ERA shall greatly benefit from application of the E&S GET FiT Programme experiences".



Peter Kityo
ERA
Environmental Specialist

Most developers who applied for the renewable energy (RE) support had little or no internal E&S capacity or they were relatively new to the industry.

Developers thus contracted consultants to undertake Environmental and Social Impact Assessments (ESIAs), develop Resettlement Action Plans, Livelihood Restoration Plans, and to develop a range of Environmental and Social Management Plans. The consultants recruited were largely unable to contextualise the IFC Performance Standards and often lacked basic understanding of the RE technology in question. A considerable amount of developers' time and money was lost as work had to be undertaken again by new consultants. During construction, developers often struggled to guide contractors, and additional resources had to be spent on repairs of damage, compensation and legal proceedings.

The licensing agencies were severely resource-constrained.

Except a few important differences, Ugandan regulations are similar to international E&S standards. Considerable resource constraints among lead government agencies on environment, water resources, labour issues and health and safety meant that licensing did not always involve rigorous reviews. GET FIT therefore had to raise critical E&S compliance issues without active backing from the national agencies.



HOW DID GET FIT ADDRESS THE SIGNIFICANT E&S LIMITATIONS AND NON-COMPLIANCES?

Environmental and social risks had to be managed while delivering on GET FiT's renewable energy targets. Some key approaches applied by the Programme included:

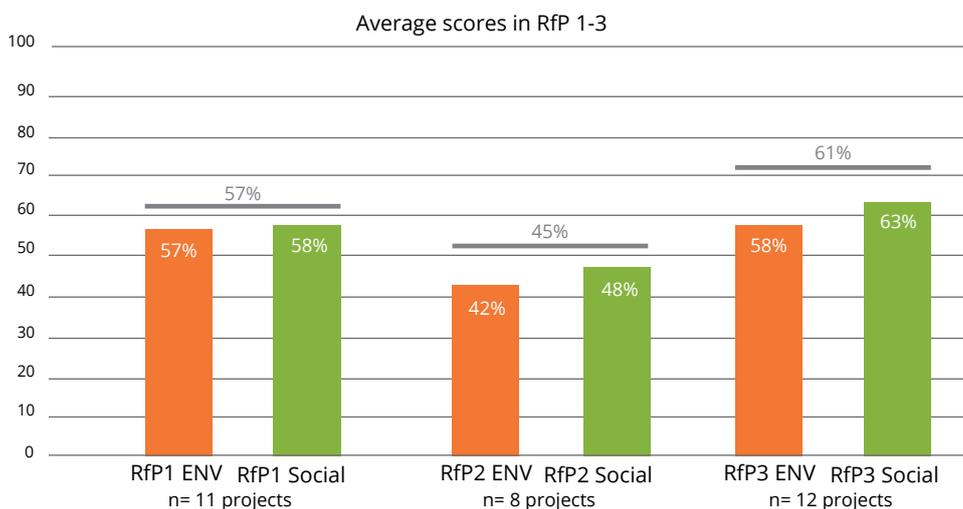
1 Investment Committee defined Conditions Precedent.

The evaluation of E&S documentation in qualifying tender rounds often resulted in low E&S scores, even when permits and approvals from the Ugandan lead agencies were in place. To mitigate against key risks for local people, nature and reputational risk for the donors, the Investment Committee defined a considerable number of Conditions Precedent (CPs) to ensure E&S compliance in critical areas.

2 Allocation of significant resources for review and support.

Follow up of these CPs for developers required considerable and sustained efforts by the GET FiT Implementation Consultant in review and guidance to developers and their consultants. Moving beyond planning and into construction, new sets of challenges came up where developers required additional guidance from GET FiT to find practical ways of implementing regulations and standards while avoiding delays and minimising costs.

Average E&S evaluation scores of tenders during GET FiT Uganda Requests for Proposals (RfPs)



a. Tenders under the first RfP (2013) were dominated by relatively mature projects and scored on average 57%.

b. RfP2 (2014) included new projects with shorter time for project development and projects that were rejected in RfP1 due to low scores, resulting in a low average score in RfP2 (45%).

c. RfP3 (2015) had a similar composition of new projects and older projects with low scores in RfP2, but the average score in RfP3 was much higher (61%).

This shows that additional efforts by developers and GET FiT to improve management of E&S risks yielded results.

3 Developers faced sanctions from GET FiT.

All approved projects gradually made progress in managing environmental and social risks, some more or faster than others. Environmental and social practices on the ground improved substantially as a result of GET FiT. In some projects, however, real progress was only made after developers faced potential or actual sanctions from GET FiT. By early 2018, three projects had been ordered to temporarily stop construction to rectify critical risks, including risks to workers' health and safety and acquiring missing permits from Ugandan authorities. Several projects had to accept higher frequency of GET FiT supervision visits (at the developer's costs), and two projects were imposed a 2% subsidy reduction per quarter for non-compliances until corrective actions were implemented. In one case, repeated failures to correct multiple major non-compliances resulted in a Steering Committee decision to revoke the full subsidy.



Resettlement is a challenging process for the developer and the people resettled and requires careful management. Here is a replacement house for Joseph Baluku's household who lost their house due to a GET FiT supported project in Western Uganda, a house that represents a considerable upgrading of the housing standard. Photo credit: Frontier Energy.

REALITY-CHECKS

Implementation experience from Uganda points to several E&S reality-checks that should be considered when designing and implementing similar programmes.

1 Are you taking environmental and social capabilities for granted?

GET FiT Uganda underestimated the limitations in E&S capability among developers and their consultants substantially by assuming there would be a reasonable understanding of the regulations and standards as well as an ability to contextualise these to the project setting. This impacted implementation of the Programme from project development to construction and operation.

2 Are you prepared to engage?

The limited E&S capability among both developers and their consultants resulted in considerable additional costs and efforts by developers. To ensure compliance in critical areas while avoiding delays, GET FiT engaged with the developers and their consultants and contractors to review large volumes of revised documentation (assessments, plans, and designs) and provide guidance beyond what was originally planned to find workable solutions.

3 Do you have an in-country champion for E&S?

By design, GET FiT Uganda was a government Programme with its Secretariat embedded with the regulator, Electricity Regulatory Authority (ERA). ERA saw compliance with relevant Ugandan regulations as an integral part of their licensing and follow-up of licence conditions. ERA's regular contact with lead agencies for environment and water resources was key to achieve important clarifications, particularly due to ERA's unique combination of insights into renewable technologies and the Ugandan frameworks. ERA performed a critically important role in communicating with various parts of the Ugandan Government and engaged actively in numerous aspects of GET FiT, including important E&S issues.

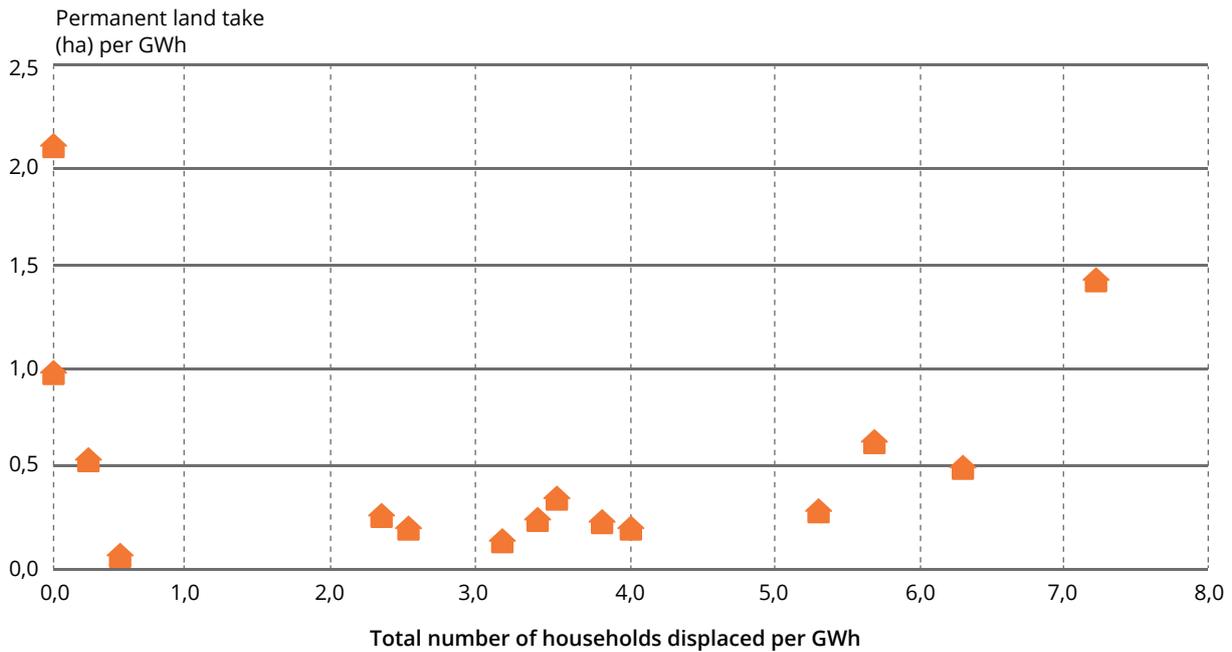
4 Do you have appropriate incentives or disincentives for E&S compliance?

Originally, developers saw limited incentives or disincentives for E&S compliance and consequently did not proactively manage E&S risks properly. As GET FiT realised that the competitive element of the GET FiT tender process and the E&S conditions attached to the premium payment were not sufficient to ensure appropriate E&S risk management, stronger (monetary) incentives or disincentives had to be communicated and later implemented.

5 Are you talking to agencies with similar requirements?

The E&S challenges and the number of CPs gradually necessitated closer coordination with various Ugandan lead agencies and lenders financing the projects. Understanding and harmonising with the various agencies' expectations and requirements can be important in terms of providing consistent feedback to developers.

Land take and displacement for the 15 small hydropower projects approved for GET FiT support



Hydropower projects located in high rainfall areas often overlap with high population density areas due to productive rainfed agriculture.

Capacity to manage land take and displacement is essential for the developers and the PPP program supporting the projects.



KEY LESSONS

For developers, lenders and planners of PPP programmes like GET FiT, there can be important efficiency gains by integrating some of the key E&S lessons from GET FiT. Lessons include:

Develop more specific tender documents.

GET FiT tender documents required developers to comply with Ugandan E&S regulations and international E&S standards, but this was not well understood by developers. Tender documents would have benefitted from being more specific on the key requirements, included being more prescriptive on key issues for specific technologies and issues particularly important in the Ugandan context. Early identification of key issues by GET FiT to focus efforts from the tender process onwards can save considerable efforts for multiple parties later in the process.

The programme must have capacity to provide guidance.

Addressing key E&S gaps required guidance and follow-up by the Implementation Consultant to ensure compliance without creating delays or unnecessary costs. Having adequate resources and staff with sound understanding of E&S regulations of the country, international standards and the technologies in question are important success factors.

Coordination with in-country and external parties is necessary

Dialogue with in-country parties (e.g. regulators and lead agencies) and lenders is important to harmonise requirements and expectations and to minimise the burden on developers from multiple and potentially contradictory requirements. Ideally coordination with lead agencies on key E&S issues and lenders should start early.

Incentives and/or disincentives should be available and communicated early.

Construction stop or financial penalties may be required for some projects to produce the necessary changes. Ultimately, lack of compliance should result in revocation of the subsidy. Having a list of 'reserve projects' (in-principle approved, but subsidy not allocated due to limited funds) that could take the place of poorly performing projects will create competition and real risk of revocation.

An integrated programme performs better.

GET FiT's integration with ERA was important to address non-compliances with Ugandan regulations and international standards. Further, the multi-disciplinary team of the Implementation Consultant (including engineering disciplines, environmental and social, economic and financial, as well as legal expertise) was key to identify and advise on practical and workable solutions for project planning and construction.

ABOUT

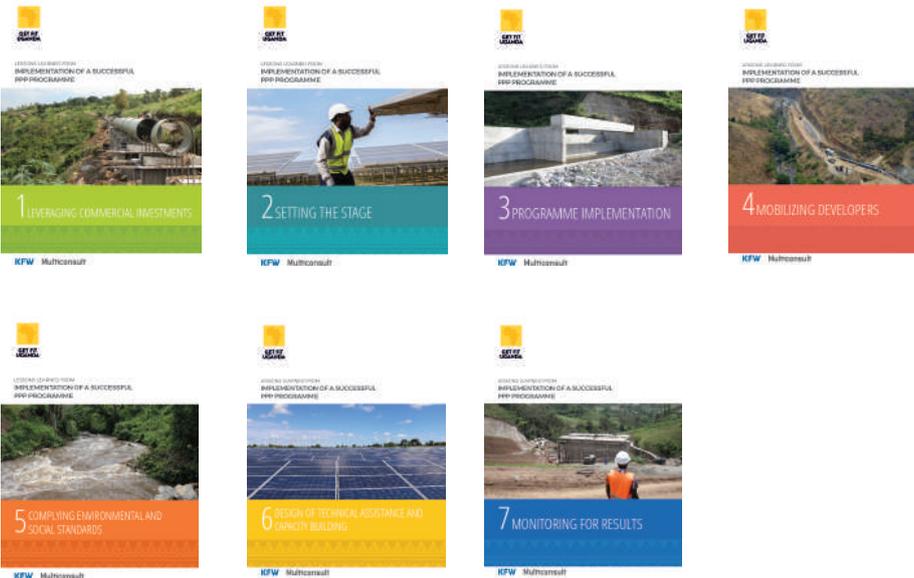
The GET FIT Uganda Programme was officially launched on May 31st 2013. The Programme, which was jointly developed by the Government of Uganda, the Electricity Regulatory Agency (ERA) and KfW was designed to leverage commercial investment into renewable energy generation projects in Uganda. GET FIT is being supported by the Governments of Norway, the United Kingdom and Germany as well as EU through the EU Africa Infrastructure Fund. Multiconsult ASA of Norway is the Implementation Consultant.

The main objective of GET FIT Uganda is to assist the country in pursuing a climate resilient low-carbon development path resulting in growth, poverty reduction and climate change mitigation. The Programme is fast-tracking a portfolio of 17 small-scale renewable energy (RE) generation projects, promoted by private developers and with a total installed capacity of 158 MW. This will yield approximately 770 GWh of clean energy production per year and leverage close to MEUR 400 in investments for RE generation projects with a limited amount of results-based grant funding.

A more comprehensive description of the tools and approaches applied by GET FIT is found on www.getfit-reports.com.

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