

UNRA Kampala-Entebbe Expressway: Uganda's First Toll Road (A)

According to a Chinese saying, people who want to be rich should build a road first. Chinese companies are playing an important role in the infrastructural development of Uganda, Zhao Yali, Chinese ambassador to Uganda, 2012

There's no way to stop any government from approving whatever is needed to put up infrastructure that was needed yesterday...we can mortgage oil for infrastructure and continue to live because our soils are good, UNRA official, 2015

Mr. James Okiror, the acting executive director and past director of projects of the Uganda National Road Authority (UNRA), the government's agency created for managing the national roads, was having a difficult time in April 2015. The agency's reputation had taken a hit after a corruption scandal involving an advance payment of Uganda Shillings UShs24.7bn (~US\$6.7 million) to a non-existent contractor made the international headlines in August 2014. The scandal triggered police and Government investigations and forced the UNRA's board to suspend four top officials including the former acting executive director who had been in post for just 18 months. The shockwaves had even hit the Minister of Works and Transport. A year away from national elections, the events had rekindled the attention of the press on UNRA's track record. Complicating matters, the risks were high that the Kampala-Entebbe Expressway—Uganda's first toll road planned to open in 2017—would be over budget and delayed even if the agency's flagship scheme officially was on target.

UNRA was a public agency still in its infancy. It had been set up in 2006 for the purpose of managing the provision and maintenance of the Uganda national roads network, and came into force on July 1st 2008 by an Act of Parliament. Uganda's national roads network consisted of roads interconnecting district and urban centres, border ports, and other strategic national assets. By 2013-14, UNRA had rolled out a national major roads programme indicating the main roads under design, procurement, and those in progress. The programme specified works for rehabilitation maintenance, and upgrades of the roads, bridges, and other structures [**Exhibit 1**].

Through a progress report published at the peak of the scandal, UNRA sought to gain back people's confidence in the capacity of the agency and staff to do the job. The report highlighted major achievements notably the completion of 1,527km of road projects since 2008, about 40 national road projects under construction totalling over 1,500km, and 20,000km of roads taken from local governments.¹ [**Exhibits 2a, b, c**].

Operating under the spotlight, UNRA needed to successfully manage the Kampala-Entebbe Expressway. The 37km-long, 4-lane toll highway was crucial to remove a major bottleneck between Kampala, Uganda's capital, and the International Airport at Entebbe. The existing link relied on a narrow, old road with multiple crossings with

¹ UNRA (2014) UNRA at 6 years: A well-developed road network. UNRA, Kampala, Uganda

Owera Okuk, MSc student, and Professor Nuno Gil at the Centre for Infrastructure Development, The University of Manchester, prepared this case as the basis for class discussion. The case does not intend to serve as endorsement, source of primary data, or illustration of effective or ineffective handling of an administrative situation. The authors are solely responsible for any factual inaccuracies.

no traffic lights that was chronically congested². The situation was so dire that drivers had to plan up to three hours for making the journey. Furthermore, traffic jams were a major obstacle to attract much-needed capital investment into the capital city.

Two thirds of the US\$476 million (final prices) scheme was being financed by the Export-Import (EXIM) Bank of China through a US\$350 million preferential loan, whereas the Uganda government was financing US\$126 million as counterpart funding towards civil works and US\$100 billion as land compensation to third parties. A 5-year design and build contract had been awarded to China Communication Construction Company (CCCC)³.

UNRA was generally happy with CCCC's performance although the scheme was 7/8 months behind schedule. CCCC had been awarded the contract in 2011 with a commitment to start construction works a year later. But 4 years after contract award, UNRA was still struggling to get control over all the necessary land. And in 2014 CCCC had been forced to interrupt the construction works along a 2km section because UNRA was yet to reach a deal with Omega Construction, the landowner:

Construction is still on schedule. We've had some [land acquisition] challenges but they will be solved soon...The good thing is that both sides [UNRA and Omega Construction] are talking and we're nearing an agreement. This shouldn't be a problem in a few months [UNRA Head of Corporate Communications 2014]

Waiting for the courts to resolve the land controversies created a risk of major delays and thus of heavy claims for compensation from CCCC. But cutting a generous deal with the landowner created a tricky precedent. Complicating matters, both outcomes could fuel suspicions on the integrity of UNRA top officials. A delay would also be bad news to the Ugandan President Y. Museveni, the Head of State and Government, who had been in post since 1986 and was facing national elections in 2016.

Under the shadow of the corruption scandal (no officials had yet been indicted) and pressure to keep the expressway project on target, rumours put it that the President of Uganda might directly intervene in the choice of the next UNRA executive director. It remained unclear if Mr. James Okiror, the acting executive director, planned to apply:

The scandal is haunting us a lot ... procedures for making payments are now so complicated...as part of the approval process they want to record my voice ...we're trying to respond to that by being open to all the investigations, we cooperate, give them everything they want, and take great satisfaction when they go back with nothing... that ghost still reminds us that we can't deviate to try to please any politician...we stick to the law, to the guidelines [UNRA Acting executive director]

² The expressway also included a 14m spur to a nearby location taking the length to 51km

³ CCCC was the largest China's infrastructure government-owned enterprise. The group was established in China in 2005, and was its largest port construction and design company, and the third largest dredging company in the world. CCCC was listed in Hong Kong Stock Exchange Market. Among its shareholders it included Chinese billionaires, the China Life Insurance Group, and the Government of Singapore Investment

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UGANDA

Uganda is a Sub-Saharan African country located in East Africa. It is also a land locked country with an economy comprised of majorly subsistence agriculture, which contributes around a fifth of the country's GDP of around \$26bn (2014 prices). By 2014, the country's population was growing at more than 3%, and according to preliminary results of the 2014 national census it had already passed the 35million mark⁴. Uganda's economy had quickly recovered from the 2009 global economic downturn. And since the first discovery of commercially viable oil in 2006, oil revenues and taxes were expected to become a large source of government funding.

As a legacy of British colonial times, Uganda had a relatively well-structured legal and regulatory framework that drew heavily from English law. But the young country—Uganda had only attained its independence in 1962—faced many institutional challenges. For almost two centuries Uganda had been a British protectorate run by local kingdoms and chieftaincies that inhabited the lake regions of central Africa⁵. The first independent unitary government was formed by the marriage of convenience between two parties: the Kabaka Yekka headed by E. Mutesa II, a local royal, and the Uganda People's Congress headed by Dr. Apollo Obote.

The governing coalition crumbled four years later, leading to the abrogation of the 1962 constitution, and Obote assumed the presidency while Mutesa II fled to exile. In 1971, however, Idi Amin, the heinous head of the army ousted Obote's government. And only in 1980 a combined Tanzanian and Ugandan exiles armies succeeded to overthrow Amin's dictatorial and murderous regime, and preside over the election that brought Obote back to power.

Since 1986 the Uganda's president had been the General Yoweri Museveni who militarily took over power. Museveni had lost the presidential elections of 1980 and for 6 years engaged in guerrilla warfare on the elected government of Obote purporting that the elections had been rigged. The protracted guerrilla war weakened the Obote II government which was toppled by General Okello who Museveni then overthrew within six months. All in all the Uganda post-independence leadership and governance history was one wholly characterised by military coups and destructive takeovers, and was yet to witness a peaceful handover of power.

General Museveni had been ruling Uganda since 1986, first under a military decree up to 1996 and then under a one-party state entrenched in the constitution from 1996 to 2005. In 2005 Museveni endorsed a constitutional reform to allow for a multiple-party system, but also to remove the cap on Presidential terms, paving the way for his two subsequent re-elections in 2006 and 2011. Museveni's current term was scheduled to end in 2016, but rumours had it that as the leader of the National Resistance Movement (NRM), Museveni planned to contest again for presidency.

⁴ Uganda Bureau of Statistics (2014). National Population and Housing Census 2014 Provisional results

⁵ <http://www.ugandahighcommission.com/uganda-info-center/political-history>

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Given NRM's extended stay in power, cliques affiliated to the ruling party had gained force over time. Once referred to as mafias by a sitting vice-president, the cliques had scavenged government deals and thus in a 2012 report by Transparency International⁶ Uganda topped corruption among the five countries under the East Africa community. Transparency International attributed the persistence of the problem mainly to inadequate political will to fight corruption coupled with low salaries for civil servants. Reports in the national press were rife of misappropriation of major goods and services contracts, as well as of shoddy works and payments for works not carried on. Issues had also been raised of inflated prices that contributed to the higher average costs of constructing roads in Uganda relative to neighbouring countries.

Beyond issues of corruption, Uganda also faced massive socio-economic challenges. In 2013/14, the national budget deficit excluding grants was 5.9% of its GDP. Whilst debt was under control, Uganda had limited capacity to borrow money on the international markets at reasonable economic rates. Hence, the country remained dependent on grants and loans from donors and multilateral agencies. With limited resources, the government struggled to provide even the most basic education and health care services. Communicable diseases were commonplace, the prevalence of water-, sanitation- and hygiene-related ailments were rampant, and the rates of HIV/AIDS, child mortality, and maternal mortality remained stubbornly very high⁷.

UGANDA NATIONAL ROAD AUTHORITY (UNRA)

The roads sector was critical to Uganda's economy. It provided vital transport corridors linking the land-locked countries of Rwanda, Burundi, Eastern Democratic Republic of Congo (DRC) and Southern Sudan to the sea primarily through the Port of Mombasa in Kenya. There were approximately 71,000 km of roads including 20,000 km of national roads, 17,000 km of district roads, 3,500 km of urban roads and 30,000 km of community access roads. The roads sector carried over 90% of passenger and freight traffic, making it the most dominant mode of transport.

The roads sector had been through various management reforms since the Government prepared the first 10-Year Road Sector Development Programme (RSDP) in 1996. One of the overarching objectives of the RSDP had been the establishment of a robust administration for managing the national roads network. To this purpose, the Government established an autonomous, performance-oriented authority to handle road administration and execution functions. The Government also committed to restructure the Ministry of Works and Transport (MoWT) to focus on policy, setting standards, regulation, monitoring and evaluation functions.

These administrative changes occurred in tandem with a policy shift to transfer the construction works directorates spread across the Ministries of Local Government and of Lands, Housing and Urban Development and other ministries to the MoWT. This

⁶ <https://www.transparency.org/cpi2014/results>

⁷ Uganda Bureau of Statistics (2014): National Population and Housing Census 2014, Provisional results

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shift was accompanied by the creation in 1998 of the Road Agency Formation Unit (RAFU), a semi-autonomous agency within the MoWT to manage the national roads.

Soon after the government officials realised that the administrative changes had made RAFU way too large. After a new reform was launched in 2002, the Road Sector Development Programme Phase 2 proposed to group the roads into two categories: the national roads would be handled by an autonomous road authority (UNRA) while DUCARs (District, Urban, and Community Access Roads) would be handled by the local governments. All road works would remain coordinated by the MoWT, which retained overall responsibility for policy-making and standards setting.

In 2006 the bill to establish UNRA was signed into Law. The Board of Directors was appointed in January 2007, the Executive Director appointed in November, and UNRA became operational in July 2008. UNRA became a desirable employer, paying top directors roughly double what they would get in the ministries [Exhibit 3].

In 2014 UNRA had the remit to manage over 21,000 km of national roads of which approximately 3,500km were paved and 17,500 km were gravel or earth roads. The national road network, which made up about 40% of the overall capacity of the road sector, carried almost 90% of all passenger and freight traffic. The UNRA capacity to carry on a large capital programme to modernize the national road network was, however, very constrained by budget restrictions and lack of a skilled workforce.

As the Uganda economy gave signs of recovery in 2013, and inflation seemed tamed, the Government chose to prioritise the delivery of new infrastructure notably roads. The roads sector was taking almost 20% of the government budget, having become the country's first priority. For the 2015-16 budget, Parliament passed a budget with the theme "*Maintaining Infrastructure Investment and Promoting Excellence in Public Service Delivery*". And in his budget speech, the Minister of Finance promised strict adherence to and implementation of the plans. In March 2015, on this issue, UNRA's acting executive director therefore had reasons to stay optimistic:

I think we [roads sector] are priority one, competing with energy. That's why we're able to run so many big road projects. The government believes that when they put down that infrastructure the economy will have a base to pick up, and rightly so... The other reason is that the economy is growing, and the road network is getting challenged especially on Kampala and the main corridors

UNRA Organization Structure

The structure of the UNRA approved in 2008 was still in use [Exhibit 4]. The UNRA act had created a board of directors for the purpose of governing the authority. The board of directors was responsible to the Minister of Works and Transport who appointed all the board members and also appointed for the chairmanship of the board one of the members other than the managing director (*ex-officio* board member). Board members included representatives from Ministry of Finance, National Planning

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Authority, Ministry of Works, Institution of Civil Engineers, and the Private Sector.

A level below, UNRA was structured in five directorates—planning, projects, operations, finance and administration, and internal audit—each headed by a director reporting to the agency’s executive director. Each directorate was comprised of managers, project engineers/officers, technicians, and support staff. Many UNRA staff had been in post since its inception notably the engineers who were carried over from the parent MoWT and others who joined the ministry during the reform of 1998. Unsurprisingly UNRA faced many skills gap as is characteristic of many public agencies in Uganda and in developing countries in general. To build capacity, UNRA sought to recruit expats, but this task was made difficult by relatively low salaries.

Since 2014 UNRA had been mired in a major corruption scandal that had led to the suspension of the acting executive director, director of planning, director of finance, and the legal counsel. The police had stepped in and a Commission of Inquiry was about to be set up. To continue operations, the UNRA board appointed the former director of projects as acting executive director, and also filled the other positions with staff in acting capacity. After nine-months of investigations, conclusions were yet to be published. The issues to be tackled would include land acquisitions and compensations, contract awards, and inside dealings⁸. The time it was taking for the results to come out was, however, frustrating for the acting executive director:

They [suspended officials] are at home and we pay them half salaries until the investigations are over. If they aren’t implicated, then they can come back. It’s a difficult time ...It’s quite important that a big institution like this should not be headed by somebody in acting capacity...These investigations should get completed quickly to allow the board to put in place a full executive director because not many people are able to work properly on the acting capacity especially if you don’t have a clear note...There will be tendency for some government institutions to try to take advantage of somebody who is acting ‘do this, do that’ [Acting Executive Director]

Financing UNRA

Financing for UNRA depended on around 60% of government grants and 40% on loans and grants with multilateral agencies and donors. But donor financing had been shrinking in the aftermath of a major corruption scandal with another agency in 2012, and the government was cash-strapped. Hence financing fell way short of UNRA needs to maintain the road network and build new roads. Many critical paved roads were crumbling which delayed journey times, accelerated the wear and tear of vehicles, compromised road safety, and was exponentially increasing transport costs.

From a road maintenance perspective, an Act of Parliament in 2008 had established the Uganda Road Fund (URF). URF became operational in January 2010, and was

⁸ <http://www.ntv.co.ug/news/business/16/jun/2015/commission-inquiry-investigate-unra-procurement-scandals-6736#sthash.y2BBKT9P.dpbs>

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mandated to collect road user charges, e.g., vehicle licence fees and fuel levies, and manage the funds so collected to finance UNRA road maintenance programmes. But the mandate was yet to be implemented. URF operated under the supervision of the Minister of Finance, which argued the URF Act contradicted the Uganda Revenue Authority (URA) Act which gave URA control over all revenues generated by taxes, permits and levies. Until the law was changed, the Ministry of Finance was not ceding control of the road user charges that went into a consolidated fund, and URF would remain dependent on the URA allocation. URA also had reservations about the capacity of the road sector as a whole to handle more funds. This frustrated the officials in the road fund which claimed their UShs 345 Billion (~US\$94 million) budget in 2013/14 represented only 30% of the revenues realised from road user charges when the total demand with road works called for a 90% allocation⁹. From a capital development perspective, UNRA relied on central budget allocations and deals with development partners and multilateral agencies struck by the Government:

The government outlines its programs and for us we've the 10-year Road Sector Development Program; then within UNRA, we also have our elaborate investment program. Frequently, the government organizes donor conferences which will help development partners to indicate what they can be able to participate. From that end we go out to them and say 'This is what we've, can you play a role in this?' Then of course on the other side, whenever they have funding available, they come and say 'This is what we've, do you have anything that we can engage in terms of investment in these areas?' It's both ways [Acting UNRA Executive Director].

Reaching financial agreements with external parties for new road projects could take, however, many years spent in negotiations, planning and procurement. Hence any opportunities to collaborate directly in road development projects with Chinese institutions with deep-pockets were very welcomed by the cash-strapped UNRA:

The arrival of the Chinese increased government's access to development money ...Chinese financing has of course increased our basket of development funds ... they are key partners for developing our network [UNRA Acting Executive Director]

The involvement of China into infrastructure financing in Africa in general and Uganda in particular had advantages and disadvantages. Securing loans and grants from Chinese institutions was much faster than from Western institutions. But Chinese loans would come with many strings attached. The China Exim Bank—the government infrastructure finance institution—would dictate the terms of the loans to include awarding consulting and construction works to Chinese government-owned companies. Furthermore, Chinese companies rarely considered using local labour for managerial posts. At best the local labour force recruited by Chinese companies would comprise unskilled workers. Ugandan Government officials saw this practice wholly inadequate for skills transfer and capacity building for the local population.

⁹ AH Consulting (2012). UNRA. Study on the Budget Allocation Formula.

Disadvantages notwithstanding, the Ugandan government and UNRA officials were happy to entertain conversations with Chinese institutions since deals offered by development partners and multilaterals, unlike those offered by China, also appeared to involve higher interest rates and little or no repayment grace periods. To pay back the loans the Ugandan government was looking into public-private partnerships (PPPs), and thus the notion of privatizing the provision of public services.

Although PPPs were the government's grand idea for paying China the loan for the Kampala-Entebbe Expressway, forging ahead with that plan was not trivial. The Ugandan Parliament had yet to promulgate legislation that allowed for toll roads, and specifically for road tolling being administered by a private entity. In addition, the extent to which private investors had an appetite to run roads in Uganda was unclear:

If we introduce for instance a toll road, we'll be taking away people's right to move ... the only way you can introduce tolling is if we've an alternative for those who don't want to pay... it means developing the double of the infrastructure which may be difficult for us... the other problem is whether we'll be able to get willing partners to come in... I think this country has not reached a level where a person can come in, invest in a toll road and get his money back, especially if they've also to keep the road running for the years that it's supposed to operate [UNRA Acting Projects Director]

KAMPALA-ENTEBBE EXPRESSWAY

The Kampala-Entebbe Expressway aimed to decongest the roads within Kampala and enhance traffic through and out of the Greater Kampala Metropolitan Area particular towards the international airport at Entebbe [**Exhibits 5a, b**]. Traffic congestion was increasing at an alarming rate of 4.5% annually country wise and 11% in the Kampala conurbation.¹⁰ Consequently Kampala was facing horrendous traffic jams and long peak hours. This in turn was causing vehicle operating costs to skyrocket, long and unpredictable journey times, and low productivity. Fixing the situation was vital considering that the Greater Kampala Metropolitan Area economy contributed 40% of Uganda's GDP, and high transport costs were holding back economic growth.

The idea for the \$476 million Expressway could be traced back to the early 2000s. The Expressway included five major interchanges to facilitate interconnections with busy local roads that led to major emerging population centres. The Expressway was therefore well aligned both with UNRA's ten-year strategic plan, as well as with the Greater Kampala Metropolitan Area Master Plan. Financing the scheme had, however, remained a major obstacle for many years. The scheme gained traction around 2008 after the Chinese authorities showed interest, and the two governments engaged in high-level talks. The deal approved on May 2 2011 by the outgoing Parliament consisted of a US\$350 million loan with a grace period of 5-years from

¹⁰ https://www.unra.go.ug/index.php?option=com_content&view=article&id=263:entebbe-express-highway&catid=43:on-going-projects&Itemid=66

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the Exim Bank of China at 2% annual interest and repayable over a 25-year period.¹¹

As part of the deal, the \$476 million design and build contract was awarded to the China Communication Construction of China (CCCC), and the two parties signed a conditional contract in October 2010; agreed changes were later executed through Addendum No.1 signed in June 2012. In turn a \$5million contract to supervise design and construction works was awarded to Beijing Expressway Supervision and signed in May 2012. The construction contract assumed that the works would commence in July 2012 and would be completed by 2016 (later moved to 2017); it also included a 6-year guarantee. In 2012 UNRA appointed the UK-based consultant Mott McDonald through international competitive bidding to carry out an Independent Review of the Project Design, as well as provide overall management and technical supervision.

The project did not go without controversy as the legal requirements for competitive bidding regulated by the Public Procurement and Disposal Act had not been followed, and limited information transpired as to how UNRA and CCCC had agreed the price of the job and the completion date. UNRA argued it had recruited an external consultant, UK-based Scott Wilson, to review CCCC's plans and the cost proposal. It had also subjected the CCCC design to a series of internal technical reviews to go through different aspects including bridges, alignment, and pavement design standards. Still, a whistle-blower noted that the contract had even been signed without mandatory evaluation and appraisal of the project by Ministry of Finance which was supposed to assess its economic viability, check whether price was compliant and carry out assessments of environmental impact and cost of settling displaced persons. Whilst UNRA top officials claimed negotiations had occurred directly with government, the whistle-blower alleged that a CCCC local representative had bribed UNRA top officials and even officials in the Solicitor General's office to give clearance to the contract; it also claimed that the construction prices were inflated¹².

The whistle-blower submitted a dossier to the Criminal Investigations Department, the President's office, and journalists with a view of blocking the project. But after several meetings with the UNRA board and independent investigations, the President and Parliament cleared the deals. UNRA, in turn, recognised that on future projects it should ask the China EXIM bank to remove the pre-condition for awarding work to Chinese firms. Reporters sympathetic to government summarised the controversy:

*It's an astonishing tale of how foreign mafia gangs are exploiting the whistle blowing privileges in Uganda to sabotage government projects aimed at boosting infrastructure, tourism and trade.*¹³

Investigations aside, the suspicions of corruption got amplified after it came to public

¹¹ <http://china.aiddata.org/projects/14235>

¹² http://s3.amazonaws.com/china_resources/14881/2013-06-08_02_37_03_-0400_5133-investigation-unra-resists-sabotage-museveni-clears-entebbe-expressway.html#sthash.2xF1gFNd.dpuf

¹³ See more at: http://s3.amazonaws.com/china_resources/14881/2013-06-08_02_37_03_-0400_5133-investigation-unra-resists-sabotage-museveni-clears-entebbe-expressway.html#sthash.wN3hyzNg.dpuf

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in July 2011 that the World Bank had blacklisted CCCC for fraudulent practices in road projects in the Philippines. The WB recognised that China had amended its criminal law to make it an offence for Chinese companies and nationals to bribe foreign government officials. Still, the WB made CCCC and all its subsidiaries ineligible to engage in any WB-financed road and bridge projects until 2017.¹⁴

To the surprise of many, in 2014, UNRA announced a major increase to the scope of the Entebbe-Kampala contract after awarding CCCC a US\$150 million job to design and build 9km of a highway that was planned to intersect the Kampala-Entebbe Expressway. The initiative was within the Public Procurement and Disposal of Assets Act (PPDA) which exempted the agency from procuring a new contract for variations below 25% of the initial value [**Exhibit 6**]. The UNRA Planning Director defended the decision, arguing it would save US\$50 million¹⁵:

The additional works are very complex and require a lot of land to establish the pillars for the bridge. That is why we have chosen to use the same contractor because they have the expertise let alone avoid disruptions with another contractor, not forgetting reduce time and costs of identifying another contractor

Resolving the funding mechanism for the Kampala-Entebbe Expressway was another complicated process. The plan was to award the toll operator contract to a private entity. But this model required changes to the national legislation. As high-level talks amongst politicians progressed to introduce PPP specific legislation, the government approached the International Finance Corporation, IFC, the World Bank's business arm and asked for help to draft modalities under which the tolls would be managed. The government planned to tender for the management of five toll plazas in 2015¹⁶:

I am sure we will advertise tenders for a private operator to manage the tolls in 2015 so that by the time of commissioning of the road (in 2016), we will have the private operator in place.... Users will pay a high toll fee but once we are through, it will go down tremendously [Works state minister 2014]

Privately, however, in April 2015 UNRA top officials were equating a scenario where the Expressway would have to open before the tolling mechanisms were put in place. If this occurred, it would be politically delicate to enforce tolling later on.

Once you open the road to the public without tolling you'll never change it ... somebody must move faster than the project to ensure the tolling mechanism is in place...we're late...I've seen some laws which have moved at extraordinary

¹⁴ <http://www.worldbank.org/en/news/press-release/2011/07/29/world-bank-applies-2009-debarment-to-china-communications-construction-company-limited-for-fraud-in-philippines-roads-project>

¹⁵ <http://www.redpepper.co.ug/unra-announces-changes-on-kampala-entebbe-express-highway/>

¹⁶ <http://www.newvision.co.ug/news/656719-private-company-to-manage-kampala-entebbe-expressway.html>

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speed...and some laws which move very slowly—this is the case of tolling; asking people to pay for a road is not a popular move [UNRA Acting Projects Director].

With national elections nearing, the risk the legislation necessary to allow for road tolling would be delayed was getting increasingly high. Even if legislation was passed infighting was expected between the Ministry of Works and Transport and Ministry of Finance over the administration of the toll revenues. Suspending the construction works of the Kampala–Entebbe Expressway was, however, not in the cards.

Land Acquisition

The construction of the Kampala–Entebbe Expressway had commenced in November 2012 without UNRA having secured all the necessary land from more than 700 identified property owners in a first phase. By May 2013, 300 land plots remained to be acquired. UNRA had spent about a fifth of the US\$100 billion budget in the compensation package.¹⁷ Some delays were attributed to absentee or properties with multiple landlords, royal land, and mortgaged land. But the most complicated disputes occurred when landlords challenged the proposed compensation value. According to the Land Act, land belonged to the people, and thus people could not be forced to move without hammering out first a deal with UNRA. And although the constitution included a provision for compulsory acquisition if government needed land for public purposes, its article Article 26(2) (b) stated compulsory acquisition could only happen after prompt payment of fair and adequate compensation and prior to the taking of possession of the property. Exacerbating the problems was a series of rumours both about past projects where UNRA had failed to properly compensate landowners after they left their properties, and about major delays in disbursing agreed payments¹⁸.

The current Land Act provides that for roads and other infrastructural projects the Government must pay market price for land before it can have access. There is no provision for compulsory acquisition while disputes on value are being resolved. [UNRA Head of Corporate Communications]

To resolve the controversies, UNRA had recruited a consultant to produce the valuation reports all of which had to be approved by the Chief Government Valuer. However, whenever people rejected the offer on the table, long negotiations, court injunctions, and protracted proceedings would have to ensue. There were also ongoing allegations that speculators with intimate knowledge of the project had managed to acquire plots of government land along the proposed route that should have long been legally safeguarded by UNRA (or ‘gazetted’ in legal jargon), and then were wrangling with UNRA in order to sell the land at a massive premium:

It’s our wish to plan, purchase and gazette the land well in advance of procurement

¹⁷<http://www.ugandaroadsector.org/News/Entebbe%20express%20way%20diverted%20over%20compensation.pdf>

¹⁸ To avoid fraudulent payments, the government had introduced a Tax Identification Number requirement for all affected people which was challenging to get for rural, illiterate people

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and construction. [However] our budgets don't allow us to buy land for the roads we want to build in 5 years ... [also] protecting government land is a big problem....there is a high rate of encroachment...unless you cage off the land people who have been compensated will continue living and utilizing the corridor, and when you want to use the land they say 'We've nowhere to go' [UNRA Acting Projects Director].

In the case of the Kampala-Entebbe expressway, many valuations had been disputed, and the resolution of the controversies was ongoing. By May 2013, one third of the proposed route had been diverted to limit the number of people affected by the scheme, and lower the bill for land compensation¹⁹. Still there were areas where diversions were impractical owing to design standards and safety issues. Whilst the constitution could be interpreted to allow the government to use land belonging to individuals and only pay them later, that politically damaging approach was ruled out. Hence by March 2015, reports in the press suggested the total bill for land acquisition had escalated to US\$ 83 billion to compensate 1,800 property owners, exceeding the planned budget, and that at least an extra US\$ 40 billion would be needed.²⁰

One situation urging resolution since 2014 involved acquiring land in the hands of the Omega construction firm, the owner of a huge rocks quarry. CCCC designers had purposely chosen a route that went through that land so CCCC could extract rock stones from the quarry and thus reduce the bill for construction materials. But the construction firm, which also mined stones from the quarry, refused to sell the land for less than US\$ 40 billion, a value that UNRA found wholly unacceptable.

They're holding us now like this...because we have a project from this side and a project from that side, and that's why we now have to pay quite high costs, really high....we've reached a level where we're now about to start paying them off very exorbitantly because we now have no way out [Acting UNRA Executive Director]

CCCC seemed patient with the problems dogging the flagship scheme [**Exhibit 7**]. But clearly the company was sharpening its pencils to claim compensation for the delays caused by lack of land availability. In a 2014 visit to the project site with UNRA and government officials, the EXIM President Li Riogu left a subtle warning:

We, Chinese, work seven days a week...you have to tell your people (support staff) to work hard just like CCCC to complete the project in time

Mr. James Okiror, UNRA's acting executive director, did not have an easy job. It was hard to imagine how the Kampala-Entebbe Expressway could be delivered on time and within budget. The land acquisition problems were many and complicated. UNRA had no direct control over the funds to buy land, the government was cash-

¹⁹<http://www.ugandaroadsector.org/News/Entebbe%20express%20way%20diverted%20over%20compensation.pdf>

²⁰ <http://observer.ug/news-headlines/37179-entebbe-k-la-highway-what-is-done-so-far>

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strapped, and the 2014 corruption scandal had put all UNRA activities under a lot of public scrutiny further complicating any negotiation talks with landowners. Moving people away from their land before hammering out a deal was also not in the cards. If UNRA failed to secure the land in the short-term, CCCC was understandably expected to claim a hefty compensation for added indirect costs and inflation in construction prices²¹. A delay could also potentially affect the additional design and construction works for the highway intersecting the Kampala-Entebbe Expressway also awarded to CCCC, and trigger another round of tough negotiations.

It seemed it was the job of the future UNRA's executive director to be the bearer of bad news for the President of Uganda who was gearing up for elections in 2016. The outcome would also put pressure on the country's finances since the grace period to start paying back the Chinese loan was limited to 5-years. Complicating matters, the plan for going ahead with Uganda's first toll road had stalled in Parliament. For sure, the position of future executive director of UNRA was not for the faint of heart.

²¹ Inflation in Uganda averaged around 6% but was expected to go much higher as elections go closer.

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Exhibit 1 – UNRA National Major Roads Work Programme 2013/2014



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Exhibit 2a- UNRA completed national road projects since 2008

	Project	Km	Year completed
1	Jinja – Bugiri road	72	July 2009
2	Kampala Northern Bypass	21	Sept. 2009
3	Accident Black Spots on Kampala – Jinja Road	15	February 2009
4	Soroti – Dokolo – Lira	123	April 2010
5	Kawempe – Kafu road (Phase 1)	166	September 2009
6	Masaka – Kyotera/ Nyendo – Villa Maria	48	January 2010
7	Mbarara – Ishaka/ Ishanyu - Bwizibwera	83	Sept. 2010
8	Matugga – Semuto - Kapeeka	41	February 2011
9	Nakasongola Loop	25	June 2011
10	Kampala - Mukono	23	June 2011
11	Lira – Kamdini - Karuma	88	August 2011
12	Kampala – Gayaza-Zirobwe	44	August 2011
13	Kampala – Masaka Phase 1	63	July 2012
14	Busega – Mityana	57	June 2012
15	Masaka – Mbarara	154	August 2012
16	Kabale – Kisoro – Bunagana/Kyanika	101	Sept. 2013
17	Nyakahita-Kazo	68	February 2014
18	Kazo – Kamwenge	75	March 2014
19	Fort Portal – Bundibugyo-Lamia	103	March 2014
20	Malaba/ Busia – Bugiri	82	April 2014
21	Mbarara – Kikagati – Murongo Bridge	75	May 2014
	Total	1,527	

Exhibit 2b- Uganda Road Network Length (in Km). Source: UNRA Database 2012 and MOWT (Ministry of Works and Transport) DUCAR Database

Road Network	Paved Roads	Unpaved Roads	Total	Total (Not given by road type)	MoWT Total
National Roads	3,252	17,310	20,562	471	21,033
District Roads	-	29,383	29,383	4,443	33,826
CAR	-	75,750	75,750	7,027	82,777
Urban Roads	263	2,741	3,004	5,723	8,727
Municipal Roads	996	3,219	4,215		2,737
Total	4,511	128,403	132,914	17,664	149,100

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Exhibit 2c- UNRA The Roads Magazine, Issue 35, March 2015

UNRA delivers on its mission



Dan Kitakule Alinange
Head of Corporate Communications

During the month of February 2015, President Yoweri Museveni commissioned works on nine road projects promised in the Government Manifesto. These road roads are to be upgraded from gravel to tarmac.

Since the operationalization of UNRA in 2008, the tarmac national roads network has increased from 2,800km to over 4000km today. Over 1000km old paved roads have been rehabilitated /reconstructed in the same period. By 2016 we shall have a tarmac roads network of 5000km.

UNRA's Strategic Plan is to tarmac 2000km of gravel roads and rehabilitate 700km of old paved over the next 5 years. This year alone, works on over 1000kms of new roads will commence. In the near future, we shall again invite H.E. the President for ground breaking of the following roads:

- Mubende-Kakumiro-Kibaale-Kagadi-Ndaiga (140km)
- Kigumba-Masindi-Hoima-Kabwoya-Kyenjojo (240km)
- Rukungiri-Kihiki-Ishasha-Kambuga/Kihiki-Kanungu (78km)
- Tirinyi-Pallisa-Kumi/Kamukoli (111km)
- Masaka-Bukakata (41km)

- Mbale-Bubulo-Lwakhakha (45km)
- Hoima-Butiaba-Wanseko (111km)
- Muyembe-Nakapiripit (92km)

One of the projects launched by the President was the expansion of Kampala Northern Bypass. This project is long overdue.

The expansion of Kampala Northern Bypass and the construction of Kampala-Entebbe Expressway will go a long way in addressing the problem of traffic congestion on the corridors feeding Kampala. UNRA is also in advanced stages of identifying a private partner to work on Kampala-Jinja Expressway. We are also discussing with the African Development Bank on funding the Kampala-Mpigi Expressway. The designs for the Kampala flyover project are in advanced stages and construction will start next year.

We thank His Excellency the President and the Development Partners for the support to Uganda National Roads Authority.

Dan Kitakule Alinange
Head, Corporate Communications-UNRA



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Exhibit 1 – UNRA Act 2006

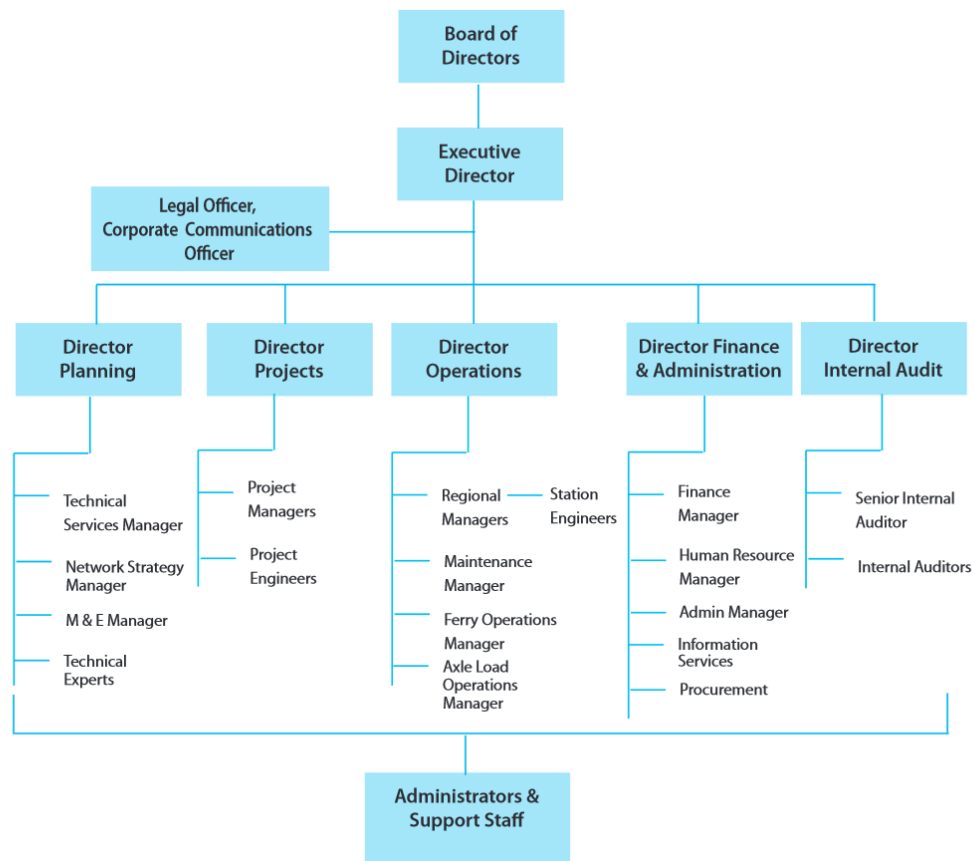
The UNRA Act 2006 specified for it the following functions:

- (a) to be responsible for the management of the national roads network;
- (b) to maintain and develop the national roads network;
- (c) to advise the Government on policy matters concerning roads generally, and to assist in the co-ordination and implementation of the policy relating to roads;
- (d) to contribute to the addressing of transport concerns in overall national planning through co-ordination with the relevant ministries, departments and agencies of Government;
- (e) to collaborate with international organisations, intergovernmental organisations and agencies of other states and the private sector on issues relating to the development and maintenance of roads;
- (f) to enter into agreements or other arrangements with any person for the provision of roads services, subject to such charges as may be agreed upon;
- (g) to advise and assist the Minister, subject to such conditions as may be agreed upon, in regard to—
 - (i) any matter relating to the planning, design, construction and maintenance of roads, whether the roads are part of the national roads network or not;
 - (ii) the establishment and maintenance of road reserves in accordance with the Roads Act; and
 - (iii) the exercise of any power or performance of any duty which the Minister may or is required to exercise or perform under this Act; and
- (h) to perform any other function incidental or consequential to its functions under this Act or as may be conferred on it under this Act²².

²² The Uganda National Roads Authority Act, 2006

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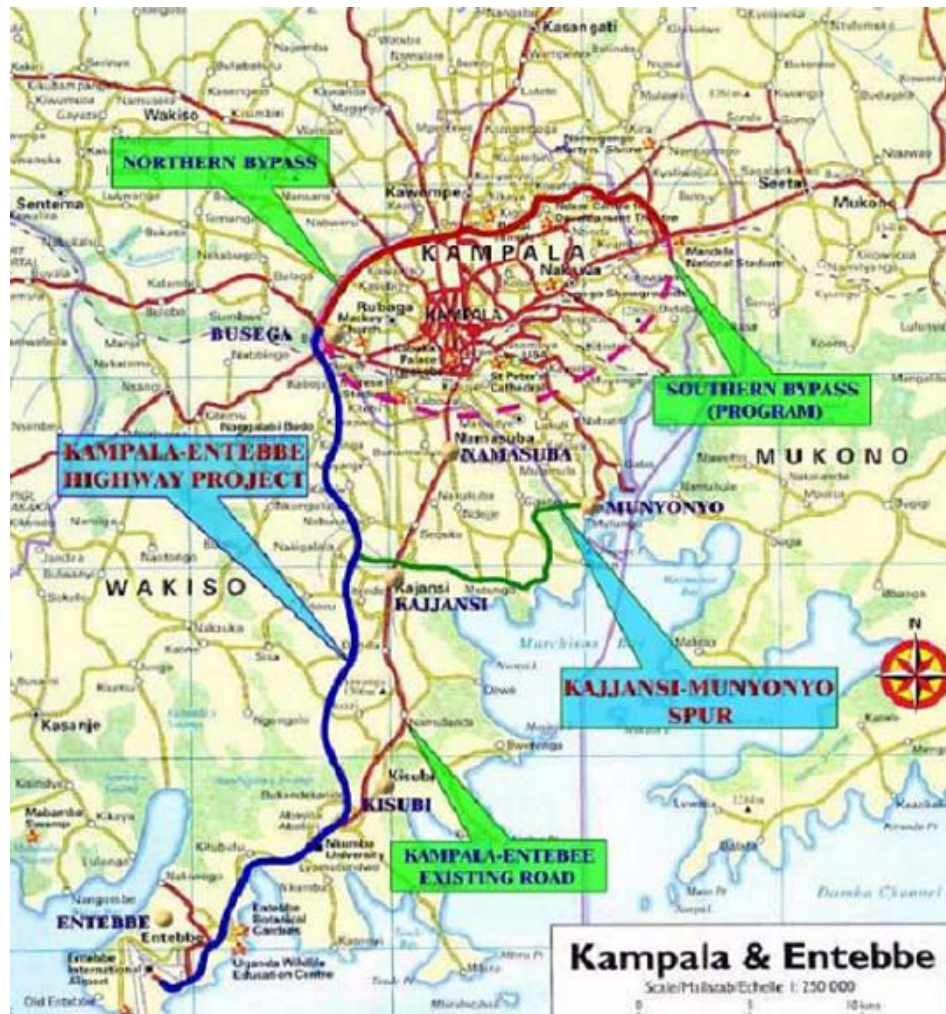
Exhibit 4 – UNRA Organizational Structure ²³



²³ <https://www.unra.go.ug/images/stories/assets/chart.pdf>

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Exhibit 2a – The Kampala-Entebbe Expressway



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Exhibit 3b – The Kampala-Entebbe Expressway Project Information
 [Produced by Beijing Expressway Supervision, April 2015]



北京市高速公路监理有限公司

BEIJING EXPRESSWAY SUPERVISION CO., LTD

A. Project General and Contractual Information

Employer/Contracting Authority:	Uganda National Roads Authority
Contractor	China Communications Construction Company
Engineer/Supervisor	Beijing Expressway Supervision Co., Ltd.
Contract Funded by	The Government of Uganda and EXIM Bank of China.
Currencies & Proportion of Payment	Local: 20% , Local Foreign: 80% , USD
Time for Completion of the Works	1825 Cal. Days + 365 Cal. Days DLP
Commencement Date	19 November 2012.
Type of Contract	Design and Build
Original Contract Price	USD 476, 000,000.00
Completion Date	18 November 2017 + 365 days DLP
Contract Time Elapsed	857 days
Time Extension granted	Nil
Variation Orders	Nil except additional cost for relocation of Utilities
Time Elapsed	857 Calendar days (Up to end March 2015) which is 46.9% of the 1825 calendar days contract time.
Physical Progress planned Vs Achieved	40.68% (Planned) 38.55% (Achieved)
Slippage	-2.13%
Work Program	The Contractor has revised the work program to be utilized for progress evaluation of work and resource mobilization beginning from the month of August 2014.

B: Scope of Works: Design & Build

B1: Design

The Project design is carried out according to pre determined and agreed (about 27 books) set of Chinese Technical Design Standards and Specifications.

B2: Type of Road

Dual carriage way 4 lane expressway from Kampala to Entebbe Air Port **36.85Km** and Kajjansi Munyonyo Spur **12.68Km** 4 lane design speed **50, 80 and 100 Km/hr**

Add: Ebony Villas, Sissa Road, Kitende Wakiso District, Kampala
 E-mail: bes_eastafrica@yahoo.com.cn

Tel: +256-791-235106
 P.O.Box: 74685 Kampala, Uganda

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北京市高速公路监理有限公司

BEIJING EXPRESSWAY SUPERVISION CO., LTD

- ◆ Busega interchange to Abayita Ababiri interchange Km 0+000-Km 24.9, design Speed = 100Km/hr (New alignment)
- ◆ Abayita Ababiri Km 24.9 to Km 32+300 State House Design Speed = 80Km/hr
- ◆ Km 32+300 to Entebbe Air Port: Design Speed = 50Km/hr
- ◆ Kajjansi Munyonyo Spur = 80Km/hr

B3: Major Construction works of the project comprise of:

- Excavation and fill of about 4 million cubic meters,,
- 220,000 M³ of stabilized sub base, 340,000 M³ of crushed base course placing, and 92,500 M³ Asphalt pavements.
- Three mainline **Toll plazas** (Busega, Abayita Ababiri and Kajjansi)
- Five main **Bridges** with span length 75 meters and total length 1450 meters
- Four **Interchanges** (Busega, Abayita Ababiri, Kajjansi and Lweza)
- One **Round about** (Munyonyo)
- Nineteen **Over Bridges** with link roads
- 74 Reinforced cement **Concrete pipe culverts**
- 44 **Box and slab culverts** including 17 pedestrian and vehicular underpasses
- Bituminous pavement layers, Hot mix asphalt

C) Current Contractor's Major Equipment Mobilization

The Contractor has mobilized plants and equipment to site. The number of heavy duty equipment during the month of July 2014 has reached:

- 120 dump trucks;
- 10 Water trucks
- 18 loaders;
- 11 bulldozers,
- 29 excavators,
- 10 graders,
- 20 rollers,
- 2 concrete batching plants,
- 14 pile drilling machines,
- 2 crusher plants,
- Generators, mixers vibrators cranes and transport vehicles. Total equipment mobilized to the site till date is 348 Units.

Add: Ebony Villas, Sissa Road, Kitende Wakiso District, Kampala
E-mail: bes_eastafrica@yahoo.com.cn

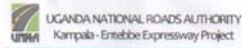
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北京市高速公路监理有限公司

BEIJING EXPRESSWAY SUPERVISION CO., LTD



K1+587 NALUKOLONGO BRIDGE (2)



Photo Showing Toll Plaza



K2+200 BUSEGA TOLL PLAZA



Photo Showing Typical Over Bridge

Add: Ebony Villas, Sissa Road, Kitende Wakiso District, Kampala
E-mail: bes_eastafrica@yahoo.com.cn

Tel: +256-791-235106
P.O.Box: 74685 Kampala, Uganda

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Exhibit 6- Procurement at UNRA [UNRA The Roads Magazine August 2014]

Procurement in UNRA's evolution

If the quantity of work on a road construction project soars to beyond 25%, fresh contractor procurement is mandatory. More than 25% variation is not acceptable.


UNRA operates under a strict and elaborate procurement regime with in-built numerous approval stages, regardless of the funding source, hence it has had to put up with excessive procurement delays. "UNRA cannot change this process overnight, yet the delays attendant to compliance translate into late work execution, roads conditions deteriorate and their cost of maintenance/reconstruction raise as inflation catches up with the projects," Eng Chris Opuci, UNRA Tororo Station Manager notes.

The Public Procurement and Disposal of Assets Unit (PPDA) requirements involve long advertisement periods; there is a stipulated time for notice boards displays and a display period that applies even to a minimum bid. There is also time committed to administrative reviews and a threshold for procurement.

Working in a business-like manner under the current arrangement is un-tenable whereas UNRA should operate on business principles, rather than a bureaucracy. Arguing that about 90% of UNRA's budget is spent through procurement,

Eng Opuci feels that the staff must be well-equipped through a strengthened Procurement Directorate. Broadly, the PPDA Law emphasises the independence of the procurement organs in the procurement cycle, like accounts officers, contracts committees, PDUs and valuation teams. They work independently, but are coordinated.

Whereas the PPDA Act amendment confers some powers to the contract managers to make some minimal variations without necessarily reverting to the contracts committee for approval, a variation in excess of 25% is not acceptable; if the quantity of work on a road construction project exceeds 25%, a contractor is procured afresh. A new contractor may have to go through the works of the initial one, which may create new problems.

Eng Opuci observes that to mitigate the effect of the existing bottlenecks for enhanced efficiency, UNRA needs long term maintenance contracts on major roads corridors, more staff through UNRA's review and restructuring, and the development of local contractors and consultants. 

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Exhibit 7- CCCC Advert in UNRA The Roads Magazine July 2014



The advertisement features a light blue background. At the top left are the flags of China and Uganda. At the top right is the logo for China Communications Construction Company Limited (CCCC) with its name in Chinese and English, and the UNRA logo. The main headline reads "CCCC perfects art of finishing projects ahead of schedule". Below this is a portrait of Eng. Fan Wenjun, Project Manager of the Kampala-Entebbe Expressway. The main image shows a large concrete highway interchange with orange steel structures being installed. A road underpasses the interchange at Busega. A white text box at the bottom left of the image contains the text: "Kampala-Masaka road underpasses Kampala-Entebbe Expressway at Busega".

中国交通建设股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

CCCC perfects art

of finishing projects ahead of schedule

Eng. Fan Wenjun
Project Manager
Kampala-Entebbe Expressway

Kampala-Masaka road underpasses
Kampala-Entebbe Expressway at Busega

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Some of the CCCC high profile projects



Runyang Yangtze River Highway Bridge, Jiangsu Province in China.



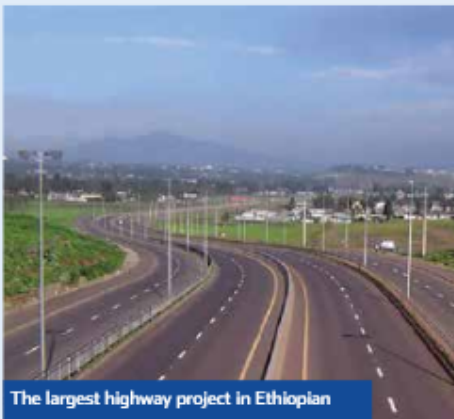
Yancheng city railway station in Jiang Su Province



Sutong Yangtze River Highway Bridge, Jiangsu Province



Shanghai-Nanjing Expressway



The largest highway project in Ethiopian



Subsea Tunnel of Hong Kong-Zhuhai-Macao Bridge.



Hongkong-Zhuhai-Macao Cross-sea Bridge



Penang Second Bridge in Malaysia

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K'la-Entebbe expressway takes shape

The point where the Kampala-Entebbe expressway will join up with the Kampala northern bypass is transforming from a swamp into a world class tarmac road.

Watching the employees of China Communications Construction Company (CCCC) perform the tasks that are making that transformation is witnessing the marvels of engineering at their best.

At one end, two casual labourers are digging up a more than one-foot deep hole on an already compacted section of the road, under the watchful eye of a Chinese engineer.

The casual labourers pour fine sand into the pit and then perform some pedantic exercises that don't seem to mean much to the casual observer. But for the engineers, according to engineer John Yang of CCCC, those mundane activities are the birth pangs of a

road that will be built to last up to 100 years.

Eng. Yang explains that such activities are part of the process of compacting the hitherto wet surface in order to make it strong enough for subsequent tarmacking. "We do everything as per the specifications," says Eng. Yang.

Along kilometre one, just after the first overhead bridge that loops over the highway to Mityana district, the road structure has been fully compacted to a height of 88 centimetres above the wet swamp. However, according to Eng. Yang, they have to compact soil and rock rising to another 68 centimetres before they reach the height for the road pavement.

"The end of next month is when we are going to finish dumping the stone so we start to build the road with the material," he says, adding that to compact each layer of the road, the contractors have to apply at least seven runs of the foot roller machine.

DO NOT

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Artistic impression of the picture above upon completion

A similar meticulous approach is being applied to the overhead bridges under construction on the Entebbe-Kampala expressway. According to the Uganda National Roads Authority (UNRA), the expressway will have a total of 18 overpass bridges and 18 underpass bridges designed to allow the free flow of traffic.

On the two overhead bridges constructed along kilometre one, several months of work has already gone into building the concrete pillars that will support the four lane, dual carriage expressway as it stretches its way out of Kampala and onwards to Entebbe International Airport.

So far, CCCC has completed 30 per cent of the work on the Kampala-Entebbe expressway.

According to the CCCC engineers, they are currently working on four sections of the 51.4 kilometre expressway. The sections are Main Line (MK) 0-6, 6-12.5, 12.5-19, and 19-23, Also Link Line (LK) 6.3-42.6 along Munyonyo spur road.

Between kilometre 4-6, CCCC engineer Zhao Mingwei says they would even have done much more if some of the project affected persons had accepted the compensation that the government is offering them.

About a kilometre from where the construction work has stalled on kilometre six is a stone quarry that is stationed directly where the expressway is supposed to pass.

UNRA says it has offered the owner of the quarry compensation but he declined it, demanding much more because leaving the place would mean forfeiting his stone quarrying business.



Chinese Ambassador Zhao Yali, China EXIM Bank President Li Ruogu, Uganda President H. E. Yoweri Museveni, Cabinet Ministers , CCCC President Chen Fenjian (extreme right)and China EXIM Bank officials in a group photo.

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