



PARLIAMENT OF UGANDA

28 SEP 2022

**REPORT OF THE COMMITTEE ON PHYSICAL INFRASTRUCTURE ON THE
DELAYED PAYMENT OF CONTRACTORS HIRED BY UNRA.**

Office of the Clerk to Parliament

Parliament Building

Kampala

September 2022

Rt. Hon. Speaker and Hon. Members,

Rules 187 (f) and 189 provide for the jurisdiction and mandate of the Committee respectively; to cover the sectors of Lands, Housing, Urban Development, Physical Planning, Works and Transport:

- It is against this background that the Committee proceeded to interrogate the debts owed by Government to construction companies hired by UNRA and the attendant interest charged on the Consolidated Fund arising therefrom. The Committee also concurrently considered a petition to the Rt. Hon Speaker from Uganda National Association of Building and Civil Engineering Contractors (UNABCEC) on delayed payment of contractors who are members of the Association.

The committee now presents its report to this House for consideration.

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The Committee:

- ### 3.0 SUBMISSIONS FROM STAKEHOLDERS

The Committee received submissions from stakeholders as follows:

A. Submission from UNABCEC (Appendix I)

UNABCEC is a non-profit, member driven, National Trade Association of over 396 Contractors, and other organizations engaged in the construction sector in Uganda. The core purpose of the organization is commitment to improve performance in the construction industry by championing better regulation and enhancing operational integrity.

UNABCEC raised the following issues:

- i. Delayed payments is the major factor that negatively affects local contractors. UNRA the major employer of UNABCEC members owes them over UGX. 500 Billion in arrears as at 11th May 2022. The other Government entities that also owe UNABCEC members include Ministry of Works and Transport, Ministry of Water and Environment, Ministry of Lands, Housing and Urban Development, Ministry of Health, Ministry of Education and Sports; and various District Local Governments.

Consequently:

- a. Some members are losing the security they used to acquire loans to execute the Government projects.
- b. Contractors have been frustrated and hindered from performing ongoing works thus failing to pay workers, taxes and other statutory obligations like NSSF, insurance and other partnership commitments.

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- c. Uganda Revenue Authority (URA) penalties have overwhelmingly accrued due to delay of payments of the requisite taxes like VAT.
- d. Commercial Banks are losing confidence in government-funded projects due to contractual breach. This has made the projects less competitive and more expensive.
- e. Continued delay of payments to contractors suppresses related manufacturing and smaller businesses along the supply chain.
- f. There is limited participation of local contractors in Uganda's public procurement. This has increasingly exposed Ugandans to exploitation by foreigners.
- g. Government's delay to pay Local Contractors has frustrated the growth of its own national providers, contrary to the objectives of Vision 2040 and the NDP III.

UNABCEC prayed that:

- i. A supplementary budget be approved to enable payment of all outstanding arrears to contractors.
- ii. Government through the MoFPED should:
 - a. Fast-track the reversal of the budget cut, and reinstate the 40% budget to those MDAs responsible for infrastructure development.
 - b. Issue a commitment letter to UNABCEC as a tool to restore confidence in Banks and other suppliers owed by UNABCEC members until outstanding payments are made.
 - c. Engage the management of Bank of Uganda to relieve pressure on non-performing loans by contractors. The Bank should allow loan restructuring to contractors; a moratorium for a given period to relieve contractors of the burden.
 - d. Instruct URA and NSSF to negotiate with contractors on flexible payment terms and allow a grace period to distressed contractors who are just recovering from COVID-19.
- iii. Direct Government entities employing construction contractors to undertake the following short term measures;
 - a. Waiver of liquidated damages.
 - b. Waiver on extension of performance bonds while allowing re-negotiation of existing contracts under an agreed formula based on current increase in construction inputs.
 - c. Consider *Force Majeure* as a last option.

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B. Submission from Uganda National Roads Authority.

Uganda National Roads Authority highlighted the following issues:

- i. Government decision to suppress the budget for the Financial Year 2021/22 by 40% due to poor revenue performance and effects of COVID-19 pandemic came when UNRA had already signed contracts that could not be revoked and or was at advanced stages of procurement.
- ii. Some of the contracts were for construction of broken bridges, swamp crossings and consultancies for projects whose contracts were on going.
- iii. As at 11th May, 2022 deficit stood at **UGX. 573.3 Billion** and was accruing interest of UGX. 235.6 million per day at a rate of 15% per annum.
- iv. Interest rates for failure to meet obligations by the employer are embedded in the respective contracts.
- v. 68% of the debt was owed to international contractors and 32% to local contractors.
- vi. The arrears were projected to grow to **UGX. 585.08 Billion** at the end of the Financial Year 2021/22; with the interest growing to UGX. 240.4 million per day if no efforts were made to clear them.



C. Submission from the Ministry of Finance, Planning and Economic Development (MoFPED)

(Appendix II)

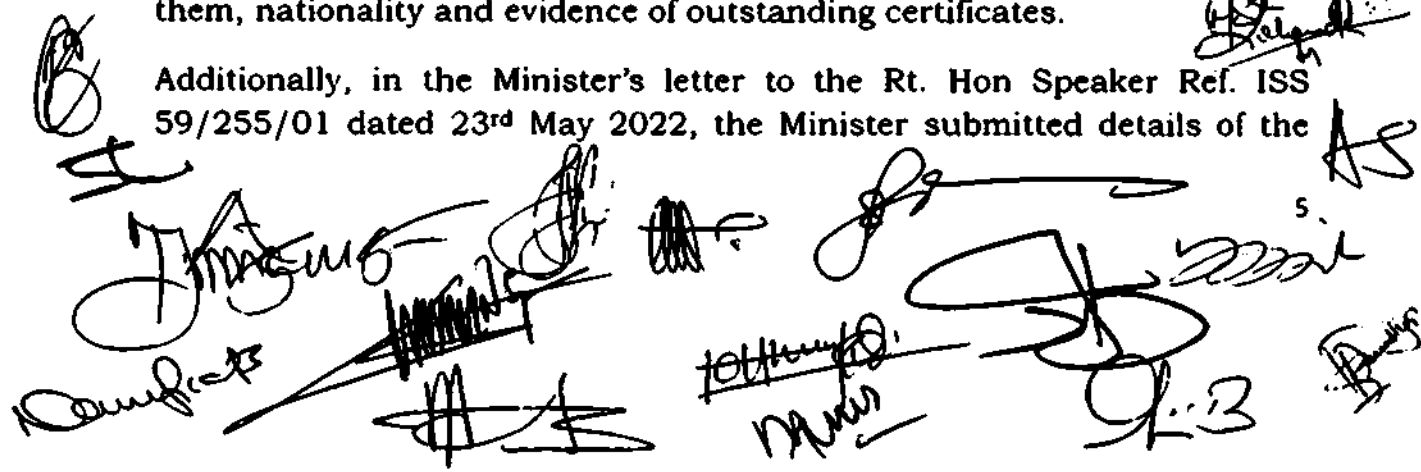
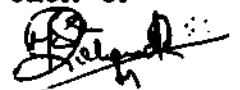


MoFPED informed the Committee that:

- i. There was delay to pay contractors due to revenue shortfall arising out of the COVID-19 pandemic.
- ii. When the issue on delayed payment was received from Parliament, the Ministry subsequently requested the Accounting Officers to provide details of affected contractors including the amount owed to each of them, nationality and evidence of outstanding certificates.



Additionally, in the Minister's letter to the Rt. Hon Speaker Ref. ISS 59/255/01 dated 23rd May 2022, the Minister submitted details of the



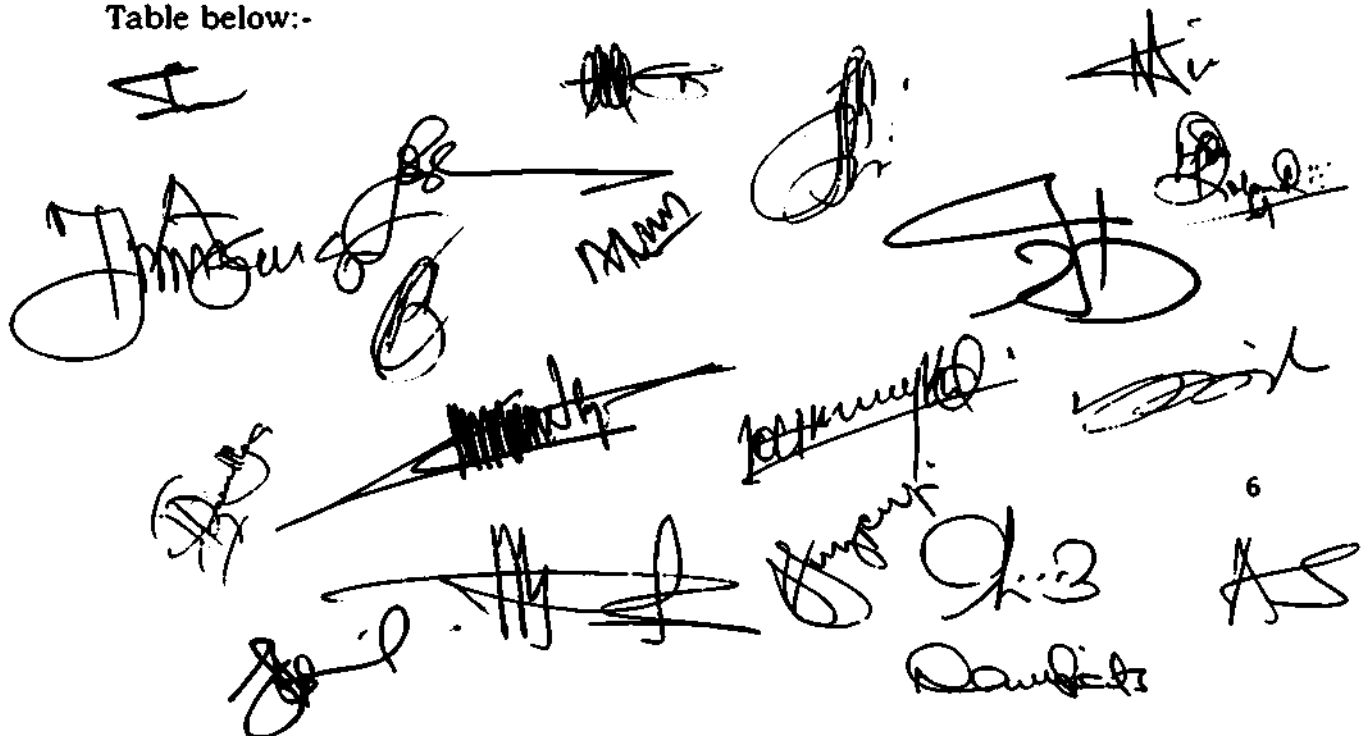
affected contractors and outstanding certificates amounting to **UGX 840,868,471,074** as submitted by the respective Accounting Officers.

At the time of appropriation of the budget for FY 2021/22 the budgetary allocations for all votes were premised on the assumption that the economy would recover and help generate UGX. 22.425 Trillion from domestic revenues.

However, within the first quarter of execution of the budget, it became evident that the economy continued to suffer the after effects of COVID-19 lockdown and Government was expected to record shortfalls in revenue amounting to UGX 2 Trillion.

- iii. During the peak of COVID-19 pandemic, Government had increased its borrowing to 49.8% of GDP leaving little room to cover revenue shortfall with debt financing given the 50% of GDP ceiling agreed with Parliament in the Charter of Fiscal Responsibility.
- iv. To accommodate the revenue shortfalls, Cabinet effected a 40% suppression of the Government of Uganda Budget excluding wage for all votes. Accounting Officers were accordingly advised to revise their work plans to avoid over commitment by Government through the accumulation of arrears of contractors and suppliers.
- v. Since the economy had shown signs of improvement with the re-opening in January 2022, Government shortfalls were projected at UGX. 1.6 Trillion compared to UGX. 2 Trillion in the first quarter of FY 2021/22.

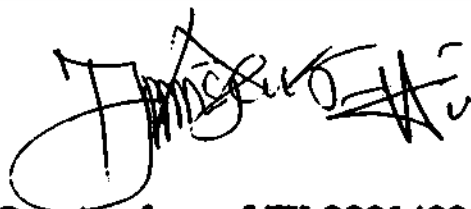
The Ministry of Finance, Planning and Economic Development therefore sought a Cabinet decision to unfreeze the Budget suppression of some of the votes affected by the outstanding obligations to contractors basing on submissions received from the Accounting Officers as summarized in the Table below:-



Votes that submitted outstanding Certificates/Invoices to contractors for consideration.

Table 1

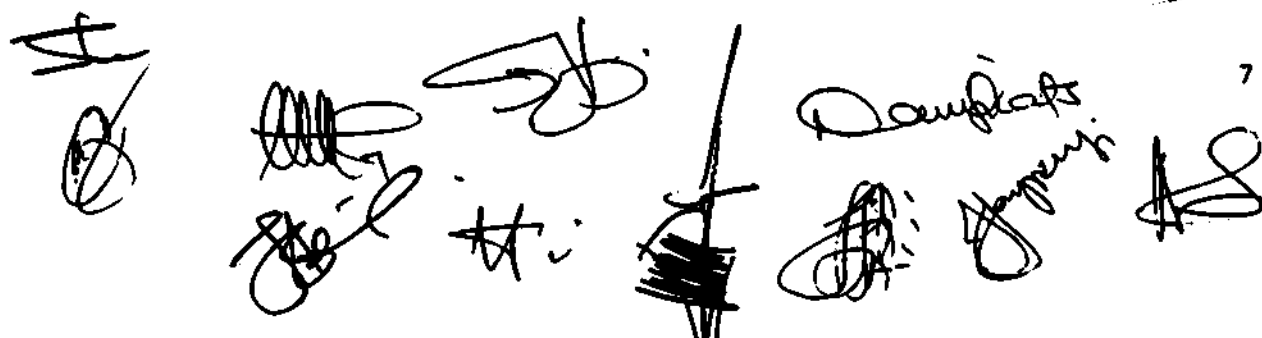
Vote	Vote Name	Approved Budget (Non Wage and Devt (UGX bn)	40% cut (Non-Wage and Devt) (UGX Bn)	Proposed Amount (UGX Bn)	Justification for reinstatement
016	Ministry of Works and Transport	575.068	241.988	108.890	To pay outstanding certificates with contractors
019	Ministry of Water and Environment	522.792	225.024	131.261	To pay outstanding certificates on construction works for various water schemes
113	Uganda National Roads Authority	1775.000	783.747	352.686	To pay outstanding certificates by Authority with Contractors
118	Uganda Road Fund	503.754	226.417	101.888	To pay outstanding certificates for Road Maintenance by Road Agencies
131	Office of the Auditor General	37.732	13.212	6.606	To facilitate audits and contractual obligations with various service providers
	TOTAL	3,414.35	1,490.388	701.330	



Additional Expenditure Limits issued in Quarter four of FY 2021/22 were as inTable 2 below:

Vote	Vote Name	Additional Expenditure Limits (UGX)
016	Ministry of Works and Transport	132,343,860,123
019	Ministry of Water and Environment	101,261,000,000
113	Uganda National Roads Authority	352,686,000,000
118	Uganda Road Fund	101,888,000,000
	Total	688,178,860,123

From Table 2 above the roads subsector received UGX 586,917,860,123.

Consequently, the Ministry;

- a. Pledged to settle the remaining obligations as first call on the budget for FY 2022/23.
- b. Advised all Accounting Officers to desist from entering into new contracts before the clearance of the debts owed to Contractors.

4.0 OBSERVATIONS AND RECOMMENDATIONS:

4.1 On concerns from the House:

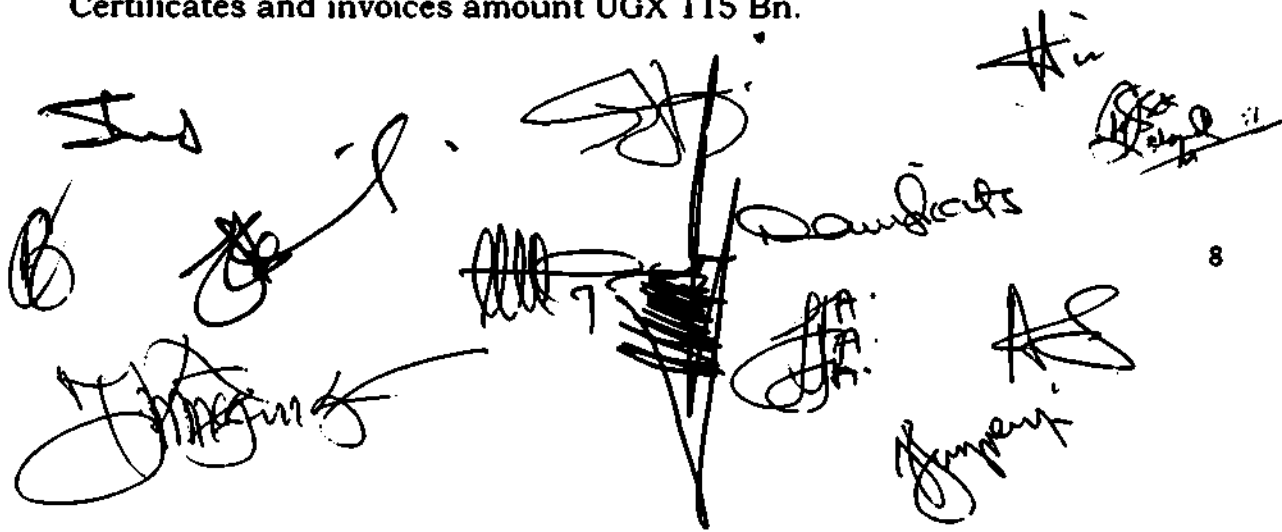
The main concern from the House as referred to the Committee for scrutiny was; *"Delayed payments to contractors leading to high interest charges to Government"*

The Committee observed that:

- a. There was delay to pay Certificates and invoices to contractors hired by UNRA due to revenue shortfall arising out of the COVID-19 pandemic which caused arrears with attendant interest of **UGX 235.6 Million** per day contrary to **UGX 334 Million** per day as stated by Hon. Sebamala Richard; from an obligation of UGX 573.3Bn as at 11th May, 2022.
- b. At the end of FY 2021/22, Ministry of Finance, Planning and Economic Development had made efforts to release additional UGX 688,178,860,123 for various Votes, under which the Ministry of Works received UGX 132,343,860,123, Ministry of Water and Environment UGX 101,261,000,000, Uganda National Roads Authority UGX 352,686,000,000 and Uganda Road Fund UGX 101,888,000,000.

Out of the additional release of UGX 688,178,860,123, the roads subsector received UGX 586,917,860,123.

- c. The Committee observed that since interim payment Certificates and invoices are raised from time to time the obligation owed to UNRA by 27th September, 2022, was UGX 832.026 Bn out of which local contractors' Certificates and invoices amount UGX 115 Bn.



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The Committee further observed that;

- i. There were delays to pay outstanding Certificates and invoices due to the effects of Covid 19 pandemic which affected revenue collection. This consequently led to budget suppression by a 40% cut across various votes.
- ii. UNRA's delay to pay the arrears would continue to cause Government to incur nugatory expenditure.
- iii. The non-operationalization of the Road Fund to the 2nd Generation by Government has been the cause of the piece meal funding to the Roads Sector and the delayed payment to contractors.

The Committee therefore recommends that:

- a. To avoid payment of accumulated interest, Government should endeavor to prioritize funds meant for meeting contractual obligations because the interest rate on arrears of Certificates and invoices is quite high.
- b. In order to curb the ongoing hemorrhage of financial resources from Government, MoFPED should endeavor to honor its commitment to clear the debts owed to contractors as a first call in the first quarter of the following financial year.
- c. Government should prioritize operationalization of the Road Fund as a second generation fund to address the issues of suppressions in funding of road maintenance.

4.2 UNABCEC Concerns

The Committee observed that;

- i. The 40% budget cut to MDAs responsible for infrastructure development significantly affected their planned outputs which consequently led to their inefficiency and ineffectiveness.

The Committee therefore recommends that Government increases funding to the Ministries that were affected by the 40% cut in the previous year, 2021/22 in order to cover for the deficit accrued in the infrastructure development.

- ii. The Committee observed that UNABCEC being a bridge between the Construction Industry and Government has been overwhelmed by

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complaints from its Members accruing from delayed payments that have consequently led to hindrances by contractors to perform on-going works and other obligations.

The Committee recommends that Government clears all outstanding obligations to UNABCEC members and other contractors owed. This will also go a long way in ensuring that the good working relationship between UNABCEC and Government is maintained.

- iv. The Committee further observed that some UNABCEC member accounts have been seized or frozen by URA due to accumulated tax penalties as a result of delays to remit VAT with penalties and a monthly 2% interest on tax arrears.
- v. The Committee observed that Commercial Banks who are the main financiers of the construction industry are losing confidence in Government funded projects due to contractual breach by Government making the projects less competitive and very expensive. Further the pressure from Commercial Banks on the loans undertaken is overwhelming.

The Committee recommends and urges Government clear the outstanding obligations owed to construction contractors.

4.3 GENERAL OBSERVATION AND RECOMMENDATION

Need to protect Local Contractors

The Committee appreciated the concerns of UNABCEC in regard to the need to protect the local contractors. It was noted that delayed payments by Government to local contractors had led to the collapse of many local companies.

The Committee observed that the collapse of the contractors derailed Uganda's journey towards the achievement of the Sustainable Development Goals (SDG) 1,8 and 9 as well as contradicting the objectives of Vision 2040 and the NDPIII.

SDG 1 advocates for no poverty by 2030 and SDG 8 for decent work and economic growth within the same period. The collapse of the contractors leaves some of them without a source of income, indebted and their former employees jobless. This predisposes both categories of people to poverty. The collapse of the contractors also jeopardizes Uganda's realization of SDG 9 that advocates for industry, innovation and infrastructure development by 2030. The fact that


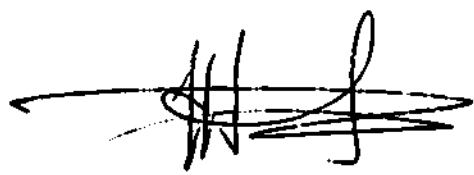
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the contractors are unable to deliver on the expected contracts, infrastructure development is delayed.

The Committee recommends that Uganda should at all times be seen to be committed to attaining the SDGS to which she is signatory and achieving its objectives in Vision 2040 and NDPIII.




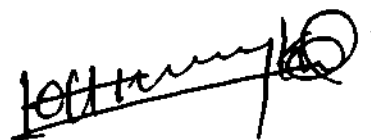
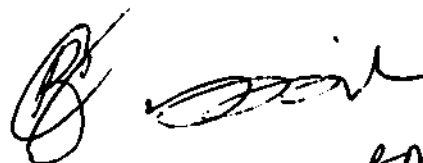
5.0 CONCLUSION

The Committee noted that the delay in clearance of Certificates and invoices was caused majorly by underperformance of revenue collection resulting from the effects of Covid-19 pandemic which led to budget suppression in various votes. However, Government made efforts to clear some of the obligations when revenue performance improved. Government is therefore urged to always honour its obligations in time in order to avoid accrued interest and nugatory expenditures. Government should also prioritize operationalization of the Road Fund as a second generation fund to address the issues of suppressions in funding of road maintenance.



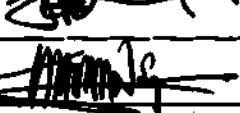

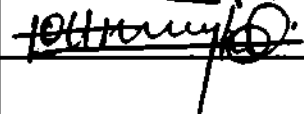
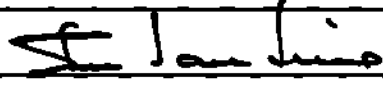

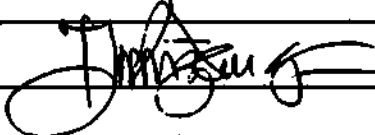
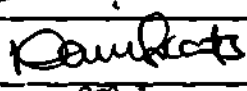



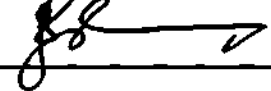


Rt. Hon. Speaker, Hon. Members,

I beg to move that this Report be adopted.



**REPORT OF THE COMMITTEE ON PHYSICAL INFRASTRUCTURE ON THE
DELAYED PAYMENT OF CONTRACTORS HIRED BY UNRA.**

NO	NAME	SIGNATURE
1	Hon. Karubanga David C/P	
2	Hon. Kasolo Robert D/CP	
3	Hon. Sarah Opendi	
4	Hon. Nsegumire Muhamad Kibedi	
5	Hon. Lokwang Hillary	
6	Hon. Asaba Paul Nsabimana	
7	Hon. Bukenya Michael Iga	
8	Hon. Byanyima Nathan	
9	Hon. Agaba Aisa	
10	Hon. Pascal Mbabazi	
11	Hon. Atyang Stella	
12	Hon. Kabanda David	
13	Hon. Namujju Cissy	
14	Hon. Awas Sylvia Vicky	
15	Hon. Ssemwanga Gyaviira	
16	Hon. Naigaga Mariam	
17	Hon. Atwakiire Catherine Ndamira	
18	Hon. Kabuusu Moses	
19	Hon. Sebamala Richard	
20	Hon. Okello Nelson	
21	Hon. Saazi Godfrey	



22	Hon. Nambeshe John Baptist	
23	Hon. Ssekabira Denis	<i>Hi</i>
24	Hon. Balimwezo Ronald Nsubuga	
25	Hon. Okupa Elijah	
26	Hon. Mugema Peter	<i>Mugema</i>
27	Hon. Roland Ndyomugenyi	<i>Ndyomugenyi</i>
28	Hon. Nsanja Patrick	
29	Hon. Kaberuka James Ruugi	
30	Hon. Nsibambi Yusuf	<i>Nsibambi</i>
31	Hon. Rwemulikya Ibanda	<i>Rwemulikya</i>
32	Hon. Kibalya Henry Maurice	
33	Hon. Bainababo Charity	<i>Bainababo</i>
34	Hon. Aloba Joan Acom	

35 Hon. Thembo Cideon Mujuru *35*


UNABCEC
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Our Ref: UNAB/ADV/PARL/05/2022/008

 11th May 2022

Hon. David Karubanga (MP)
 Chairperson, Parliamentary Committee on Physical Infrastructure,
 Parliament of The Republic Of Uganda.
 Plot 16-18 Parliament Avenue.
 P.O BOX 7178, Kampala, Uganda.

Dear Honorable,

REF: DELAYED PAYMENTS TO CONSTRUCTION CONTRACTORS

Please refer to your letter Ref: AB 288/499/01 of 06th May 2022 (*attached hereto as ANNEX 1 for ready reference*), which was consequent to our letter to the RT Hon Speaker of the Parliament of Uganda on the subject matter (Ref: UNAB/ADV/PARU04/2022/007 of the 27th April 2022 attached as ANNEX 2 hereto).

We thank you for the opportunity extended to us to present the challenges that our members are currently facing on government of Uganda contracts.

INTRODUCTION:

As you are well aware Hon. Chairman, in the Construction Industry, the private sector of consists of two sub-sectors; namely:

- 1) The Engineering design and Supervision services comprised of Consulting Engineers, Architects, and Surveyors among other professionals, and
- 2) The Physical Construction/Execution comprised of Contractors, mainly represented by Uganda National Association of Building and Civil Engineering Contractors (UNABCEC)

Uganda National Association of Building and Civil Engineering Contractors (UNABCEC) is a 29-year-old non-profit, member-driven, national trade association of over 396 Genuine Contractors, and other Companies and Organizations engaged in Construction Sector in Uganda. Our core purpose is commitment to improve performance in the Construction Industry by championing better regulation and enhancing operational integrity.

The association is dedicated to fostering growth and sustainability in the ever-changing environment of Commercial Construction Contractors, improving job site safety, expanding the use of cutting edge technologies and techniques and strengthening the relationships between Contractors, Clients and Government. Therefore, being the principle interface

To be the Lead Engine for the Growth and Development of the Construction Industry in the Region



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between the Construction Industry on one hand, the public, development partners and the Government on the other.

CONCERNS:

Hon. Chairman and Members of the Committee, the Contractors are ailing, as they are faced with grave challenge of delayed payments, especially on Government Projects, which we bring for your practical interventions.

Delayed payments has been and continues to be the major factor that is negatively affecting the Local Contractors. For example, Uganda National Roads Authority (UNRA), which is the major employer of our members in road construction, has over UGX 500Bn in arrears to Local Contractors, since January 2021 (*Please refer to ANNEX 3 hereto*). Other MDAs with delayed payments to contractors include, among others; Ministry of Works and Transport, Ministry of Water and Environment, Ministry of Lands, Housing and Urban Development, Ministry of Health, Ministry of Education and Sports, and various District Local Governments.

As you will further appreciate Hon. Chairman and Members of the Committee, because of delayed Payments, the undesired outcomes include but without limit to following:

- 1) Our members are losing everything they used as security to acquire loans to execute government projects.
- 2) By this act (*delayed payments*), the Contractors have been frustrated and hindered from performing of ongoing works and other obligations, and have thus been disallowed from generating requisite revenue to pay workers, taxes and other statutory obligations like NSSF, insurance, servicing bank loans (*with associated compounding interests*) and other partnership commitments.
- 3) Overwhelming accumulated tax penalties. In that, irrespective of the above persistent challenge, Uganda Revenue Authority (URA) is continuously harassing our members on account of delay to remit Value Added Tax (VAT), with penalties and a monthly 2% interest on tax arrears. URA demands remittance of VAT immediately after generating an e-invoice or risk incurring interest. This is yet additional strain on our members' cash flows, and forced some of their accounts to be seized/frozen by URA and running into receivership. Other members have failed to get Transactional Tax Clearances from the entity, denying tax payers a chance to do business unfairly.
- 4) Commercial Banks, who are the main financiers of the industry are losing confidence in government funded projects due to contractual breach by government. This has made the projects less competitive hence more expensive.
- 5) The negative effect of delayed payment to Suppliers.



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Our Ref: UNAB/ADV/PARL/05/2022/008

- 6) Continued non-payment severely hurts construction companies and triggers a downstream spiral, with the negative effect; suppressing related manufacturing and smaller businesses along the supply chain.
- 7) Limited participation of Local Contractors in Uganda's public procurement, which would have been the bulwark against foreign exploitation, and which is very bad for the economy.
- 8) By not paying Local Contractors, government is frustrating the growth of its own National Providers, which is contrary the objectives of Vision 2040, and associated NDP III

Because these factors Hon Chair and Members, Contractors have lost credibility before associated stakeholders, because they have been excluded from fair treatment by its own government. Hence, our members have been frustrated from fulfilling its commitments and cannot continue with it operations, since the government is responsible for this grave breach of trust and its obligations to Contractors—by not paying for works offered; especially National Providers. A number of contractors will soon resort to litigation and/or termination of ongoing contracts if nothing is done to immediately change the status quo.

Permit us further, to draw your attention to selected members who have been severely hurt by delayed payments. (Please refer to **ANNEX 4 hereto**)

Honorable members, as you will appreciate, with strained cash flow, our members are up against the increase in prices of Construction Inputs. The skyrocketing prices of Fuel/Diesel, cement, reinforcements of these major inputs have are additional burden to Contractors. Diesel for example have shot from UGX 3,490 in November 2021 to over UGX 5,400 at the fall of April 2022; over 53 percentile increase in a space of 6 months, which has affected all other construction materials. While Contractors will need deliberate cushion against ongoing contracts with government entities that were signed before the current inflation, this increase in cost of production could have been mitigated had payments been timely

RECOMMENDATIONS:

UNABCEC, recommends the following to cushion our members against the challenges being faced due to delayed payments:

- 1) Approval of supplementary budget, to enable Ministry of Finance Planning and Economic Development to pay all outstanding arrears to contractors.
- 2) Government, through the Ministry of Finance Planning and Economic Development should;

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- i) Fast-track the reversal of the budget cut, and reinstate the 40% budget cuts to those MDAs responsible for infrastructure development,
 - ii) Issue a commitment letter to UNABCEC as a tool to restore confidence in Banks and other Suppliers owed by UNABCEC Members until all outstanding payments are made,
 - iii) Engage the management of Bank of Uganda to relieve pressure on non-performing loans by Contractors. The Bank should allow loan restructuring to contractors; a moratorium for a given period to relieve contractors of the burden, and
 - iv) Instruct Uganda Revenue Authority (URA) and National Social Security Fund (NSSF) to negotiate with contractors on flexible payment terms and allow grace period to distressed contractors who are just recovering for effects of COVID 19.
- 3) Direct government entities employing construction contractors to undertake the following short-term measures;
- i) Waiver off Liquidated Damages: Because of delayed payments, most contractors have been and are still struggling to complete ongoing projects by borrowing expensively and in the process going beyond the contract period. In these circumstances, we find it unfair to charge them liquidated damages. It is our humble request that liquidated damages arising from delayed payments be waived and the period for underperforming contracts be reviewed until the situation returns to normal.
 - ii) Waiver on Extension of Performance Bonds: Contractors are struggling to perform and because of delay to meet their financial obligations, commercial banks have become adamant to extend their performance bonds. As a result, some contractors' payment certificates have been bounced by these entities because of expired performance bonds. We request that the extension of performance bonds be waived until when the situation improves.
 - iii) Allow renegotiation of existing contracts under an agreed formula based on the current increase in construction inputs since the existing conditions have a direct impact on projects. "Force Majeure" could also be considered as a last option.

CONCLUSION:

Honorable Members, we trust that you know that the Construction Sector represents the backbone of most developing economies, as it provides the foundation for infrastructure development, thereby acting as a driver and multiplier for all other economic sectors that



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UNABCEC

Our Ref: UNAB/ADV/PARU/05/2022/008

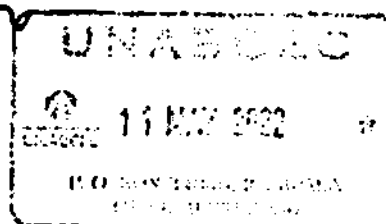
rely on such infrastructure. Besides being the 2nd biggest employing industry after Agriculture, it also contributes more than 12% to the Gross Domestic Product and it is therefore critical that it functions efficiently.

We therefore believe that the above proposed recommendations shall enable the sector flourish without compromising government's agenda.

Looking forward to your positive consideration of the matter. We remain.

Yours truly,


James Oke Otonya
President, UNABCEC




Elizabeth Muhebwa
Executive Director

Enclosed as above:

1. ANNEX 1
2. ANNEX 2
3. ANNEX 3
4. ANNEX 4

ANNEX 1

Parliament of Uganda's Invitation Letter to UNABCEC

ANNEX 2

UNABCEC's Petition to Parliament of Uganda on delayed payments



UNABCEC

UGANDA NATIONAL ASSOCIATION OF BUILDING & CIVIL ENGINEERING CONTRACTORS

Lugogo UMA Show Grounds, Plot M764, Coronation Avenue P.O Box 34046, Kampala Uganda

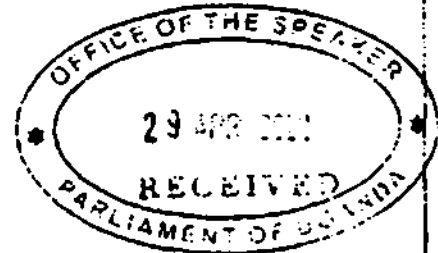
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Our Ref: UNAB/ADV/PARL/04/2022/007

27th April 2022

RT HON. ANITA ANNET AMONG (MP)
SPEAKER, PARLIAMENT OF THE REPUBLIC OF UGANDA.
PLOT 16-18 PARLIAMENT AVENUE.
P.O BOX 7178, KAMPALA, UGANDA.

Dear RT Hon. Speaker,



REF: DELAYED PAYMENTS TO CONTRACTORS

INTRODUCTION:

RT Hon. Speaker, Permit us to congratulate you on your well-deserved elections earlier this year and we wish you well in all your endeavors.

Uganda National Association of Building and Civil Engineering Contractors (UNABCEC), RT Hon. Speaker, is a 29-year-old non-profit, member-driven, national trade association of over 396 Genuine Contractors, and other Companies and Organizations engaged in Construction Sector in Uganda. Our core purpose is commitment to improve performance in the Construction Industry by championing better regulation and enhancing operational integrity.

The association is dedicated to fostering growth and sustainability in the ever-changing environment of Commercial Construction Contractors, improving job site safety, expanding the use of cutting edge technologies and techniques and strengthening the relationships between Contractors, Clients and Government. Therefore, being the principle interface between the Construction Industry on one hand, the public, development partners and the Government on the other.

We aspire: *"To be the lead engine for growth and development of the construction industry in the region."* To that end, we are committed: *"To promote and protect the shared interests of Members, and the Construction Industry as a whole, through Mobilization, Advocacy, Networking, and Innovative Service Provision".*

To be the Lead Engine for the Growth and Development of the Construction Industry in the Region

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UNABCEC

UGANDA NATIONAL ASSOCIATION OF BUILDING & CIVIL ENGINEERING CONTRACTORS

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Our Ref: UNAB/ADV/PARU/04/2022/007

CONCERNS:

The subject issue, RT Hon. Speaker are the challenges that UNABCEC Members, and the Construction Industry as a whole are facing, because of delayed payments from Government.

Delayed payments has been and continues to be one of the major factors limiting participation of local contractors in Uganda's public procurement. Besides the overwhelming accumulated tax penalties and interests from banks, suppliers and other service providers, our members are currently risking losing everything they used as security to acquire loans to execute government projects. Continued non-payment severely hurts construction companies and triggers a downstream spiral negative effect of suppressing related manufacturing and smaller businesses along the supply chain.

A case in point is Uganda National Roads Authority, the major employer of our members dealing in road construction, which has over UGX500Bn in arrears to local contractors dating January 2021. The situation, RT. Hon. Speaker, is getting out of hand, as contractors will be left with no option but to seek legal or worse, industrial action against government if nothing is done to immediately address this matter.

Whereas we recognize the current financial constraints faced by the government as evidenced by the recent budget cuts, we trust that you know that the Construction Sector represents the backbone of most developing economies, as it provides the foundation for infrastructure development, thereby acting as a driver and multiplier for all other economic sectors that rely on such infrastructure. It also contributes more than 12% to the Gross Domestic Product and it is critical that it functions efficiently. We therefore believe that solutions that can enable the sector flourish without compromising government's agenda can be found.

It is also worth noting that UNABCEC has made several engagements with the Ministry of Finance, Planning and Economic Development about the matter but these have unfortunately yielded no positive results. Particular reference is made to our meeting of 16th March 2021 with Hon. Matia Kasaija, Minister of Finance Planning and Economic Development in which the Minister pledged to:

- 1) Release the remaining 25% of the approved budget for the third quarter of the FY2021/22 to MDAs in 2 weeks' time (*from the date of the meeting*) to enable them pay relative proportion to Contractors.

To be the Lead Engine for the Growth and Development of the Construction Industry in the Region

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UGANDA NATIONAL ASSOCIATION OF BUILDING & CIVIL ENGINEERING CONTRACTORS

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Our Ref: UNAB/ADV/PARL/04/2022/007

- 2) In the next cabinet sitting (*within the two weeks from the date of the meeting*), urge a reversal of the budget cut, to reinstate the 40% budget cuts to those MDAs responsible for infrastructure development, so as to settle the arrears to Contractors.
- 3) Issue a commitment letter to UNABCEC as a tool to restore confidence in Banks and other Suppliers owed by UNABCEC Members, and
- 4) Engage the Bank of Uganda to relieve pressure on non-performing loans by Contractors

Sadly, it is more than five weeks later, and none of the above pledges have been fulfilled. Madam RT Hon. Speaker, by this acts (*and/or the lack of action by Government*) that Contractors have been frustrated and hindered from performance of ongoing works and other obligations, and have thus been disallowed from generating requisite revenue to pay works, pay suppliers, payment of taxes' areas, and servicing bank loans (*against which Contractors are in the verge of losing their assets*). Consequently, Contractors have lost credibly before associated stakeholders, and have been excluded from fair treatment by its own government. Hence, our members cannot maintain operations since government has become culpable by this grave breach of its obligations to Contractors—by not paying for works offered to Government; especially by National Providers.

IMPLICATIONS:

Conversely, it cannot be overemphasized, Madam RT Hon. Speaker that, Contractor being partners with Government in providing construction services (*with all related value chain; such as families, agriculture, manufacturing, supplies of all other goods and services; besides all other economic sectors that rely on such infrastructure*), needed to be functionally supported as the foundation and the thrush engine for the well sang 'National Transformation aspiration of 'Vision 2040' and the related NDPs.' Thus, restoring confidence in the Construction Sector goes a long way in engendering the Gross National Product.

PRAYERS:

It is against this context, particularly the frustration that the Contractors have faced around this matter, that we as UNABCEC, write to you, RT Hon. Speaker, requesting that:

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To be the Lead Engine for the Growth and Development of the Construction Industry in the Region



UGANDA NATIONAL ASSOCIATION OF BUILDING & CIVIL ENGINEERING CONTRACTORS

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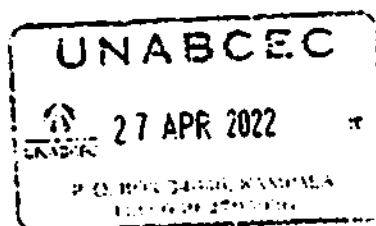
- i) Under your leadership, the Parliament of Uganda urgently weigh in and ensure that all these outstanding payments to Contractors are made without further delay.
- ii) Your well able and mandated office forges a way forward and dispel the uncertainties that Providers are currently facing to enable our members meet their obligations, and serve our great country.

We trust that you shall give these concerns and proposals due consideration.

We remain,

Yours truly,

James One Olonya
President, UNABCEC



Elizabeth Muhabwa
Executive Director

Copied to:

1. Rt. Hon. Deputy Speaker of Parliament
2. Rt. Hon. Prime Minister of The Republic of Uganda.
3. Hon. Minister of Finance, Planning and Economic Development.
4. Hon. Minister of Works and Transport.
5. Chairperson, Parliamentary Committee on Physical Infrastructure.
6. Permanent Secretary/Secretary to the Treasury, Ministry of Finance Planning and Economic Development,
7. Permanent Secretary, Ministry of Works and Transport.
8. Ag. Governor, Bank of Uganda.
9. Executive Director, Uganda National Roads Authority.
10. Executive Director, Uganda Road Fund,
11. Executive Secretary, Uganda Bankers Association.

ANNEX 3

UNRA's Letter to Ministry of Finance on Outstanding Payments to Contractors



Uganda National Roads Authority

Plot 3-5, Port bell Road
Nakawa Business Park
P.O. Box 26487 Kampala, Uganda
In any correspondence on this subject
Please quote No. UNRA/ED/01/22

19th January 2022

The Permanent Secretary/ Secretary to the Treasury,
Ministry of Finance, Planning and Economic Development,
Plot 2 -12 Apollo Kaggwa Road
P.O Box 8147
KAMPALA

REQUEST FOR ADDITIONAL CASH-LIMIT AMOUNTING TO UGX 200,000,000,000 TO PAY ACCRUED DEBT UNDER DEVELOPMENT GOU AND ROAD MAINTENANCE.

VOTE 113: Uganda National Roads Authority

Reference is made to your letter dated 22nd December 2021 in which you communicated the expenditure limits for the third quarter of FY 2021/2022 under Development GoU budget amounting to UGX 188,845,181,756 to the Accounting Officer.

Further reference is made to the letter from Uganda Road Fund (URF) dated 13th January 2021 in which a cash-limit amounting to UGX 31,000,000,000 was communicated to the Accounting Officer for Road Maintenance.

However, the cash-limits communicated for Development GoU and Road Maintenance were far below the required amount to pay debt and provide for ongoing planned works for the third quarter of the FY 2021/22. Refer to the table below for details:

Description	GoU Development	Road Maintenance
Current Debt	395,791,088,786	142,783,057,924
Q3 Cash-limit	188,845,181,759	31,000,000,000
Deficit	206,945,907,027	111,783,057,924

From the table above, it can be observed that;

- I. **GOU development funding:** The cash limit provided for the third quarter UGX 188.84 Billion is far below the accumulated debt of UGX 395.79Billion creating a shortfall of UGX 206.9Billion before consideration of the expected third quarter output including the financial requirement for upgrade of Children Hospital Entebbe road project amounting to UGX 7.99Bn .
- II. **Road Maintenance Funding:** The cash limit of UGX 31Bn from URF is far below the accumulated debt totaling to UGX 142.7Billion creating a deficit of UGX 114.7Billion before consideration of the expected third quarter output.
- III. Overall UNRA is unable to pay a total of UGX 301.1Billion out of the outstanding UGX 538.5Billion creating a cash deficit of 56%.

Therefore, UNRA needs additional cash-limit amounting to UGX 200Bn with UGX 100Bn towards part payment of the debt shortfall under the Development GoU Budget, payment for upgrade of Children Hospital Entebbe project and UGX 100Bn towards part payment of the shortfall under Maintenance as we are cognizant of the effects of the economy resulting from reduced collections from Uganda Revenue Authority (URA).

The purpose of this letter is to request your approval of additional cash-limit amounting to UGX 200Bn. Refer to the details in the annex herein attached.


Allen C. Kagina
Executive Director

ER/ht/gb/ed/OCS

ANNEX 4
Selected Contractors Affected by Delayed Payments



UNABCEC

SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

SN	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
1	Abela Construction Company Ltd	Mechanized Maintenance of Selected National Roads Under Framework Contract Lot 21: Gulu Station: Aker - Anyeka - Ngak (37km) Road.	356,000,095	31-08-2021	20-01-2022
2	AFROBUILD LTD AND ROMAX HOLDINGS LTD JOINT VENTURE	SUBSTANTIAL PAYMENT CERT. 4 KANABATKO SWAMP LOT 10 -AFRO BUILD IN JV	1,432,416,565	16-07-2021	18-08-2021
3	Alasaba Enterprises Limited	Mechanized Maintenance of selected unpaved national roads under framework Contracts for 3 years lot 24, Mbulu Station 2 - IPCNO. 1 - Kulu Magale road (16.7km) Co - Mts	303,023,408	18-10-2021	10-11-2021
4	Ambitious Construction Company Limited	Alasaba Enterprises Limited IPC NO.02- Drainage improvement works of Mayanja Waasiwa swamp along Masulika Kabin Danze Mawale road IPC No 3-Kakiri-Masulika-Danze-Mawale-Ambitious Construction Company-78077	1,062,357,712	12-07-2021	16-12-2021
5	ARMPASS TECHNICAL SERVICES LIMITED	Substantial Completion Payment Certificate-Khumei Swamp-Ampass Technical Services-78964	1,652,170,649	30-09-2021	11-01-2022
6	ASSURED ENGINEERING SERVICES LTD	Substantial Completion Payment Certificate NO.04-Assured Engineering Services Ltd	1,714,291,837	07-12-2021	20-12-2021
7	Azu Properties Ltd	Substantial Completion Payment Certificate NO.04-Assured Engineering Services Ltd	1,122,302,723	18-08-2021	10-12-2021
		Mechanized Maintenance of Selected Unpaved National Roads Under Framework Contract for Three Years Totalling to 262Kms Lot 05, Magala Station.	96,942,504	28-05-2021	11-08-2021
		UNRA/MSKCT/2020-2021/03	461,734,258	08-06-2021	29-11-2021
		Substantial Completion Payment Certificate No.01-Azu Properties Ltd	1,894,729,340	27-08-2021	16-12-2021
		IPC No. 1, Call Off Order No. 2 for Azu Properties Ltd. for works along Fort Portal - Kijura road and Kababura - Bujumbura - Kapekole Road.	983,767,761	07-09-2021	27-01-2022
		SCC COO6 for Mts. Azu Properties Ltd uploaded with memo of responses attached	2,531,486,714	22-11-2021	15-12-2021
		Substantial Completion Certificate (Revised) for Azu Properties Ltd, COO 2 Fort Portal Station	2,005,335,227	01-12-2021	07-01-2022
8	AZU PROPERTIES LTD- NIPPON PARTS (U) LTD JOINT VENTURE	IPC No 3-Buaya Kasanda Kiboga-Azu Properties-75389	1,856,709,176	30-09-2021	17-12-2021
		IPC NO 3 ACCESS AND DRAINAGE IMPROVEMENT NAGOSWA JINJA	2,233,779,889	17-12-2021	01-03-2022
9	BCR General Ltd	Mechanized Maintenance of selected Unpaved National Roads under framework Contracts for Three years under UNRA Mubende Station	362,466,603	23-06-2021	17-07-2021
		Substantial Completion Payment Certificate (02)- for B.C.R General Limited	1,237,851,248	05-08-2021	22-09-2021
		Mechanized Maintenance of Selected Unpaved National Roads Under Framework Contracts for Three Years, LOT 18, Mubende Station.	278,524,109	14-08-2021	07-10-2021
10	BLD Concrete Uganda Ltd	Mechanized maintenance of selected unpaved national roads under framework contract for three years totalling 205km Lot24 Moyo Station IPC02 for BLD Concrete(U) Ltd for substantial completion on Abodranusi-Gobodo-Mahu-Kel road under Moyo Station Call-off Order No 07-Moyo-Oboongi-76139	1,347,661,319	29-06-2021	18-08-2021
			908,751,859	20-09-2021	07-10-2021
			2,390,342,235	30-09-2021	15-02-2022



UNABCEC

SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

S/N	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
11	BMCE SERVICES IN JV WITH APCON LIMITED	Mechanized Maintenance of Selected Unpaved National roads Under Framework contracts for 3 Years totaling to 65Km. Lot 09 Tororo station (Tororo-Napongere road (20Km))	68,231,551	05-07-2021	18-08-2021
12	Busemwa Enterprises Limited	Substantial Payment Certificate-UGX-COO1 IPC No. 1 for periodic maintenance of unpaved national roads for 23 UNRA Stations Lot 08:Kagame for Busemwa Enterprises Limited	51,761,905 1,078,972,168	30-09-2021 10-08-2021	16-12-2021 10-09-2021
13	Capital Logistics and Construction Ltd	Substantial payment certificate COO1 Framework contract Antemol- Lopel Moroto station	473,438,666	04-11-2021	20-12-2021
14	CGH Establishments Ltd	IPC No. 1-Call Off Order No 1-Miyana-Kasanda-bulya-iboga-CGH Establishments Ltd	508,141,309	27-05-2021	30-06-2021
		MECHANIZED MAINTENANCE OF SELECTED UNPAVED NATIONAL ROADS UNDER FRAMEWORK CONTRACTS FOR THREE YEARS LOT 19: MURBENDE STATION	393,933,184	29-08-2021	23-07-2021
		IPC No. 2 for CGH Establishments Ltd, Call Off Order No. 3: Framework contract for mechanized maintenance; for works along Nile - Kazungu - Bwiti road, Rugombe - Kalooka road and Kibungo - Bisoti - Bwiti - Kibura road	728,946,406	30-06-2021	03-09-2021
15	China Communication Construction Company Ltd	Substantial Completion Payment Certificate No.03-CGH Establishments Ltd	431,785,855	25-08-2021	07-10-2021
16	CUBEROOT LIMITED	Periodic Maintenance of Kibuye-Entebbe Road (22Km).	1,979,770,533	26-12-2021	27-01-2022
17	OA TRACK LIMITED	IPC1 Periodic maintenance Moroto station roads by Cuberoot	779,512,673	09/09/2021	13/10/2021
		Substantial Completion Payment Certificate NO.02, COO No.005	242,711,989	17-09-2021	27-10-2021
		Routine Maintenance of Paved Roads under Kampala Station for framework contracts of 3 Years (Lot 2)Seeta-Namugongo - Bweyogerere section, Seeta-Namugongo section,Kireka-Namugongo, Namboole Circular section, Bweyogerere- Bukasa (33.4km)	244,468,505 200,361,338	10-11-2021 07-12-2021	15-12-2021 22-12-2021
		Routine Mechanized Maintenance of Paved Roads Under Kampala Station for Framework Contracts of 3 Years, LOT 2	185,710,946	26-12-2021	20-01-2022
18	Osalech Investment Limited	Substantial Completion Payment Certificate No.03, Call Off Order No.006 IPC3 LOT22 -Mechanized Maintenance of Selected Unpaved National Roads for 18 UNRA Stations under Framework Contracts for 3 Years Lot 22: Kibbo Station - DALACHI INVESTMENTS LIMITED IPC Final Periodic maintenance of unpaved roads Masindi station,Ngwedo Bugana Waiga	254,860,007 407,581,781	31-03-2022 13-08-2021	27/04/2022 10-09-2021
		Mechanized maintenance of selected unpaved roads under frame work contract Phase 2	76,502,916	04-10-2021	27-10-2021
19	Dyneco Limited	Koibito-Matigatimoy-Lopel and Kibungu-Kapulu-Kaabong Mechanized Maintenance of Selected Unpaved National Roads under Framework Contract for 3 years totaling to 134km, Lot 14 Runda station, Kato-Kabagole-Kyegegwa Road (63km)	288,579,217 1,206,868,109	10-12-2021 16-07-2021	26-12-2021 07-09-2021
20	Eta Limited	Interest on Delayed Payment Certificates on COO No. 2 Nturo-Matigatimoy-Kabagole road	52,046,876	16-04-2021	20-09-2021



UNABCEC

SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

S/N	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
21	Engineers Investment Ltd	Mechanized Maintenance of selected unpaved national roads under framework Contracts for 3 years totaling to 126km Lot 2 Final Payment Certificate No. 4 Bubulo -Buduia Circular road (28.0km) for Engineers Investments Limited Mechanized Maintenance of selected unpaved national roads under framework Contracts for 3 years totaling to 126km Lot 2 Substantial Payment Certificate No 02 Project Mbulugyu - Ebon (19.0km) Co. Engineers Investments Limited Mechanized maintenance of selected unpaved national roads under framework Contracts for 3 years totaling to 126km Lot 2 under Mbele Station. Substantial Payment Certificate. Call Off Order 2 Bulwio-Kapandi-Suam (20km) Mechanized Maintenance of selected unpaved national roads under framework Contracts for 3 years totaling to 126km Lot 2 Substantial Payment Certificate No. 3 Bubulo -Buduia Circular road (28.0km) for Engineers Investments Limited Final Payment Certificate- COO No 2-Mbulugyu Mbulugyu- Substantial Payment Certificate- COO No 3-Kadioto Budubo Kabwungasa-Engineers Investment Ltd-74567 Substantial Payment Certificate- COO No 5-Gulku River Bulwio-Engineers Investment Ltd-74565 Mechanized Maintenance of selected unpaved roads under framework contracts for 3 years totaling 120km Lot 1 Mbele Station Final Payment Certificate Call Off Order No. 3 Kadioto Budubo Kabwungasa Engineers Investments Limited Mechanized maintenance of selected unpaved national roads under framework Contracts for 3 years totaling to 126km Lot 2 Payment Certificate to recover liquidated damages Bubulo Bududia Circular road 28.0 km Engineers Investments Ltd	39,241,889	16-07-2021	03-09-2021
22	Excel Construction Ltd	IPC No 4-Lot 11-Kadioto-Bugungu Swamp Along Namalemba-Bugodi-Kusio-Bugungu-Excel IPC 5 - Kusio Bugungu Swamp Crossing along Namalemba Bugodi - Jinya Station IPC No 6-Lot 11 Kusio-Bugungu Swamp Crossing-Jinya Station-75692 IPC 1 Matsary- Lopei and Lokopo Ink GIC in joint venture with Strakon Ltd	2,392,269,873	12-06-2021	18-08-2021
23	GIC LOGISTICS AND ENGINEERS LIMITED IN JOINT VENTURE WITH STRAKON LIMITED		3,683,578,337 2,757,608,587 634,962,960	30-06-2021 11-10-2021 03-06-2021	20-09-2021 10-02-2022 03-09-2021
24	GREY STONE INVESTMENTS LIMITED	Substantial completion payment certificate (IPC) 3 periodic maintenance of unpaved National Roads for UNIPA stations -Kabile -Gertstone	2,960,210,527	09-12-2021	08-01-2022
25	Heest General Engineers and Contractors Ltd	Mechanized maintenance of selected unpaved national roads under framework contract for 3 years totaling to 305km Lot 18 Soroti Station	415,332,509	24-03-2021	14-04-2021
26	J.B UNITED ENGINEERING & BUILDING CONTRACTORS LIMITED	Substantial payment certificate for Call-Off Order 9 for Ms JB United Civil Engineering & Building Contractors Ltd for Mechanized Maintenance of unpaved roads for 22 Stations under Framework Contract for 3 years: Apako-Dokolo road 27km	339,603,114	18-06-2021	26-11-2021



UNABCEC

SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

S/N	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
		Mechanized Maintenance of Selected Unpaved National Roads Lot 10 Soroti Station Phase 11, Serere- Katsa-Kyene (27.3Kms)	841,980,169	24-08-2021	28-11-2021
		Claim of Interest on Delayed Payment of IPC No. 1 COO5 for Mechanized Maintenance of Unpaved Roads for 22 Stations under Framework Contract for 3 years: Abeto-Dokodo Road 27Km	9,780,641	10-11-2021	10-12-2021
27	JV of Coronation Developers Uganda Ltd and Romax Holdings Limited	MECHANIZED MAINTENANCE OF SELECTED UNPAVED NATIONAL ROADS UNDER FRAMEWORK CONTRACTS OF 3 YEARS LOT6.MASAKA STATION1, LYANTONDE-INTUSI ROAD 58KM, CALL OFF ORDER NO.1	998,480,219	09-07-2021	18-08-2021
28	Katsa Nail and Wood Industry Ltd	MECHANIZED MAINTENANCE OF SELECTED UNPAVED NATIONAL ROADS UNDER FRAMEWORK CONTRACTS FOR 3 YEARS TOTALING TO 138KM: MASAKA STATION	403,498,646	29-08-2021	09-12-2021
29	King Albert Constructions Ltd	Final Payment Remedial works on Kabale-Katungu. Balance unpaid 1,692,385,281	1,692,385,281	02-06-2021	17-07-2021
		IPC No 8-Budodo -Nabbingo-76153	3,318,904,513	22-12-2021	15-02-2022
30	KUKA (U) LTD	Revised Substantial Completion Certificate for Kuka (u) Ltd. works along Mandi - Kinyo - Bundibugye Road.	333,384,980	19-08-2021	09-09-2021
31	KUKA INVESTMENTS	Mechanized Maintenance of Selected Unpaved National Roads under Framework contract for three years for Kilelesh Station(Maliki-Kalongo-Palongo Road)	425,825,975	09-07-2021	09-09-2021
		Submission of Substantial Completion Certificate-IPC No 2-72430	487,086,677	24-08-2021	30-11-2021
		IPC No.03, Certificate No.03	509,308,972	25-08-2021	09-09-2021
32	Lusa Construction and Engineering Co Ltd	IPC No 2-COO No 2-Maliki Kalongo Palongo-Katungu Investments-78250	487,056,677	30-09-2021	04-03-2022
		Substantial Payment Certificate - COO4 - Lusa Construction - Moema	735,338,117	24-08-2021	17-07-2021
		Final Payment Certificate-COO3-Lusa Construction and Engineering Co Ltd	38,597,201	17-08-2021	03-11-2021
33	MG Engineers and Contractors Ltd	IPC NO 1 COO1 KAMULI-BUKUNGU ROAD(0-48 Km) MG ENGINEERING	1,518,405,205	12-03-2021	29-11-2021
34	MML Road Construction Co. Ltd	Mechanized Maintenance of selected unpaved National roads Under Framework Contract for 3 Years Totalling to 215KM Under Tororo Station Lot 16	769,226,059	01-04-2021	30-04-2021
		Mechanized Maintenance of Selected Unpaved National Roads Under Frame work Contract for 3 years Totalling 215Km Lot16: Tororo (Namatyigo-Bumaru Road (32Km)	78,218,457	14-07-2021	20-09-2021
		Mechanized Maintenance of Selected Unpaved Roads Under Framework Contracts for 3 Years Totalling to 215KM (Ngongola-Paya-Lyresi-Budaka(32KM) Road	361,102,551	20-07-2021	07-10-2021
		Substantial Completion Payment Certificate-COO No 5-MML Road Construction-76949	225,525,366	30-06-2021	17-12-2021
		Interest on delayed payment	14,838,334	20-12-2021	17/02/2022
35	MOHA CONSTRUCTION LIMITED	Periodic Maintenance of Selected unpaved National Roads for 23 UNRA Stations, Lot 19: Soroti Station Kumi-Ometenga-Aguet(16Km) and Bugondo-Ruhaga-Kabunguh(14Km)	1,180,549,047	24-06-2021	03-09-2021



UNABCEC

SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

S/N	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
		IPC No 2-Parabeli Padobe Namukora Lotapel Adiang-Moha Construction Ltd-71020	1,060,764,964	29-07-2021	17-01-2022
		Substantial Payment Certificate Lot 19 Soroti Station-Moha Construction-77023	209,351,518	30-09-2021	22-12-2021
36	Net World (U) Ltd	SUBSTANTIAL COMPLETION PAYMENT CERTIFICATE -COO2 KANGA-BULOPA-KAMUJURD NETWORK - JINJA STATION COO3 SUBSTANTIAL COMPLETION PAYMENT CERTIFICATE LOT 3 KALIRO NANWIMA ROAD 28KM NETWORK JINJA STATION 27 oct 2021 Final Completion Payment Certificate for Call Off Order No.004 Final Completion Payment Certificate for Call Off Order No.005 IPC No. 2 - Construction of Low Volume Access Road to Presidential Initiative on Banana Industrial Development Centre (3.0 Km) Final Call COO 4	2,182,697,454 2,053,049,356 298,726,070 242,774,263 2,472,901,647	28-10-2021 28-10-2021 03-11-2021 03-11-2021 25-11-2021	12-11-2021 12-11-2021 15-12-2021 29-11-2021 10-02-2022
37	Nicomira Ltd	IPC No.3- Niem Establishments Ltd - Periodic Maintenance- Home Station	50,238,666	30-09-2021	09/12/2021
38	NMEM ESTABLISHMENTS LTD	IPC No.3- Niem Establishments Ltd - Periodic Maintenance- Home Station	685,780,058	23-06-2021	06-07-2021
		IPC 4 Periodic maintenance	1,057,673,891	28-09-2021	07-01-2022
39	Nipe Construction and Technical Services Ltd	Periodic Maintenance of unpaved national roads for 23 UNRA stations - Lot 21: Mbarara Station (30 Km) - Substantial Payment Certificate No. 3 - Rub - Mbari	631,403,679	25-08-2021	07-10-2021
40	Nippon Parts Uganda Limited	Substantial Completion Certificate 6 Lot 1 Kibuye-Zana-Entebbe Airport-Nippon Parts Substantial Completion Certificate 8 Lot 1 Kibuye-Zana-Entebbe Airport-Nippon Parts	187,512,861 502,762,292	27-08-2021 27-08-2021	07-10-2021 07-10-2021
		IPC, Call Off Order No.06	132,911,791	10-11-2021	05-12-2021
		Routine Maintenance of Paved National Roads under Kampala Station for framework contract of 03 years: lot 1:Kibuye-Zana, Zana-Entebbe Airport and Nalhwogo Ferry Access (48km)	136,139,772	07-12-2021	22-12-2021
41	Pekasa Enterprises Ltd	IPC No. 2, COO 3 for Pekasa Enterprises Ltd; framework contract for 3 years, Kanungulu - Nloroko Road Substantial Completion Certificate IPC No.01 Call off Order No.7 for unpaved roads under Kasese Station, Lot 10 (L George-Rwenjira-Kawe and Kalunguru-Inshasha road)	1,146,674,766 1,201,610,224	23-07-2021 06-08-2021	03-09-2021 22-09-2021
42	PNR Services Limited	IPC 1 Call Off Order Number 1: Wandu-Oree Road Link, PNR Services Ltd Final Payment Certificate 2 COO 1 Ngomomo-Myamur Road Link-PNR Services Ltd Mechanized maintenance of selected unpaved National Roads under Framework contract for Three years: Totalling to 180km: LOT 16 Kigum station: Ngomomo - Myemur(34km) (call off order 1) IPC 2 Wandu-Oree Road Anus Station-PNR Services Ltd Submission of Advance Payment Recovery Claim-COO 1-78048 Mechanized Maintenance of Shunpaved NRs under framework contract Lot 25 Anus Station wandu oree	515,978,570 147,637,783 296,946,997 189,961,580 99,673,282 634,420,189	21-07-2021 12-08-2021 08-10-2021 09-12-2021 02-02-2022 03-02-2022	15-03-2022 17-09-2021 27-10-2021 22-03-2022 10-03-2022 28-03-2022



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SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

SN	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
43	Prime Contractors Ltd	Substantial Completion Certificate for Kabale-Lodonga (0+000-18+000) 18km IPC No 1:Kibak Aiding-Call off Order No 1:Prime Contractors Ltd-70837	286,620,881	31-03-2022	27-04-2022
		IPC02 - Karam Station- Prime Contractors	1,275,448,580	23-07-2021	09-09-2021
44	Rocktrust Contractors Uganda Ltd	COO11 LOT 15 NAMAGANDA BUGONDA AND ISIMBA BRIDGE ACCESS ROCKTRUST	53,377,840	28-08-2021	20-09-2021
		IPC NO 1 COO12 NAMUTUMBA-BUDUMBA (30.2km) NAMALEMBA-BULANGE(24.0km)	556,875,758	22-06-2021	29-09-2021
		LOT 15 ROCKTRUST	814,334,509	28-07-2021	22-09-2021
45	Rodo Contractors Ltd	IPC NO.1 COO 13 BUSEMBATYA NAMAKOKO(34KM) NAWANDALA NAMBALE NAMALEMBA(26KM) LOT 15-JUKIA STATION Substantial completion certificate IPC a call off order 7 Kahungu -Rubaya -Aduro road IPC 1 call off order 10 Rubungu -Aduro -Karam Substantial Completion Certificate No.01-Rodo Contractors Mechanized maintenance of unpaved roads under framework Mpiji station, Klambo Kinyingi Mulemena Final payment certificate retention (IPC 5) call off order 7 Kahungu Rubaya -Aduro (27km) UNRAMWORKS/2016-17/00018/12 -RODO Contractors Ltd Mechanized Maintenance Of Selected Unpaved National Roads Under Framework Contract For Three Years Totalling To 258 km; Lot 04: Mpiji Station - M/S RODO CONTRACTORS LTD Mechanized Maintenance of Selected Unpaved National Roads under Framework Contracts for 3 years totalling to 125km, Lot 1 Ibando station, Sigusyo-Bwanga Road 13km Mechanized Maintenance of Selected Unpaved National roads under Framework Contracts for 3 years totalling to 125km, Lot 1 Ibando station, Kabugera-Kagongo road (8km) and Rwanjiza-Kabugera road (34km) Mechanized Maintenance of selected unpaved National Roads under framework contract for 3 years totalling to 125km, Lot 1 Ibando station, Rwanjiza-Kabugera road (34km) Substantial Certificate Call off order 3 for Rwanjiza-Kabugera Rd Substantial Completion Cert Call off order for Sigusyo-Bwanga Rd Mechanized Maintenance of Selected Unpaved National Roads, Lot 18 Soroti station - Call Off order No.1 Final IPC Term maintenance of Kapi Mpora Mukongore and Soroti Brooks Corner Mechanized Maintenance of selected unpaved National Roads under framework Contract Lot 18, COO2-Kufongole-Kanyum-Morula (30km) and Amuria-Onungo-Odule (29km) Mechanized Maintenance of selected Unpaved National Roads under framework contract for 3yrs Contract No.UNRAMWORKS/2016-17/00018/20 Koldo Kanwel Abim 70kms. Final Certificate IPC No.1 COO No 5, Spider Contractors Ltd -Mechanized Maintenance of selected Unpaved National Roads Under framework contracts For 3Yrs Totalling to 403km -403km. Lot20 Koldo Station	908,877,769	22-10-2021	15-11-2021
			1,129,097,774	22-04-2021	21-09-2021
			922,036,660	02-08-2021	17-07-2021
			570,288,041	23-08-2021	29-11-2021
			56,713,949	21-09-2021	27-10-2021
			328,821,377	08-12-2021	05-01-2022
			13,503,294	07-04-2022	25-04-2022
46	Serix Technologies Ltd		180,683,430	21-07-2021	22-09-2021
			206,807,482	21-07-2021	03-09-2021
			480,330,774	21-07-2021	03-09-2021
			1,211,510,035	23-11-2021	17-12-2021
			798,619,333	29-11-2021	13-12-2021
			334,090,218	26-06-2021	22-08-2021
47	Shajapa Technical Works Ltd		489,133,418	19-06-2021	20-09-2021
			1,933,180,999	21-06-2021	18-08-2021
48	Spider Contractors Limited		490,342,439	03-12-2021	17-12-2021
			406,484,885	08-06-2021	10-09-2021



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SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

SN	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
49	Strakon Limited	IPC 5 Substantial Completion for Contract UNRA/Works/2016-2019/00000710 Periodic Maintenance unpaved roads Kotto Station, Kasabong -Kapeendo Road (35 Km) & Kapeendo -Karenga (33km)	398,472,394	08-07-2021	12-10-2021
		Interest Client-Inr 884-Pader Kalongo Palmot-Kugum Station-78257	139,048,423	30-08-2021	20-12-2021
		Mechanized maintenance of selected unpaved National Roads under framework contract for three year. Totalling to 229km Lot 23 Kigum station. Pader -Kalongo - Paimal (48km) (call off order 4)	84,548,004	14-10-2021	20-12-2021
		Mechanized Maintenance of selected unpaved roads under framework contract contract Phase 1 Kopum -Orom (68km) And Kasabong Jctn -Kalapala -Pier(58km) Procurement Ref UNRA/WRK/2016-17/00018/20	78,084,435	02-12-2021	10-12-2021
		Mechanized Maintenance of selected unpaved National roads under frame work contracts for 3yrs totalling to 403km Lot 20 Kotto -framework contract phase-1 Nakapemotu-Kolen -Kenya border	1,084,064,956	08-12-2021	22-12-2021
50	STRAKON LIMITED IN JV WITH TEGEKA ENTERPRISES LTD	IPC 2 COO 6 Framework contract Nakoro-Lomulasa-Koten Jon Strakon Ltd Moroto Station	928,011,377	04-11-2021	29-11-2021
		Mechanized Maintenance of Selected Unpaved National Roads Under Framework Contracts for 3 Years totalling to 363km, Lot 19: Moroto Station - STRAKON LIMITED	304,192,297	06-04-2022	25-04-2022
		IPC No 2-Strakon Limited-74824	1,101,827,930	30-09-2021	29-11-2021
		IPC Substantial COO 5 Lolechet-Magoro Strakon	863,050,967	09-09-2021	10-02-2022
		IPC No 1-Nakoro Lomulasa Koten Jon-Strakon Ltd-74589	875,439,048	02-09-2021	03-11-2021
51	Techno Three Uganda	IPC No 1-Lolechet-Magoro-Strakon Ltd-70700	1,185,711,025	12-07-2021	18-08-2021
		Advance Access and Drainage Suboma swamp	1,550,749,812	01/03/2021	27-04-2021
		IPC NO 2 LOT 9 BULOMA SWAMP CROSSING BUPYANA NAMWIMA CROSSING(19KM) STRAKON	2,915,747,705	21-09-2021	27-10-2021
		Substantial Payment Certificate - COO3 - Techno Three (U) Ltd	1,080,494,977	22-07-2021	29-09-2021
		Final Payment Certificate - COO2- Techno Three (U) Ltd Mechanised maintenance of unpaved roads under framework Holms	64,617,153	28-07-2021	28-09-2021
52	Tegela Enterprises Ltd	IPC 1 Substantial completion COO8 Mechanised maintenance of unpaved roads under framework Mugi station,Kigoga Sekanyonyi Mase	930,125,056	21-08-2021	17-11-2021
		Mechanised Maintenance Of Selected Unpaved National Roads Under Framework Contract For Three Years Totalling To 256 Km, Lot 04: Mugi Station - M/S TECHMO THREE (U) LTD	22,141,466	07-04-2022	25-04-2022
		IPC NO. 2 LOT 3 KAMULIKALIRO TEGEKA ENT.	751,930,316	27-07-2021	09-09-2021
		Interim Payment Certificate No. 1 for M/S Tegela Enterprises Ltd for Mechanized Maintenance of 14 Selected Unpaved National Roads under Framework Contract for Three Years, Lot 14: Lira Station Agents-Aduky Road (29.4km)	192,644,971	20-08-2021	09-09-2021
		SUBSTANTIAL COMPLETION CERTIFICATE COO2 LOT 3 JINJA KAMULI KALIRO 46KM 9th NOV	1,438,178,432	08-11-2021	29-11-2021



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SELECTED CONTRACTORS AFFECTED BY DELAYED PAYMENTS UNDER ROAD MAINTENANCE

SN	PROVIDER'S NAME	PROJECT DESCRIPTION	INVOICE AMOUNT	INVOICE DATE	APPROVAL DATE
83	THUNDER BOLT TECHNICAL SERVICES LIMITED	Final Completion Certificate-COO No.09 IPC No.3: Tororo-Matruus Magooda Busumbu Munamba Magale Bumbo (w/ash)- Thundat Boli Technical Services Ltd-78216	87,154,182	19-12-2021	09-01-2022
84	TIC Lokere	Interim Payment Certificate No. 2 for Call-Off order 4 for Mechanized maintenance of unpaved roads: Alisa-Alba (23.7km)	1,218,549,867	17-12-2021	15-02-2022
85	Universal Engineering (U) Ltd	Substantial completion certificate 1 COO 8 Kigumba-Bugungu-Berembere -44 km	122,889,043	25-06-2021	10-06-2021
86	Upland Enterprises & Construction Ltd	Interest Claim Certificate COO 1 Kigum-Luhungu-Upland Enterprise	648,852,482	03-06-2021	10-09-2021
		Substantial Completion Certificate for Bobi - Ayer Road	85,738,810	16-04-2021	18-09-2021
		Mechanized Maintenance of selected unpaved national roads under framework contract LOT 22 GLU STN	577,251,080	25-05-2021	12-06-2021
		Completion Payment Certificate-Kigum Lukung-Upland Enterprises and Construction Ltd- 70747	87,261,467	30-06-2021	27-09-2021
		Mechanized Maintenance of Selected National Roads under Framework Contract Lot 22: Gulu Station: Gulu - Pakoo (33KM) Road.	105,538,621	13-07-2021	07-10-2021
		Mechanized Maintenance of Selected National Roads under Framework Contract Lot : 22 - Gulu Station: Bobi - Ayer (55KM) Road, IPC No. 3 - Call Off Order No. 7 - Final Completion Certificate by M/S Upland Enterprises and Construction Co. Ltd	21,345,792	31-08-2021	12-10-2021
			73,078,941	02-12-2021	10-12-2021
		TOTAL	118,331,841,636		

Appendix
II

STATEMENT TO THE COMMITTEE OF PARLIAMENT ON PHYSICAL INFRASTRUCTURE

**BY THE HON. MINISTER FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT**

ON

DELAYED PAYMENTS TO CONTRACTORS

1.0 INTRODUCTION

Hon. Chairperson and Hon. Members,

At the 28th sitting of the 3rd meeting of the 1st Session of the 11th Parliament of Uganda held on Wednesday 04th May 2022, a matter was raised on the floor of the house on delayed payments to contractors and the resultant accumulation of interest to unacceptably high levels. Consequently, the Committee requested my Ministry to submit a list of the affected contractors and respond to the issues that may arise therein. This is therefore to draw your attention to the following:

My Ministry, consequently requested the Accounting Officers to provide details of affected contractors including the amount owed by each of them, nationality and evidence of outstanding certificates.

Additionally, in our earlier letter to the Rt. Hon. Speaker Ref. ISS 59/255/01 dated 23rd May, 2022, the Ministry submitted details of the affected contractors and outstanding certificates amounting to **Ushs 840,868,471,074**, as submitted by the respective Accounting Officers.

2.0 UPDATE ON THE STATUS OF PAYMENTS TO THE CONTRACTORS

Hon. Chairperson and Hon. Members,

At the time of approval of the budget for FY 2021/22, the budgetary allocations for all Votes were premised on the assumption that the economy would recover and help generate UGX 22.425 trillion in domestic revenues. However, within the first quarter of execution of the budget, it became evident that the economy continued to suffer the after-effects of COVID-19 lockdown and Government was expected to record shortfalls in revenue amounting to UGX 2 trillion.

At the same time, Government had during the peak of the COVID-19 pandemic increased its borrowing to 49.8% of GDP leaving little room to cover the revenue shortfalls with debt financing given the 50% of GDP debt ceiling agreed with Parliament in the Charter of fiscal responsibility.

Cabinet therefore, took a decision to accommodate the revenue shortfalls by effecting a 40% suppression of (a) budget component excluding wage for all Votes. Following the budget suppression, all Accounting Officers were advised to revise their work plans taking into account the reduction in resources. This was done to avoid over commitment by Government through accumulation of arrears of contractors and suppliers.

In line with the agreed budget suppression, my Ministry has made the following release to the Infrastructure Vote as listed in Table 1 below:

Table 1: Release to Infrastructure Votes in line with the budget suppression for FY2021/22

Vote	Vote Description	Approved Budget (Non-Wage and (a) (b))	Cost arising from revenue shortfalls (b) (c)	Supplementary and Statutory Allocation (d) (e)	Revised Budget (f) (g)	Q1-Q3 Actual (h) (i)	Released (j) (k)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
000	Ministry of Agriculture, Animal Industry & Fisheries	147,587	4,774	95,716	248,079	109,764	
002	Ministry of Lands, Housing & Urban Dev.	98,547	11,702	57,700	167,549	110,600	
003	Ministry of Trade, Industry and Cooperatives	87,873	8,415	167,807	264,095	250,705	
006	Ministry of Works and Transport	575,000	211,000	220,677	561,700	677,070	
007	Ministry of Energy and Mineral Development	176,973	106,916	171,610	455,499	157,760	

Vote	Vote Description	Approved Budget (New Wage and Cost Devt)	Cuts arising from revenue shortfalls- UGX'000	Supplementary and Statutory Revision- UGX'000	Revised Budget- UGX'000	Q1-Q4 Released UGX'000
019	Ministry of Water and Environment	322,793	225,025	32,383	330,333	336,406
020	Ministry of Information & National Guidance	72,994	30,752	10,940	53,182	59,533
022	Ministry of Tourism, Wildlife and Antiquities	157,734	69,385	.	88,348	88,929
110	Uganda Industrial Research Institute	17,094	0,440	.	16,654	16,087
113	Uganda National Road Authority	1,775,000	787,747	5,152	996,405	996,405
117	Uganda Tourism Board	15,843	6,482	0,182	90,543	15,338
118	Road Fund	503,754	236,417	3,000	280,338	283,338
121	Diary Development Authority	6,646	0,072	.	6,573	6,573
125	National Animal Genetic Res Centre and Data Bank	68,126	0,540	.	68,186	68,186
126	National Information Technology Authority	23,190	8,127	.	15,062	15,062
142	National Agricultural Research Organisation	76,374	1,980	.	74,395	74,856
152	NAADS Secretariat	102,302	1,062	.	101,239	86,546
155	Cotton Development Organisation	6,029	0,024	3,000	11,004	11,004
160	Uganda Coffee Development Authority	76,737	1,272	0,441	75,906	75,940
306	Uganda Export Promotion	5,283	0,780	3,581	8,083	8,863
312	Petroleum Authority of Uganda	29,191	10,800	12,300	31,392	28,102

There are recent signs of improved economic performance since the reopening of the economy in January 2022; and Government revenue shortfalls are now projected at UGX 1.6 trillion compared to the UGX 2 trillion shortfall forecast in the First Quarter of FY 2021/22. We have since therefore, sought Cabinet decision to allow us unfreeze the budget suppression for some of the Votes affected by outstanding obligations to contractors. During the implementation of the budget for this FY2021/22, we have received appeals to the budget cuts from Accounting Officers with outstanding certificates to contractors for consideration; and these submissions were used to inform

our submission to Cabinet. Table 2 summarizes the information submitted by Accounting Officers.

Table 2: Votes that submitted outstanding certificates/invoices to contractors for consideration

Vote	Vote Name	Approved Budget (Non-Wage and Des't (UGX '000)	90% Cut (Non-Wage and Des't) (UGX '000)	Proposed Amount (UGX '000)	Justification for re-instatement
016	Ministry of Works and Transport	575,062	241,988	100,000	To pay outstanding certificates with Contractors
019	Ministry of Water and Environment	522,792	225,024	131,261	To pay outstanding certificates on construction works for various water schemes
111	Uganda National Roads Authority	1,775,000	783,747	352,666	To pay outstanding certificates by the Authority with Contractors
118	Uganda Road Fund	503,754	226,417	101,888	To pay outstanding certificates for Road Maintenance by Road Agencies
131	Office of the Auditor General	27,732	13,212	6,606	To facilitate audits and contracts, obligations with various service providers
	TOTAL	3,414,358	1,490,388	791,330	

3.0 ACTION TAKEN BY THE MINISTRY

Whereas this Ministry appreciates the need for timely clearance of contractual obligations, however, due to resource constraints occasioned by low revenue performance, we were unable to provide as per the request. In this regard therefore, my Ministry issued additional Expenditure Limits last FY 2021/22 in quarter four (Q4) amounting to **Ushs 688,178,860,123** to facilitate outstanding Interim Payment Certificates and Invoices as summarized in the table below. Consideration of the outstanding balance will be made as revenue performance improves in the medium term.

Table 3: Additional Expenditure Limits issued in Quarter Four (4), FY 2021/22

VOTE	VOTE NAME	ADDITIONAL EXPENDITURE LIMITS (USHS)
010	Ministry of Works and Transport	112,333,000,000
019	Ministry of Water and Environment	101,251,000,000
113	Uganda National Roads Authority	152,646,000,000
118	Uganda Road Fund	101,888,000,000
	Total	668,118,000,000

4.0 CONCLUSION

My Ministry therefore, commits that the remaining obligations shall be settled as the first call of the budget for respective votes in the first quarter of this FY2022/23. All Accounting Officers are therefore, advised to desist from undertaking new contractual obligations before the clearance of the debts owed to contractors.

We take this opportunity to further express our regret to the challenges faced by the contractors.

Hon. Chairperson and Hon. Members, I beg to submit.

Minister of Finance, Planning and Economic Development

July 19th, 2022