

1.0 INTRODUCTION

At the 1st sitting of the 2nd meeting of the 2nd Session of the 11th Parliament on 1st November, 2022, the Minister of Finance, Planning and Economic Development presented to the House a request for government to borrow up to Special Drawing Rights (SDR) 98.8 Million (Equivalent to USD 140 Million) and secure a Grant financing amounting To SDR 42.4 Million (Equivalent to USD 60 Million) from the International Development Association (IDA) of the World Bank to finance the Uganda Digital Acceleration Project (UDAP) - GOVERNMENT NETWORK (GOVNET). The request was referred to the Committee on National Economy in accordance with Rule 155 (2) of the Rules of Procedure of Parliament.

Article 159 of the Constitution provides that Government may borrow from any source, and the terms and conditions of the loan shall be laid before Parliament and shall not come into operation unless they have been approved by a resolution of Parliament. In addition, Section 36 of the Public Finance Management Act (PFMA), 2015 (as amended) authorizes the Minister of Finance to raise money by loan and to issue guarantees for and on behalf of Government.

The Public Debt Management Framework, 2018 outlines the principles of acquisition and utilization of public debt for the FY 2018/19 and FY 2022/23 which include among others: As a priority, borrowing will be for highly productive investments and GOU will seek to secure direct economic and financial return as well as social economic benefits. In addition, the framework provides guidelines for external and domestic borrowing and one of the guidelines for external borrowing is:- Government shall continue to pursue concessional borrowing as the preferred means of meeting external financing requirements.

The Committee therefore scrutinized and considered the loan request and thus reports.

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2.0 BACKGROUND TO THE PROJECT

The Government of Uganda embraced Information and Communications Technology (ICT) as one of the tools to spur socio-economic transformation of the Country as a way of improving efficiency and effectiveness in the delivery of services to the citizens. In 2006, Government of Uganda embarked on the National Backbone Infrastructure (NBI)/ Electronic Government Infrastructure (EGI) project with two components; a) National Backbone Infrastructure (NBI): To cater for the laying of Fibre Optic Cable (FOC) in major towns and is intended to ensure that high bandwidth data connection is available in all major towns of Uganda at a reasonable rate; and b) Electronic Government Infrastructure: Aimed at reducing the cost of doing business in government, improving communications between government agencies, and reducing the need for officials to commute for meetings and thereby increasing efficiency.

The project was initially financed by the China EXIM Bank and set out with four key objectives to; a) Establish a National backbone infrastructure (high bandwidth data connection) in major towns of Uganda; b) Connect all Ministries in a single Wide area network; c) Establish a Government Data Center; and d) Establish district Information Center. The envisaged outputs were then to have; a) All government ministries connected; b) E-government implemented; c) An optic fibre backbone transmission cable set up across the country; d) District information centre established.

In 2010, the National Information Technology Authority of Uganda (NITA-U) took on the oversight responsibility for the NBI/EGI from the Ministry of Information and Communication Technology following the enactment of the NITA-U Act of 2009, which gave it the responsibility of;

- promoting standardisation in the planning, acquisition, implementation, delivery, support and maintenance of information technology equipment and services, to ensure uniformity in quality, adequacy and reliability of information technology usage throughout Uganda,
- providing high quality information technology services to Government; and
- Promoting access to and utilisation of information technology by the special interest groups among others.

In 2016, the World Bank added to these efforts under the Regional Communications Infrastructure Program (RCIP). A World Bank credit was

approved by Cabinet and extended to NITA-U under the MOICT&NG to implement the RCIP.

The National Backbone Infrastructure/Electronic Government Infrastructure (NBI)/ (EGI) was executed in a phased approach, the fourth phase which commenced in FY 2018/19 was closed in August 2022.

Despite the above investments, a large portion of the country is still underserved and the targets set out in the Broadband Policy of 2018 are far from being met. Broadband access and penetration in rural areas including uptake of e-Government services are still low. The reach of connectivity, is limited even in the districts with the NBI/EGI presence, and most of it is laid in urban areas and major towns.

3.0 METHODOLOGY

While scrutinizing the loan request, the Committee employed the following methodology;

3.1 Meetings

The committee held meetings and received submissions from;

- i. Ministry of Finance, Planning and Economic Development
- ii. Ministry of Information, Technology Communications and National Guidance
- iii. National Information Technology Authority-Uganda

3.2 Review of Documents

The Committee also reviewed the following documents among others;

- i. Performance reports on the externally financed projects under the information communication and Technology sector
- ii. A brief on the loan request by the Minister of Finance, Planning and Economic Development
- iii. Draft financing agreement

- iv. Project appraisal document from Internal Development Association on proposed credit
- v. Letter of clearance by H.E the President of the Republic of Uganda
- vi. Letter of financial clearance for borrowing from Ministry of Finance, Planning and Economic Development;
- vii. National Planning Authority letter on the project to be considered for approval,
- viii. Project Implementation Plan/operations Manual;
- ix. Social Economic Impact Assessment Report of the Project;
- x. Procurement Plan for the first Eighteen Months of UDAP-GOVNET project;
- xi. Uganda Digital Acceleration Program [UDAP]-GOVNET -Resettlement Policy Framework (RPF);
- xii. Uganda Digital Acceleration Program [UDAP]-GOVNET -Stakeholder Engagement Framework;
- xiii. Uganda Digital Acceleration Program [UDAP]-GOVNET -Vulnerable and Marginalized Groups Framework;
- xiv. Uganda Digital Acceleration Program [UDAP]-GOVNET -Labour Management Procedures;
- xv. Uganda Digital Acceleration Program [UDAP]-GOVNET - Draft Environmental and Social Commitment Plan (ESCP)

4. COMPLAINE OF LOAN REQUEST WITH RULES OF PROCEDURE AND LOAN APPROVAL GUIDELINES

4.1 Compliance with Rules of procedure of Parliament

Rule 155 (7) of the Rules of Procedure highlights requirements to be considered when scrutinizing all loans that require Parliamentary approval. The Rule requires performance information and impact assessment for previous projects by a ministry or Government agency, evidence of project appraisal, consistency with the national planning framework for project implementation, procurement plan, evidence of implementation of the resettlement action plan, evidence of

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implementation of project readiness for implementation and financing mechanism.

The table below shows that twelve and a half (12.5) of sixteen (16) documents were submitted in accordance with rule 155.

Table: 1 Compliance Assessment of submitted documents in line with Rule 155

Rule	Requirement	Target Score	Score	Remark
155(5)	a) Draft Financing Agreement	1	1	Submitted
	b) List of financing options	1	0	Not submitted
	c) Loan Disbursement and repayment schedule	1	1	Repayment schedule in draft agreement Loan disbursement schedule combines both the credit and grant
	d) A letter from NPA	1	1	Submitted
	Subtotal rule 155(5)	4	3	75% of requirement
155(7)	a) Social Economic Impact Assessment Report	1	1	Submitted
	b) Performance report for all projects in sector	1	1	Performance reports for the two projects was submitted
	c) Evidence of Consistency with NDP & sector strategy	1	1	Submitted NPA letter
	d) Evidence of Availability of counterpart funds	1	0	Will be absorbed in the vote's budget
	e) Project Appraisal Document (PAD)	1	1	PAD Submitted

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Rule	Requirement	Target Score	Score	Remark
	f) Procurement plan	1	0.5	Part of the Plan Submitted
	g) Project Implementation Plan	1	1	Submitted
	h) Project Management Structure	1	1	In PAD & project operations manual
	i) Resettlement action plan, if applicable	1	1	Framework Policy submitted since exact sites not yet identified
	j) Environmental Impact Assessment report, If applicable	1	0	Draft environmental and social commitment plan submitted
	K) Performance of past loans	1	1	In performance report submitted
				some additional documents submitted e.g Letter of financial implication; cabinet extracts, environment, health, safety and social management reports
	l) any other documents	1	1	
	Subtotal rule 155(7)	12	9.5	79.2% submitted
	Total	16	12.5	78.1% submitted

4.2 Compliance with Parliamentary Approval guidelines

Parliament passed guidelines to be considered when scrutinizing all loans that require approval of Parliament. This was occasioned by the need for parliament to appreciate the terms and conditions that relate to the individual loan requests before it. Analysis of the loan approval guidelines reveals the following;

Table 2: Compliance with Parliamentary Approval Guidelines

Indicator	Target score	Institutional score	Performance (%)
Performance of previous projects	4	3	75%
Consistency with the National Planning Framework	3	2.5	83%
Institutional framework	2	1	50%
Procurement	2	0.5	25%
Resettlement Action Plan	4	2	50%
Budgetary Implications	3	1.5	50%
Implementation Readiness	8	3	38%
Financing	6	4.5	58%
Total	32	18	56%

5.0 PROJECT LINKAGE WITH THE NATIONAL DEVELOPMENT FRAMEWORK AND COUNTRY STRATEGY

The Project is aligned to the National Development Plan (NDP) III which recognizes the promotion of science, technology, engineering and innovation as well as ICT as one of its core objectives. Specifically, the Digital Transformation Programme under NDPIII identifies ICT as the fulcrum for development and has a huge potential to improve national productivity by making Government and business enterprises more efficient, effective and globally competitive. The project will contribute to the achievement of the NDPIII by; increasing the National ICT Infrastructure coverage and usage in National development, improving the efficiency and transparency of Government and improving the legal and regulatory framework.

The project is in line with the Uganda Vision 2040 which identifies ICT as one with enormous opportunities that Uganda can exploit to transform the economy and peoples' lives through job creation, accelerated economic growth and significantly increased productivity. It therefore aspires to ensure that the country continuously build robust and trusted high-speed ICT infrastructure all over the country.

6.0 PERFORMANCE OF PREVIOUS EXTERNALLY PROJECTS

The Rules of procedure mandate the Committee on National Economy to examine the performance all loans under the sector where the current loan is going before another loan is approved. The purpose of examining the performance of previous loans is to assess the viability of the new loan and recommend for its approval.

Four loan projects have been implemented in the ICT sector over a period of 15 years (2007 to June, 2022). By October 2022, all the projects had been completed. The achievements on the loans under the National Backbone Infrastructure/ E-Governance Infrastructure project (NBI/EGI) are highlighted in table 3. By June 2022, the third phase of the NBI/EGI has disbursed 95percent of the loan amount (USD 15.39 million) while the Regional Communication Infrastructure project had disbursed 100percent of the loan amount(USD 75 million) and the achievements of the project are highlighted in table 4. This financial performance fulfils the requirement by Parliament that at least 50 percent of the previous financial support should be disbursed before a new loan is contracted.

Table 3: Performance of National Backbone / E-Government Infrastructure (NBI/EGI) project- Phase I-III

NBI Phase	Cost (USD)	Achievement
Phase 1 (2007 to 2008)	USD 30,138,659	<ul style="list-style-type: none"> 168Km of Optical Fibre Cable (OFC)connecting Kampala, Mukono, Jinja, Bombo,and Entebbe; The e-Government network was installed intwenty-seven (27) Government Ministries and Departments (MDAs).
Phase 2 (2009 to 2013)	USD 61,059,125 Km	<ul style="list-style-type: none"> A total of 1400.734kms of Optical Fibre Cable (OFC) The NBI was extended to connect the districts of Busia, Tororo, Mbale, Kumi, Soroti, Lira, Gulu, Masindi, Nakasongola, Luwero, Mbarara, Bushenyi, Kasese, Fort Portal, and Kyenjojo. Extended high-speed optical fibre cable connectivity to the border point with Kenya at

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NBI Phase	Cost (USD)	Achievement
		<p>Busia and Malaba and with South Sudan at Elegu respectively</p> <ul style="list-style-type: none"> A National Primary Data Centre (NDC) was built to provide hosting services for all Government data and applications.
Phase 3 (2016 to 2017)	USD 15,391,522	<ul style="list-style-type: none"> A total of 756Km of Optical fibre cable was laid to extend connectivity to the Western part of the country. High-speed optical fibre cable was extended to connect Kampala-Masaka, Masaka - Mutukula at the border point with Tanzania, Masaka-Mbarara, Mbarara- Kabale, and Kabale to Katuna at the border point with Rwanda. A Network Operation Centre (NOC) was also established to provide real-time monitoring of the entire health and security of the NBI/EGI Network. 79 MDAs, local Governments, schools, and hospitals among others shall be added to the network.

Source: Expansion of the NBI Report - NITA-U

Table 4: Performance of Regional Communications Infrastructure Project

Component	Cost (USD)	Project activity
Enabling Environment	935,085	<ul style="list-style-type: none"> Gap Analysis of the Policy, Legal and Regulatory Framework for Uganda's Information & Communications Technology (ICT) Sector. Development of the Strategy to enhance and sustain the ICT function in the Government of Uganda. ICT skills Gap Assessment and Development of ICT Skills and Training Action Plan. Baseline survey for Waste from Electrical and Electronic equipment (WEEE) National broadband baseline survey and development of the Infrastructure Blueprint. Review and Update of e-Waste Management Policy 2012. Project Completion Evaluation and Impact Assessment of RCIP. The Final Report of the assignment is in place. Development of the National ICT Policy.
Connectivity	35,255,979	<ul style="list-style-type: none"> Pre-purchase of bulk Internet Bandwidth - Under RCIP, Government through NITA-U purchased bulk Internet Bandwidth (10Gbps) for distribution to all MDA/DLG

Component	Cost (USD)	Project activity
		<p>under the Indefeasible Right of Use (IRU) agreement for a period of 15years. To date, 611MDAs/DLG sites are utilizing bulk Internet Bandwidth over the NBI.</p> <ul style="list-style-type: none"> • Missing links (Phase 4 of the NBI) - Under Missing links (Phase 4 of the NBI) Project additional 842Km of Optical Fiber Cable (OFC) was extended to connect the districts of Pakwach, Nebbi, Arua, Koboko, Yumbe, Adjumani, Moyo, Katakwi and Moroto respectively. Seven (7) NBI transmission stations were constructed under the missing links in Nebbi, Koboko, Karuma, Arua, Moyo, Moroto and Mpondwe. Additionally, four (4) border points were connected to the NBI; these include: Uganda with DRC at Mpondwe, Vurra and Goli, Uganda with South Sudan at Oraba. To date nine (9) major posts of Uganda with its neighbouring countries have been connected to the NBI. • Last mile connectivity project - The last mile extensions were completed including the installation of terminal equipment. Under the last mile Project, a total of 764Km of Optical Fibre Cable (OFC) were extended and 725MDA/DLG and other target user groups sites were connected to the NBI. Additional 300 Wi-Fi sites were also established and activated across the Country for citizens to access he The Network Monitoring system, access controller (AC), power monitoring system (PMS) have been successfully installed and are fully operational. • Installation of hub equipment. • Government Cloud Infrastructure - A Tier III Government Cloud National Data Centre (NDC) and Disaster Recovery (DR) site was established. To date, a total of 208 critical Government applications are being hosted in the NDC for ninety- nine (99) Government entities. The National Data Centre and the Disaster Recovery (DR) sites were certified against ISO/IEC27001:2013 Information Security Management System (ISMS). • Installation of solar power at the NBI Transmission sites - As part of ensuring the stability of power at the transmission sites across the country, solar power was installed at twenty-five (25) transmission sites.
e-services	34,979,312	<ul style="list-style-type: none"> • Unified Messaging and Collaboration System (UMCS) - This provides a standardized platform for secure and seamless communication across Government. By the end of May 2022, a total of twenty thousand fifty-six (23,056) users across one hundred and twenty eight (128) MDAs/LGs had been on boarded onto the UMCS platform.

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Component	Cost (USD)	Project activity
Ameli	km	<ul style="list-style-type: none"> • SMS Gateway Solution - The SMS gateway was developed to provide a platform for dispatch of SMS in bulk by MDAs at affordable prices. Subscribers on the MTN and Airtel network can now receive SMS messages through the SMS Gateway with the short code 6120 and sender ID "NITA". The Subscribers can also access Government services through *260#. The SMS gateway was developed to provide a Platform to and provisioned to thirty-two (32) MDAs/DLGs utilizing a total of 22 services. • Government Enterprise Architecture and Interoperability Framework (GEA&GIF) • Agro-Input Traceability System. • Information Security Management System Gap assessment and Certification of the National Data Centre and Disaster Recovery. • Review and development of the National Cyber security Strategy. • Nationwide Cyber security Awareness Strategy. • Digital Authentication and E-signature (DAES) - The Digital Authentication and Electronics Signatures solution (UgPass) was developed and engagements with MDAs and Private Sector (Banks) to integrate their respective e-services onto the Platform have commenced. 500,000 user licenses have been secured. Some of the services that have been integrated onto platform include: NITA-U's internal edoc. Management system, National Enterprise Corporation (NEC) Management Information System, National Forest Authority (NFA) e-Licensing system, IT Certification Office (ITCO) system and SMS Gateway system. • UgHub (Integration Platform). • Implementation of the Information Security review & NISF implementation in 15 MDAs. • National Computer Emergency Response Team (CERT) digital Forensics Solution. • Establishment of the National CERT Environment. • Supply of 700 laptops to accelerate the adoption of e-services in Government.

Source: RCIP Performance Report - NITA-U

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7.0 PROJECT DESCRIPTION

The Project Development Objectives are to:

- (a) Expand access to high-speed internet in selected areas,
- (b) Improve efficiency of digital service delivery in selected public sectors, and
- (c) Strengthen the digital inclusion of selected host communities and refugees.

7.1 PROJECT COMPONENTS

The project has four components that will deliver its full implementation namely; Expanding Digital Connectivity in selected areas; Enabling Digital Transformation of the Government; Promoting Digital Inclusion of Host Communities and Refugees; and Project Management. The components have been described in table 5.

Table 5: Description of the various Project Components

Component (Amount)	Description
Component 1: Expanding Digital Connectivity in Selected Areas USD 86.0 million) (43%) Km	<p>This component will seek to bridge the digital divide by improving access to high-speed Internet in unserved and selected communities in Uganda, through a combination of infrastructure investments and policy reforms, in support of the objectives set forth in the Government's Digital Transformation Programme under NDP III, while facilitating Uganda's post COVID-19 economic recovery. Uganda's digital infrastructure will also be enhanced through the expansion of in-country data center hosting capacity and establishment of e-waste management capabilities expected to contribute to climate mitigation. The subcomponents include:</p> <p>(1.1) Expanding the digital infrastructure outreach: which among others will expand the NBI backbone fiber infrastructure by 1000km, an additional 500km of fiber optic network links between towns , and update the existing links between 20 towns across Uganda;</p> <p>(1.2) Strengthening digital infrastructure "complements" :which will ensure that connectivity infrastructure financed under</p>

Component (Amount)	Description
<p><i>Amended</i></p>	<p>subcomponent 1.1 is fully leveraged for development by establishing or strengthening key components, and</p> <p>(1.3) Strengthening the enabling environment, digital capabilities, and inclusiveness of digital services: which will finance the analogue complements required to support the redeployment and operations of the digital infrastructure and services including strengthening the related policy and regulatory environment and promoting digital skills among project beneficiaries. Specifically, it will support the Ministry of ICT &NG, UCC and NITA-U in implementing the 2018 National Broadband Policy.</p>
<p>Component 2: Enabling Digital Transformation of the Government</p> <p>(USD 50 million) (25%)</p> <p><i>SPD</i></p> <p><i>km</i></p>	<p>This component will aim to boost the efficiency and effectiveness of digital Government services and create foundations for better resilience, climate adaptation, and economic recovery. The supported activities under component 2 are in line with Objective 2 of NDP III, which aims to enhance the development of digital services across the government. Specifically, the component includes subcomponents:</p> <p>(2.1) Accelerating Digital Transformation of Service Delivery: which among others will scale up shared platforms developed under RCIP-5, support development of new shared solutions designed to promote innovation in digital service delivery and support a variety of e-services support and promotion mechanisms including establishing three regional eGovernment support service desks in Gulu, Mbarara and Mbale;</p> <p>(2.2) Mainstreaming Digital Services in Priority Sectors: which among others will support specific sectoral digitization of services in six priority sectors namely: -Agriculture, Education, Justice, Health, Tourism and Trade;</p> <p>(2.3) Strengthening Cyber security and Data Protection: which will reinforce cyber security, information security, and data protection for the safe guarding of the Ugandan digital economy and individuals' rights to safeguard personal data.</p>
<p>Component 3: Promoting Digital Inclusion of Refugee Host</p>	<p>This component will improve the availability of core digital infrastructure in 12 remote Refugee Host Districts for the benefit of host communities. While NITA-U will coordinate activities, the OPM and MoICT&NG will play an important technical role in</p>

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Component (Amount)	Description
Communities (USD 57 million) (29%)	<p>resolving policy and operational issues. The Subcomponents include;</p> <p>(3.1) Digital Inclusion of Host Communities and Refugees through Enhanced Connectivity : which aims at improving internet access in 12 Refugee Hosting Districts;</p> <p>(3.2) Digital Inclusion of refugees and host communities through access enablers: which will support digital skills development for host population and refugees</p>
<p>Component 4: Project Management (USD 7million: USD 4 million IDA; USD 3 million from the Window for Refugee host communities) (4%)</p>	<p>Component 4 will include:</p> <p>(i) Institutional strengthening of NITA-U, the implementing agency, and the partner agencies, to enhance their capacity in supervision to support project implementation, procurement, financial management, monitoring and evaluation of the project; (ii) Logistics and operating costs, including office rent, furniture, ICT equipment and transportation; (iii) Coordination with refugee management organizations such as OPM, UNHCR and other stakeholders; (iv) Recruitment of the technical experts and building internal capacity needed to support the development and delivery of sectoral digital services within MDAs; (v) Support for environment and social safeguards management; (vi) Support for data collection and analysis for M&E, including gender specific aspects of the project; (vii) Change management and communication as needed.</p>

Source: Project Appraisal Document

7.2 PROJECT EXPECTED OUTCOMES

Table 6 below shows the project outcomes and their performance indicators.

Table 6: Project Outcome Performance Indicators

Outcome	Indicator	Baseline	End Target
Expanding access to high-speed internet in selected areas	Broadband penetration (fixed + mobile)	35percent	60percent
Improving efficiency of digital government service delivery in selected public sectors	Public services in target sectors that can be delivered digitally and securely without requiring physical presence (end-to-end)	20	40

Outcome	Indicator	Baseline	End Target
Strengthening the digital inclusion of selected host communities and refugees	Individuals in host communities and refugee settlements with access to Broadband Connectivity (fixed and mobile)	0	3,512,000.0
	Of which Refugees	0	725,000.0
	Of which Hosts	0	2,787,000.0

Source: Project Appraisal Document

8. PROJECT COST AND FINANCING ARRANGEMENTS

The total cost of the project is USD 200.0 million. The project will be financed externally through IDA of the World Bank; of which 70% is by loan (USD 140 million) while 30% is a grant (USD 60 million) under the Refugee Sub window (Table 7).

Table 7: project cost and financing arrangements

S/N	Component	Loan (US \$ mns)	Grant (US \$ mns)	Total (US \$ mns)	Share
1	Expanding Digital Connectivity in Selected Areas	86.0	0.0	86.0	43%
1.1	Expanding the digital infrastructure outreach	49.6	0.0	49.6	25%
1.2	Strengthening digital infrastructure "complements"	33.1	0.0	33.1	17%
1.3	Strengthening the enabling environment, digital capabilities, and inclusiveness of digital services	3.3	0.0	3.3	2%
2	Enabling Digital Transformation of the Government	50.0	0.0	50.0	25%
2.1	Accelerating Digital Transformation of Service Delivery	23.6	0.0	23.6	12%
2.2	Mainstreaming Digital Services in Priority Sectors	11.5	0.0	11.5	6%
2.3	Strengthening Cybersecurity and Data Protection	14.9	0.0	14.9	7%
3	Promoting Digital Inclusion of Refugee Host Communities	0.0	57.0	57.0	29%
3.1	Digital Inclusion of Host Communities and Refugees through Enhanced Connectivity	0.0	37.0	37.0	19%
3.2	Digital Inclusion of refugees and host communities through access enablers	0.0	20.0	20.0	10%
4	Project Management	4.0	3.0	7.0	4%
	Total	140.0	60.0	200.0	100%
	Share	70%	30%	100%	

Source: Project Appraisal Document and PBO Computations

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9.0 LOAN TERMS AND CONDITIONS

9.1 LOAN TERMS

Table 8 shows Loan terms

Item	Terms
Loan Amount	SDR98.8 million (USD 140million)
Maturity Period	38 years
Grace period	6 years
Repayment period	32 years
Commitment fee	0.5% per annum on the undisbursed Loan Balance.
Service charge	0.75% per annum on the disbursed Loan Balance.

Source: Draft Financing Agreement

The loan is offered for a period of 38 years inclusive of a grace period of 6 years. Whereas the loan does not charge interest, it attracts a service charge of zero point seven five percent (0.75%) per annum on the disbursed loan balance. The loan does not charge an interest rate, however the treatment of the service charge is similar to an interest rate.

The loan has a commitment fee equal of zero point five percent (0.5%) per annum, that is to be charged on the undisbursed loan balance. This implies that delayed implementation of the project will increase these charges. Therefore, there is need to ensure timely implementation of the project to minimize on commitment charges.

9.2 LOAN CONDITIONS

The loan has the following terms and conditions for effectiveness

- Approval by Parliament;
- Issuance of the legal opinion of the Attorney General of Uganda on the legal validity of the loan documentation to the Bank;
- IDA is satisfied that Government has an adequate refugee protection framework;

- d. The Subsidiary Agreement has been executed on behalf of the Government and the Project Implementing Entity
- e. The Project Operations Manual ("POM"), as referred to in Section I.C of Schedule 2 to the Agreement, has been prepared and adopted by the Government and the PIE in a form and substance acceptable to the IDA.

In addition, there are conditions for suspension of the financing which include among others:

- i. The recipient no longer has an adequate refugee framework;
- ii. The PIE's legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PIE to perform any of its obligations under the agreement;
- iii. The PIE has failed to perform any of its obligations under the project agreement

In regard to the adequacy of a policy on Refugee protection, Uganda is signatory to the main international legal instruments for refugee protection, including the 1951 Refugee Convention, the 1967 Protocol, and the 1969 Organization of African Unity (OAU) Refugee Convention. Uganda has also adopted two pieces of legislation, the 2006 Refugees Act and the 2010 Refugee Regulations, which reflect the government's commitment to current international standards of refugee protection.

Ugandan policies enacted through the Refugee Department of the Office of the Prime Minister have made the goal of self-reliance central to the country's refugee regime. This idea is clearly embodied in Uganda's famous "Self-Reliance Strategy" (SRS). As part of this strategy, refugees in Uganda enjoy the right to work, freedom of movement within the country, access to basic services, and the right to live in local communities as well as in defined settlements. Within the country's refugee settlements, small plots of land are also allocated to each

refugee household to facilitate a development-based approach to refugees' self-reliance.

9.3 CONCESSIONALITY OF THE LOAN

The level of concessionality is an indicator of how expensive a loan is, the higher the concessionality as measured by the grant element, the more favourable the loan terms. Concessional loans are cheaper in terms of debt service when compared to non-concessional loans.

Table 9: Level of Concessionality of the loan

Item	Value
Nominal Value of the Loan (NV)	SDR 98.8 million (USD 140.0 million)
Present Value of the loan (PV)	SDR 45.43 million (USD 64.37 million)
Total Debt Service of the loan	SDR 115.1million (USD 163.1million)
Grant Element (%)	67%
Discount Rate	5%

Source: Draft Financing Agreement and PBO Computations

The loan is concessional since its grant element (67%) is higher than the concessional limit of 35% of the Public Debt Management Framework, 2018. The present discounted value of the loan from the IDA of SDR 45.43 million (USD 64.37 million) is lower than the nominal value of the loan SDR 98.8 million (USD 140.0 million). This implies that the total future payment of the loan is cheaper than the proposed amount to be borrowed in present terms. The total future payment of the loan will amount to SDR 115.1 million (USD 163.1 million) after the loan period of 38 years.

10. BUDGETARY IMPLICATION

This project forms part of the Government's approved budget estimates for FY 2022/23 under project code 1615: Government Network (GOVNET) project, with a total allocation of UGX 8.15 billion of which UGX 4.46 billion under GOU and UGX 3.69 billion being the first disbursement out of this external financing.

When approved, this borrowing shall form part of the Government's proposed resource envelope for FY 2022/23. The disbursement of these loans will enable project support (external) loans to perform within the earlier programmed approved levels consequently financing the expenditures for FY 2022/23.

11. ECONOMIC RETURNS OF THE PROJECT

The economic benefits from the proposed investments are significant given the Economic Net Present Value of the project estimated at UGX 413.15 billion with Economic Internal Rate of Return (EIRR) of 16.6 percent. The Project's Economic Rate of return is above the Economic Opportunity Cost of Capital in Uganda which is 11 percent which is an indication that the project is economically viable and impactful to the whole country with both indirect and direct benefits.

In addition, the Financial Net Present Value (FNPV) of the project is UGX 387.6 billion with a Financial Internal rate of Return (FIRR) of 70.1%. Since the NPV is positive, it's an indication that the project is financially viable. Given the Project's high Net Present Value (NPV) it is expected that through multiplier effects there will be increased streams of income from the Project to the Consolidated Fund that will contribute to the repayment process.

12. PROJECT IMPLEMENTATION ARRANGEMENTS

The project activities will be implemented through the following structures:

- i. Project Steering Committee (PSC): The Ministry of Information Communication Technology & National Guidance (MoICT&NG) will be responsible for providing strategic guidance and oversight for implementation of the Project.
- ii. The PSC will be chaired by the PS of MoICT&NG and comprised of Permanent Secretaries of MoFPED, OPM, and MoLG, Executive Directors of NITA, and PPDA. It will be responsible for providing strategic guidance and oversight to the Technical Committee, make policy decisions, addressing project implementation

issues and performing such other functions as may be further detailed in the Project Operation Manual (POM).

iii. Project Implementing Entity (PIE): The National Information Technology Authority-Uganda (NITA-U) will implement Parts 1-4 of the Project in coordination with MoICT&NG, National Environment and Management Authority (NEMA), Uganda Communications Commission (UCC), Public Procurement and Disposal of Public Assets (PPDA), Office of the Prime Minister (OPM) and Project Steering Committee (PSC).

iv. Project Implementation Unit (PIU): NITA U will establish a Project Implementation Unit (PIU) with adequate staffing holding such qualifications and under terms of reference acceptable to IDA. The PIU will be headed by the Project coordinator.

v. Project Management – For positions created to support the Project that may be required beyond project implementation, declining salary scale will be considered with an agreement that the Government would gradually takeover salary cost.

13. CURRENT DEBT SITUATION OF THE COUNTRY

By end of June 2022, total public debt stood at UGX 78.799 trillion (US \$ 20.98 billion), an increase by 13% from UGX 69.513 trillion (US\$ 19.54 billion) as at end June 2021. The debt stock constitutes of UGX 48.136 trillion (US\$ 12.814billion) as external debt, while UGX 30.662 trillion (US\$ 8.162 billion) is domestic debt. As a share of debt to GDP Nominal Debt to GDP increased from 46.9percent in June 2021 to 48.4percent in June 2022 performing within the thresholds of the charter for fiscal responsibility, while the present value of debt to GDP increased from 37.6 percent to 40.1percent respectively during the same period.

According to Bank of Uganda, public debt had increased to UGX 80.044 trillion by end of July 2022, translating to a debt to GDP ratio of 49.2percent.

The approval of the proposed borrowing, equivalent to USD 140 million will increase the external debt exposure from USD 17.8 billion as at end June 2022

to USD 18.34 billion inclusive of the recently approved budget support loan. In addition, if implemented this financial year, the proposed borrowing alone will increase the debt to GDP ratio for FY 2022/23 by slightly more than 0.05 percent (0.051%) thus increasing the nominal share of debt to GDP projected to perform at 51.9% in FY 2022/23 but public debt will remain within the sustainable levels, as the UDAP project was part of the debt sustainability analysis on debt that indicated that debt was sustainable.

Otherwise, the observed growth in debt is largely on account of extra borrowing to finance for both the revenue shortfalls and the Covid-19 containment related expenditure. It is noted that, as Government continues to support economic recovery through provision of economic stimulus package to various sectors and implement its development agenda as stipulated in NDPIII, debt is projected to increase further over the medium term.

14.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

The Committee observations and recommendations were derived from the rigorous scrutiny of the loan and loan documents to inform effective implementation of the new project (UDAP/GOVNET).

14.1 Conditionality of the loan financing agreement

The Appendix to the financing agreement section I paragraph 28 defines Project implementing Entity (PIE) to mean the National Information Technology Authority, Uganda, the entity with which the Association will enter into a project Agreement. The Appendix to the Agreement also defines Project Implementing Entity's Legislation to mean National Information Technology Authority (NITA-U Act) and Regulations. Article III of the Agreement declares the Government of Uganda (Recipient's) commitment to ensure that the project is implemented by the Project Implementing Entity in accordance with the provisions of article v of the General Conditions and, schedule 2 to the agreement and the project agreement.

The Committee notes with concern the conditions for suspension of financing from the IDA of the World Bank which include;

- i. When the recipient no longer has an adequate refugee framework;
- ii. The PIE's legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PIE to perform any of its obligations under the agreement;
- iii. The PIE has failed to perform any of its obligations under the project agreement.

The Committee is cognisant of the decision of cabinet on the 22nd day of February 2021, where it approved the recommendation for the rationalization of Agencies, Commissions, Authorities and Public Expenditure with the overall objective eliminating structural and functional duplications and overlaps, wasteful expenditures and realize resultant short-term and long-term savings, in line with the approved implementation roadmap. NITA -U is one of the entities that are earmarked for mainstreaming into the Ministry of Information, Communication, Technology and National Guidance.

The Committee was concerned that merging of NITA-U would imply repealing the NITA-U Act, which consequently would lead to the suspension of this credit facility by the World Bank.

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The Committee recommends that:

i. Government should take cognizance of the conditions stipulated in the financing agreement, where NITA-U is the Project Implementing Entity, the Committee recommends that NITA-U should retain its autonomy during the life of the project.

ii. For timely implementation of the project, Government carefully undertakes the rationalization process in a manner that will not compromise the provisions of the financing agreement. For avoidance of

doubt, the Attorney General should ensure that the final text of the financing agreement is clear as to the effect of mainstreaming NITA-U into the Ministry without causing loss to Government.

14.2 Commercialization of the National Backbone Infrastructure (NBI)/ Electronic Government Infrastructure (EGI) project

Government set out to invest in the NBI/EGI project to cater for the laying of Fiber Optic Cable (FOC) to ensure that high bandwidth data connection is available in all major towns of Uganda at a reasonable rate; and to establish Electronic Government Infrastructure aimed at reducing the cost of doing business in government, and increasing efficiency.

The NBI was designed to be commercialized to generate revenue for government. The Committee observes that Soliton Telmec Limited was contracted to manage the commercialization of the National Backbone Infrastructure, and has been doing so to-date. The Committee was informed that the revenue generated from the NBI is shared between Soliton Telmec and the Government of Uganda as per the provisions in the Contract. At the time the contract was awarded, NITA-U did not have capacity to manage the commercialization of this infrastructure. The Committee was informed that NITA-U has since developed sufficient capacity to manage the commercialization of the infrastructure.

The Committee recommends that:

i. NITA-U gradually phases out the contractual management of the project and uses the internal capacity it has built over time to manage the commercialization. This will reduce the cost of implementation and money spent on the contractor would be availed to extend connectivity to unserved areas.

ii. The Contract between NITA-U and Soliton Telmec be reviewed for NITA-U to gradually take on the commercialization of the National Backbone Infrastructure.

14.3 Accessibility and affordability of internet

Internet penetration in the country has improved from 16% in 2016 to 51% as at September 2021. Although the cost of internet bandwidth has come down from US \$ 97 per month per Mega bite per second (Mbps) in 2016 to US \$ 70 per month Mbps in 2018 and the September, 2022 negotiations are yet to bring it to USD \$35 per month Mbps. The utilization of the NBI remains at less than 30% of its full capacity. The Committee notes that the cost of internet would be cheaper with full utilization of the backbone infrastructure since the increased number of users would share the cost.

In addition, the Committee noted that Uganda Communications Commission through the Rural Communications Development Fund (RCDF) has distributed given a number of computers to the secondary schools across the country. However, their effective utilization is hindered by inadequate internet connectivity.

Further, the Committee was concerned that a large section of the population can hardly afford to use the internet and some critical service delivery centres like Education, health facilities among others.

The Committee recommends that:

i. **Government provides targeted free Wi-Fi spots and internet connections to institutions of learning and sub-county headquarters in order to step up the utilization rate of the NBI.**

ii. **Government should establish a policy that will continuously attract investment, competition among private sector operators and providers to drive down the cost of internet to final consumers.**

14.4 Expansion of the digital infrastructure in the Country

Government has to date invested over USD 175 Million in the National Backbone Infrastructure (NBI). Similarly, Uganda Electricity Transmission Company

(UETCL) and Private telecom operators also continue to rollout optic fibre networks across the country.

When government started investing in the development of the ICT backbone, in 2006/07, there was no policy framework to regulate and guide other public and private entities on the development and deployment of similar infrastructure so as to avoid overlaps and duplication. As a result these networks mostly run parallel to each other and are concentrated in the Kampala metropolitan area.

The combined length of the optic fibre network in the country is estimated at 12,000 Km, yet the effective reach is less than 2,100 Km because of the duplication in covered segments. As a result of this duplication, the sector continues to see under utilisation of the optic fibre capacity on all the OFC networks, case in point is the government owned NBI whose utilisation remains at less than 30% of its full capacity. The under utilisation is on account of other telecom operators having their own infrastructure. This duplication translates into high Total Cost of Ownership (TCO) for all ICT infrastructure operators, which is reflected in the high cost of bandwidth and therefore ICT services.

The Committee notes that the Broadband Policy, 2018 identified the need to have a comprehensive framework to coordinate all Government interventions in the development of broadband Infrastructure; and also regulate the private sector to ensure sharing and complementarity of their broadband networks to avoid duplication in deployment of the infrastructure.

The Committee recommends that the digital infrastructure proposed under this project is rolled out only to the unserved communities and to avoid any duplication. This financing should only be used to the extent necessary to reach the areas where it is considered that private sector would not go without additional incentives from the Government to invest in closing infrastructure gaps in unserved and underserved areas.

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14.5 Low uptake of digital services

The digital sector represents one of the quickest growing sectors in the country, with positive spillover effects on other sectors of the economy, the combination of which can play a key role in boosting economic growth. This growth is driven by conducive government policies, some of which promoted increased public and private sector investments in fiber infrastructure and significant uptake of mobile phone subscribers.

The Committee notes that even though the sector has exhibited growth over the past years, there are still a range of socio-economic barriers causing the digital divide. To ensure that the transformative potential of digital services reaches all Ugandans, there is a need to address barriers defined by income levels and geography. Only 16 percent of the total number of mobile phone users have smartphones. Geographically, the wide gap between the 19.5 percent Internet penetration rate in urban areas and the mere 7.1 percent in rural areas also raises concerns around the urban-rural divide. Skills are also an issue as 75 percent of Ugandans who do not use the Internet report that they lack the skills to do so. Skills gaps are particularly stark between men and women. Even among the employed population, fewer women than men possess a formal education: 4.4 percent versus 6.2 percent; and two-thirds of young women in employment lack a trade, technical skills, or specialization.

In appraising this project, it was estimated that closing the digital infrastructure gap in the eastern and southern Africa regions could result in a 1.5 percentage point increase in economic growth per capita. If complemented by expansion in human capital development, the growth effect could increase to 3.87 percentage points.

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The Committee recommends that:

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- The Ministry of ICT and National Guidance collaborates with other MDAs such as that of Education to build capacity and skills of the population to enable them use these services. In addition, it should liaise

with Ministry of Trade and Ministry of Finance to lower the end user the cost of mobile phones and gadgets.

ii. This project prioritizes less served communities that are considered commercially unviable by the private sector to bridge the geographical divide.

14.5 Stakeholder Coordination Risk.

The Committee noted that implementation of this project will require the commitment and involvement of multiple implementing partners, including National Information Technology Authority of Uganda, the Ministry of Information and Communication Technology and; National Guidance, Office of the Prime Minister, National Environment Management Authority, and Uganda Communications Commission, among others. The project will also require good understanding and collaboration between public and private sectors, especially in Components 1 and 3, which can be impeded by disputes on regulation, taxation, licensing, overlapping interventions, and so on. Close coordination will be needed to mitigate this risk.

The Committee recommends that National Information Technology Authority of Uganda and the Ministry of Information and Communication Technology and National Guidance should ensure that the needs and expectations of each stakeholder are considered for the smooth implementation of this project. Further, given the various activities supported under the project, stakeholders must be well aligned to coordinate efforts. The use of alternative delivery models involving partnerships with the private sector and NGOs to complement government efforts should also be applied under this project.

14.5 Sustainability of the Project

The Committee noted that NITA-U has generated Ushs 117 billion from the provision of services over the NBI, IT certification and others over a 5 year period;

and is projected to collect Ushs 185 billion over the medium term. The revenue generated is expected to support the future expansion of the infrastructure as well as the delivery of public services online. Similarly, in the last 4 years from FY 2016/17- FY 2020/21, NITA-U has spent Ushs 420.58 billion. For the 5 year period, its revenue to expenditure ratio is 28%, in other words, the entity revenues can only finance 28% of its expenditure, implying that even if it's left to utilize all its sources of revenue, it cannot finance its own expenditure.


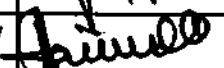
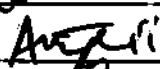

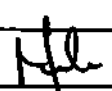
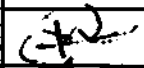

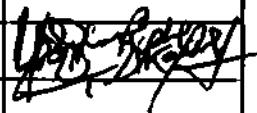
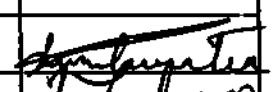
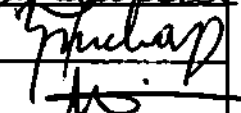
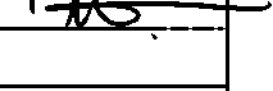
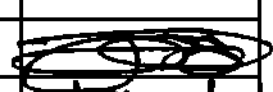
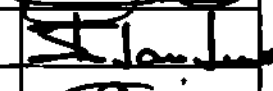
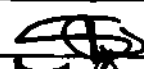
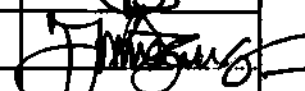




The Committee recommends that, the GoU to should adopt policies that will attract private sector participation in broadband and infrastructure sharing via open access rules. Such a policy should allow private service providers to utilize the excess capacity on the government owned NBI to offer value-added services, especially in remote and commercially unviable areas. The use of long-term pre-purchase agreements (typically 10 or more years) for bandwidth capacity will ensure that benefits from the program will continue after project completion. In addition, NITA-U should implement a progressive cost-recovery scheme among MDA clients it provides with bandwidth to ensure sustainability and capacity on the national backbone network.

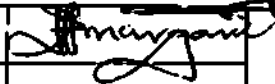
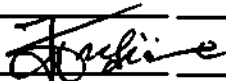



12. CONCLUSION

In light of the above observations, the Committee therefore recommends that the request for government to borrow up to Special Drawing Rights (SDR) 98.8 Million (Equivalent to USD 140 Million) and secure a Grant financing amounting To SDR 42.4 Million (Equivalent to USD 60 Million) from the International Development Association (IDA) of the World Bank to finance the Uganda Digital Acceleration Project (UDAP) - Government Network (GovNET) be approved subject to the above recommendations.

I beg to move.

COMMITTEE ON NATIONAL ECONOMY

S/N	NAME	CONSTITUTENCY	SIGNATURE
1.	Hon. Ikojo John Bosco C/P	Bukedea County	
2.	Hon. Migadde Robert Ndugwa D/CP	Buvuma Islands County	
3.	Hon. Awich Jane	DWR Kaberamaido	
4.	Hon. Ayoo Tonny	Kwania County	
5.	Hon. Baka Stephen Mugabi	Bukooli County North	
6.	Hon. Katwesigye Oliver Koyekyenga	DWR Buhweju	
7.	Hon. Natukunda Midius	DWR Rukungiri	
8.	Hon. Byarugaba Alex Bakunda	Isingiro County South	
9.	Hon. Chemutai Phyllis	DWR Kapchorwa	
10.	Hon. Etuka Isaac Joakino	Upper Madi County	
11.	Hon. Isabirye Iddi	Bunya County South	
12.	Hon. Kajwengye Twinomugisha Wilson	Nyabushozi County	
13.	Hon. Agaba Aisa	Bugangaizi East County	
14.	Hon. Kemirembe Pauline Kyaka	DWR Lyantonde	
15.	Hon. Lematia Ruth Molly Ondoru	Maracha East County	
16.	Hon. Lochap Peterkhen	Bokora East County	
17.	Hon. Twinobusingye Jovanice	DWR Kiruhura	
18.	Hon. Aber Lillian	DWR Kitgum	
19.	Hon. Avur Jane Pacuto	DWR Pakwach	
20.	Hon. Byanyima Nathan	Bukanga North County	
21.	Hon. Kibalya Henry Maurice	Bugabula County South	
22.	Hon. Awas Sylvia Vicky	DWR Nabilatuk	
23.	Hon. Kwizera Paul	Kisoro Municipality	
24.	Hon. Wokorach Simon Peter	Aswa County	
25.	Hon. Teira John	Bugabula County North	
26.	Hon. Ebwalu Jonathan	Soroti West Division	
27.	Hon. Atugonza Allan	Buliisa County	

28.	Hon. Makhoha Margaret	DWR Namayingo	
29.	Hon. Abeja Susan Jolly	DWR Otuke	
30.	Hon. Macho Geoffrey	Busia Municipality	
31.	Hon. Tusiime Julius Karuhanga	Rwampara East County	
32.	Hon. Kabusu Moses	Kyamuswa County	
33.	Hon. Ojok Andrew Oulanya	Omoro County	
34.	Hon. Oguzu Lee Denis	Maracha County	
35.	Hon. Akena James Micheal Jimmy	Lira East Division	
36.	Hon. Kayondo Fred	Mukono County South	
37.	Hon. Katabazi Francis Katongole	Kalungu East County	
38.	Hon. Kirumira Hassan	Katikamu County South	
39.	Hon. Nyeko Derrick	Makindye Division East	
40.	Hon. Saazi Godfrey	Gomba East County	
41.	Hon. Bwanika Abed	Kimaanya-Kabonera Division	
42.	Hon. Gen. Mugira James	UPDF	



