



PARLIAMENT OF UGANDA



**REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE
PROPOSAL TO BORROW UP TO RENMINBI (RMB) YUAN 1,050,000,000
FROM EXPORT IMPORT BANK OF CHINA TO FINANCE THE SUPPLY,
INSTALLATION, COMMISSIONING AND SUPPORT OF THE NATIONAL DATA
TRANSMISSION BACKBONE INFRASTRUCTURE/E-GOVERNMENT
INFRASTRUCTURE PROJECT PHASE V**

December, 2023

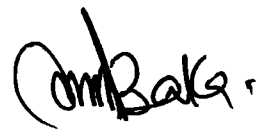
1.0 INTRODUCTION

Rt. Honourable Speaker and Honourable Members,

On the 31st day of October, 2023, a proposal to borrow up to Renminbi (RMB) Yuan 1,050,000,000 from Export Import Bank of China to finance the supply, installation, commissioning and support of the National Data Transmission Backbone Infrastructure/E-Government Infrastructure Project Phase V was presented to Parliament and referred to the Committee on National Economy.

The Committee has considered the proposal by government in accordance with Article 159 of the Constitution, Section 36 of the Public Finance Management Act (PFMA), 2015 and Rule 178 of the Rules of Procedure of Parliament.

The Committee now reports.



1.1 METHODOLOGY

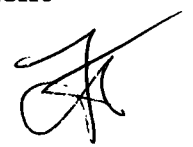
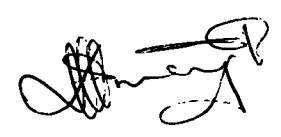
In consideration of this loan proposal, the committee held meetings with the following entities;

1. Ministry of Finance, Planning and Economic Development;
2. Ministry of ICT and National Guidance; and
3. The National Information and Technology Authority of Uganda



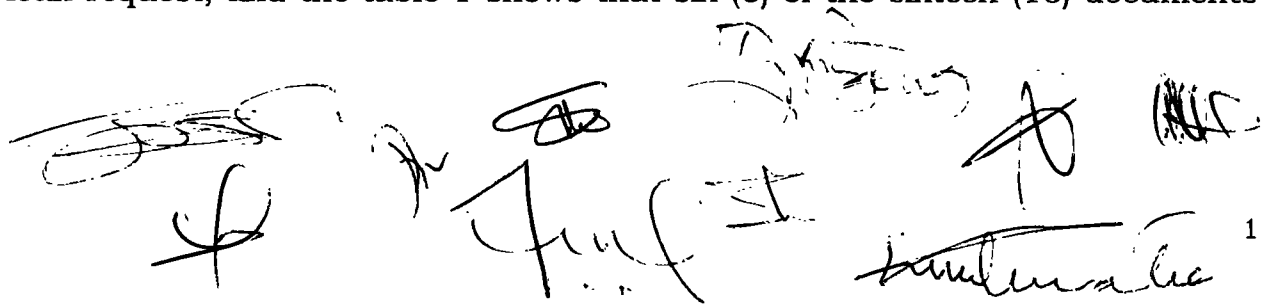
The Committee also reviewed the following documents among others;

1. Brief on the loan request by the Minister of Finance, Planning and Economic Development;
2. Draft Financing Agreement;
3. Performance reports on the externally financed projects under the NITA-U;
4. Social Economic impact Assessment Report of the Project;
5. Resettlement Mechanism Arrangement Agreement; and
6. Certificate of Approval of Environment and Social Impact Assessment issued by NEMA;



1.2 COMPLIANCE WITH RULES OF PROCEDURE OF PARLIAMENT

Rule 155 provides the process of consideration of Loans and guarantees in Parliament. This rule provides a list of documents that must accompany any loan request, and the table 1 shows that six (6) of the sixteen (16) documents



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were submitted in accordance with rule 155, translating into a performance of 37.5 percent (Table 1).

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 the financing agreement.
	b) List of financing options	1	0	Not Submitted because it was directly sourced
	c) Loan Disbursement and repayment schedule	1	0	Not Submitted
	d) A letter from NPA	1	0	Not Submitted
	Subtotal rule 155(5)	4	1	25 % of requirement
155(7)	a) Social Economic Impact Assessment Report	1	1	Submitted (Same as that of UDAP)
	b) Performance report for all projects in sector	1	1	Submitted
	c) Evidence of Consistency with NDP & sector strategy	1	0	Not Submitted
	d) Evidence of Availability of counterpart funds	1	0	No Evidence of Commitment
	e) Project Appraisal Document (PAD)	1	1	Feasibility Submitted
	f) Procurement plan	1	0	Not Submitted
	g) Project Implementation Plan	1	1	Submitted
	h) Project Management Structure	1	1	In Project operations manual
	i) Resettlement action plan, if applicable	1	1	Resettlement Policy Framework submitted
	j) Environmental Impact Assessment report, If applicable	1	1	Submitted
	K) Performance of past loans	1	1	Performance report on NBI/EGI submitted
	Subtotal rule 155(7)	11	8	72.7% submitted
	Total	15	9	60% submitted

Source: PBO Assessment of submitted documents

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1.3 BACKGROUND

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 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 Centre; and d) Establish district Information Centre. 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.

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.

- The first Phase of the NBI/EGI was completed in June 2008 and involved the laying of Optical Fibre Cable (OFC) within Kampala and Entebbe to link 27 Ministries and Government Departments; Delivery and installation of communication equipment to the 27 Ministries and Departments that

will form the E-Government network; Video conferencing services deployed to all the Ministries and Government Departments; and laying of 168Kms of OFC to connect the towns of Mukono, Bombo, Entebbe and Jinja to Kampala.

- Phase II was comprised of 1,400km of fibre network connecting Busia, Tororo, Mbale, Malaba, Kumi, Soroti, Lira, Gulu, Elegu, Masindi, Kyenjojo, Fort Portal, Kasese, Bushenyi, Mbarara. Nakasongola and Luwero. In addition, the phase sought to build a Primary Data Centre in Statistics House; Install Backup equipment in all 27 Ministries and Government Departments installed during Phase I; repair damages caused on Phase I; Install Optical Switching Transmission sites in the towns mentioned above, that would be utilized to extend e-Government Services to Local Governments and the Population in these areas; and install a centralized email and Office Automation Platform that would be piloted in State House, Ministry of ICT and NITA before rollout throughout the entire Government Ministries and Agencies.
- While the third Phase which commenced in 2012 had 756km worth of fibre optic routes through Kampala – Masaka – Mbarara – Katuna, Kabale, Masaka – Mtukula and Masindi – Hoima – Kyenjojo. An alternate route to the undersea cables via Mutukula to Daresaalam was created, as well as completion of the concentric rings across the country through the implementation of Kyenjojo – Masindi as well as across the Tanzania and Rwanda through Mutukula, Rusumo and back to Katuna to enhance regional connectivity.

Through the World Bank, Uganda was identified as a probable beneficiary in the Regional Communications Infrastructure Program (RCIP), from which the government of Uganda secured funding worth of US\$ 75 Million for the financing of the "Regional Communications Infrastructure Program (RCIP) Phase 5 – Uganda Project". This became operational in May 2016, and to date, 100 percent of the financing amount has been disbursed.

It was envisioned that the RCIP would complement existing ICT initiatives in the country, including the NBI/EGI (NBI) and private sector investment by helping to bridge the financing and technical gaps. RCIP Uganda project aims to transform public service delivery using Information and Communications Technologies (ICT) to improve the lives of Ugandans. This would be achieved by improving; coverage for IT infrastructure in the country; the delivery of public

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services by improving efficiency through government cloud infrastructure; Integration of Government IT systems; building capacity in management of IT programs and projects; and Policy and regulatory environment for ICT in country.

The fundamental objective of the project was to support the country to lower prices for international capacity and extend the geographic reach of broadband networks and to improve the Government's efficiency and transparency through e-Government applications.

This phase saw outspread of the ICT backbone to West Nile districts of Pakwach, Nebbi, Arua, Yumbe, Koboko, Adjumani, Katakwi and Moroto connecting three border points of Uganda at Oraba with South Sudan, and Vurra and Mpondwe with Democratic Republic of Congo to the ICT backbone for regional connectivity and to enhance the redundancy of the NBI. This project was closed on 31st August, 2022.

On the first of November, 2022 the Honourable Minister of Finance, Planning and Economic Development presented to Parliament a proposal to authorize 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). This proposal was consequently approved by Parliament with a view of increasing Broadband access and penetration in rural areas including uptake of e-Government services.

A year later, the Minister of Finance presented this loan proposal to finance the supply, installation, commissioning and support of the National Data Transmission Backbone Infrastructure / E-Government Infrastructure Project Phase V.

Table 2: 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 in twenty-seven (27) Government Ministries and Departments (MDAs).


NBI Phase	Cost (USD)	Achievement
Phase 2 (2009 to 2013)	USD 61,059,125	<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 Busia and Malaba and with South Sudan at Elegu respectively 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 3: Performance of Regional Communication Infrastructure Project

Component	Cost	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 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.

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Component	Cost	Project activity
		<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 onboarded onto the UMCS platform. • 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.

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Component	Cost	Project activity
		<ul style="list-style-type: none"> • 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

2.0 PROJECT DESCRIPTION

The National Data Transmission Backbone Infrastructure/E-Government Infrastructure Project Phase V has the following project objectives.

Construct ion module	Phase V construction Summary	Main construction objectives	Construct ion scale (Mln RMB)	Proportion of constructi on scale to total project amount
Backbon e network	3,604km backbone network and 51 backbone transmission sites.	1. Increase the coverage of backbone network, add 56 new areas, and increase the coverage rate to 83%; 2. Expand the network connection of key economic and petroleum regions in the west, and balance the development of the north; 3. Increase network security and stability.	536.85	51%
MDA site	The last mile of 2,240km; 800 site connections	1. Meet the last mile network service demands of government sites, and fully guarantee economic development, national security and overall resource planning.	338.8	32%
Data Centre	A new data Center building with capacity of 180 cabinets and corresponding 52 data Centre cabinets will be built	1. Provide the foundation for the digital services and data center expansion of the government date Centre, ensure the data centre needs of other MDAs and avoid redundant construction. 2. Provide a unified management center for NITA – U to improve operation and maintenance efficiency	62.31	6%
Other	Construction and management system, Maintenance, Project Management services, storage	2. Support the successful delivery and subsequent operation of backbone network projects	112.03	11%
Total			1,049.99	100%

Source: Feasibility Study Report - NITA-U

2.1 PROJECT COMPONENTS

The project has four project components, Backbone network, connection to MDA sites, data centre services and project management services.

Component 1: Backbone Network: This Component will cover 3,604km backbone network and 51 backbone transmission sites. The purpose of this Component will be to:

1. Increase the coverage of backbone network, add 56 new areas and increase the coverage to 83%,
2. Expand the network connection of key economic and petroleum regions in the Albertine Graben, Hoima Basin, west, and balance the development of the north, and
3. Increase network security and stability.

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Component 2: MDA sites: This Component will cover the last mile of 2,240km; 800 site connections and will meet the last mile network service demands of government sites, and fully guarantee economic development, national security and overall resource planning. This shall be in tandem with the existing Government Priority at the time.

Component 3: Data Centre: This Component will build the new data center in Namanve with a capacity of 180 cabinets and corresponding 52 data center cabinets will be built. The Component's main purpose shall be to provide:

1. The foundation for the digital services and data center expansion of the follow-up government, ensure the data center needs of other government ministries and commissions and avoid redundant construction.
2. A unified management center for NITA-U to improve operation and maintenance efficiency.

Component 4: Other: This will cover construction and management system maintenance, project management services and warehousing of the project logistics. The Component's main objective will be to support the successful delivery and subsequent operation of backbone network projects.

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Areas mainly covered by backbone optical cables of NBI/EGI Phase V project

Ring/Link	Planned Capacity	Route
Ring 1	60G	Karuma<>Packwach<>Nebbi<>Arua<>Koboko<>Moyo<>Elegu<>Gulu<> Karuma
Ring 2	40G	Karuma<>Gulu<>Kitgum<>Patongo<>Lira<>Karuma
Ring 3	40G	Lira<>Patongo<>Kotido<>Moroto<>Katakwi<>Soroti<>Lira
Ring 4	40G	Mbale <> Kumi <> Soroti <> Katakwi <> Moroto <> Nakapiripirit <> Kapchorwa <> Mbale
Ring 5	200G	Kampala <> Luweo <> Nakasongola <> Masindi <> Karuma <> Lira <> Soroti <> Kumi <> Mbale <> Tororo <> Busia <> Iganga <> Jinja <> Mukono <> Kampala
Ring 6	60G	Kampala <> Kiboga <> Hoima <> Masindi <> Nakasongola <> Luweero <> Kampala
Ring 7	60G	Kampala <> Masaka <> Sembabule <> Mubende <> Kyenjojo <> Kagadi <> Hoima <> Kiboga <> Kampala
Ring 8	60G	Masaka <> Mbarara <> Bushenyi <> Mbarara
Ring 9	60G	Mbarara <> Ntungamo <> Rukunguri <> Bushenyi <> Mbarara
Ring 10	60G	Packwach <> Karuma <> Masindi <> Hoima <> Buliisa <> Packwach
Link 1	40G	Ntungamo <> Kabale <> Kisoro
Link 2	40G	Kasese <> Mpondwe
Link 3	60G	Mbarara <> Ibanda <> Fort Portal
Link 4	60G	Mubende <> Mityana <> Fort Portal
Link 5	40G	Masaka <> Mutukula
Link 6	40G	Kampala <> Kayunga <> Jinja
Link 7	40G	Jinja <> Kamuli
Link 8	40G	Tororo <> Busia <> Iganga
Link 9	40G	Fort Portal <> Bundibugyo

Source: Feasibility Study Report - NITA-U

Source: Feasibility Study Report - NITA-U

3.0 COSTS AND FINANCING

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3.1 Financing

The project cost is estimated at USD 152 million of which government is proposing to borrow Renminbi (RMB) Yuan 1,050,000,000 from the Export Import Bank of China, while Government of Uganda is expected to contribute USD 2 million towards the total project cost.

Project Cost by Component

No.	Item	Price (Million RMB)
1	Backbone network Component	536.85
1.1	Backbone network-overhead	218.55
1.2	Backbone network-underground	47.71
1.3	Fiber optic cable across the river	4.93
1.4	Backbone OTN network	115.12
1.5	Backbone IP network	80.04
1.6	Backbone network management system	6.85
1.7	Other construction contents of the backbone network	10.38
1.8	Energy system	48.37
1.9	CCTV system	3.75
1.10	Backbone network training	1.15
2	Access network Component	338.75
2.1	Last mile-overhead	163.3
2.2	Last mile-underground	21.13
2.3	The last mile campus network	153.09
2.4	Campus network training	1.23
3	Data center Component	62.3
3.1	Data center	61.56
3.2	Data center training	0.74
4	Others	19.46
4.1	Operation management system	19.05
4.2	Management Service training	0.41
4.3	Support tools	10.23
4.4	Warehousing	8.4
4.5	Project management	16.8
4.6	Maintenance	57.14
5	Total	1,049.93

Source: Brief to Parliament by the Hon. Minister of Finance

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3.2 LOAN TERMS AND CONDITIONS

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3.2.1 Financing Terms

Table 4: The Export-Import Bank of China financing terms

Loan Amount	Yuan 1.05 billion (USD 150 million)
Maturity Period	20 years
Grace period	5 years
Repayment period	15 years
Interest rate	2% per annum
Management fee	0.25% of the aggregate amount (Yuan 2,624,998.92)
Commitment fee	0.25% per annum on the undisbursed loan balance
Availability Period	60 months from date of effectiveness

Source: Draft financing agreement between Government of Uganda and EXIM Bank of China

The loan has a maturity period of 20 years inclusive of a grace period of 5 years. It attracts an interest rate equal to two percent (2%) per annum on the disbursed loan amount. The loan has a management fee equal to zero-point two five percent (0.25%) of the aggregate loan amount and a commitment fee equal to zero-point two five percent (0.25%) per annum, on the undisbursed loan balance.

3.2.2 Other Loan Conditions

The loan has the following terms and conditions precedent to the First Disbursement;

- a. The National Information Technology Authority – Uganda (The end user) and China International Telecommunication Construction Corporation (Chinese Supplier) enter into a contract for supply, installation, commissioning and support of the National Data Transmission Backbone Infrastructure/E-Government Infrastructure Project Phase V (referred to as the Commercial contract);
- b. Certified true copies of the Commercial Contract accepted by the lender;
- c. The entire proceeds of the facility shall be applied by. The borrower for the sole purpose of the payment of approximately 100% of the commercial contract amount and not be used for payment of brokerage fees, agency fees or commission.
- d. The goods, technologies and services purchased by using the proceeds of the facility shall be purchased from China preferentially;

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- e. The Commitment fees shall accrue on a daily basis and be paid in arrears to a designated account;
- f. Drawdown schedule submitted by the borrower accepted by the lender;
- g. Evidence that Management fee and commitment fee payable have been paid by the borrower Uganda;
- h. Issuance of the legal opinion of the Attorney General of Uganda on the legal validity of the loan documentation to the Bank;
- i. A letter of commitment issued by the borrower, to increase the proportion of payment for operator's provision of internet services for public sectors;
- j. Certified true copies of main sub-contracts of construction, design, and procurement, which have been duly signed by the Chinese Supplier and the relevant and acceptable to the Lender;
- k. A letter of commitment issued by the end-user and/or the operator if applicable to deposit the project operating income into the sales collection account pursuant to the Repayment Mechanism Arrangement Agreement;
- l. Any dispute arising out of or in connection with this agreement shall be resolved through friendly consultation. If no settlement can be reached through such consultation, each party shall have the right to submit such dispute to arbitration. Arbitration shall be conducted with the China International Economic Trade Arbitration Commission (CIETAC).
- m. The agreement stipulates the choice of Chinese law as the governing law under the loan agreement.

3.3 CONCESSIONALITY OF THE LOAN

Table 5: Level of Concessionality

Item	Value
Nominal Value of the Loan (NV)	Yuan 1.050 billion
Present Value of the loan (PV)	Yuan 0.767 billion
Total Debt Service of the loan	Yuan 1.289 billion
Grant Element (%)	26.9 %
Discount Rate	5 %

Source: Draft financing agreement between Government & EXIM Bank of China

The present discounted value of the loan, of Yuan 0.767 billion is lower than the nominal value of the loan Yuan 1.050 billion. 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 Yuan 1.289 billion after the loan period of 20 years.

The loan is semi concessional since its grant element (26.9%) is lower than the concessional limit of 35% in the Public Debt Management Framework as well as the World Bank and IMF thresholds for concessional loans.

4.0 Budgetary Implication

The NITA-U budget for the GoVNET programme in FY 2023/24 amounts to UGX 95.96 billion, of which UGX 91.51 billion is externally financed. It is not clear whether the externally financed amount under NITA-U was projected to reflect the Uganda Digital Acceleration Project only or combines the projected disbursement from the EXIM Bank of China towards the same project as well

If the projected amounts in the approved budget for FY 2023/24 exclude the disbursements from China, once approved, this borrowing shall require an upward revision of the budget for NITA-U to accommodate loan amount estimated to be utilized during the FY 2023/24, this through supplementary expenditure.

5.0 Risks and uncertainty

The identified risks include the lack of a clear process for service delivery; Dependencies on the Chinese Supplier and China for all project inputs.

6.0 Impact on Debt Sustainability

As at June 2023, the total public debt stock stood at USD 23.66 billion (UGX 86,779.9 billion) increasing from 20.97 billion (UGX 78.78 billion) as at end June 2022. Of the total public debt stock as at June 2023, external debt constituted 60.2% (14.24 billion /UGX 52, 206.1 billion) while domestic debt constituted 39.8% (USD 9.4 billion/UGX 34,573.8 billion).

Uganda's debt remains sustainable with the nominal value of public debt to GDP of 47.1% as at June 2023 compared to 48.4% as at June 2022.

The approval of this loan will increase the external debt exposure for public and publicly guaranteed debt by USD 164.5 million and the share of GDP by 0.34 percent to 47.44 percent. Even though public debt will remain within the sustainable levels, Uganda is rated at moderate risk of debt distress. If Uganda experiences an adverse shock, leading to a decline in GDP growth, some of the debt risk indicators will exceed the CFR thresholds and could move the country to high risk of debt distress.

7.0 OBSERVATIONS AND RECOMMENDATIONS

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7.1 The loan agreements and contracts

The Committee observed that the National Information Technology Authority – Uganda (the “End-User”) and China International Telecommunication Construction Corporation (“Chinese Supplier”) entered into on April 22nd 2022, the Contract for supply, installation, commissioning and support of the National Data Transmission Backbone Infrastructure/E-Government Infrastructure Project Phase V (referred to as the Commercial contract) number NITA-U/SUPLS/21-22/0001 for purposes of implementation of the Project as defined in Article 1 of the loan agreement.

The committee also observed that the draft loan agreement provides that the entire proceeds of the facility shall be applied by the borrower for the sole purpose of approximately 100 percent of the Commercial contract amount, and not be used for payment of brokerage fees, agency fees or commission. The Committee observed that the draft loan agreement does not provide for payment of brokerage fees, agency fees or commission.

The Committee observed that true copies of the main sub-contracts of construction, design, and procurement, which have been duly signed by the Chinese Supplier and are acceptable to the Lender are also obligatory before the first disbursement.

The committee recommends that;

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- a. Government should not at any moment pay or budget for the payment of brokerage fees, agency fees or commission in relation to this financing and project;**
- b. The main sub-contracts of construction, design, and procurement should be subjected to competitive bidding; and**
- c. The Attorney General reviews and approves the Commercial Contract, Resettlement Mechanism Arrangement Agreement; the main sub-contracts of construction, design, and procurement prior their finalization and enforcement.**

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7.2 Project goods, technologies and services

The committee observed that the goods, technologies and services purchased by using the proceeds of the facility shall be purchased from China preferentially. The committee noted that the loan agreement does not provide for observance of quality standards. There is need to provide for the specifications of the goods, services and technologies that shall be used in project execution.

The Committee recommends that prior to the supply of Project goods, technologies and services specification and clearance should be sought from NITA-U as the end-user.

7.3 Commitment fees

The committee observed that commitment fees worth 0.25% per annum on the undisbursed loan balance. The Commitment fees shall accrue from and including the date falling 30 days after the date on which the loan agreement becomes effective. In addition, the Commitment fees shall accrue on a daily basis and be paid in arrears to an account designated in Article 4.4 of the draft loan agreement.

Given the existence of a Commercial Supplier, the committee notes that there is a possibility that some delays in loan disbursement and increased accrual of commitment fees could be attributed to by the Chinese Commercial Supplier. Good faith consideration should be accorded to the Government of Uganda as it pays commitment fees.

The committee recommends that the commitment rate and provisions in the draft loan agreement be renegotiated to provide for potential delays occasioned by the Chinese Commercial Supplier.

7.4 Protected Assets

The committee observed that the loan agreement lists protected assets which mean assets which are:

- a. Used by a diplomatic or consular mission of the republic of Uganda,
- b. Property of military character or for military purpose,
- c. Property that is regarded as a part of the culture heritage of Uganda,
- d. Any other asset of the Republic of Uganda to the extent that the Government is prohibited explicitly by the laws of the Republic of Uganda

applicable and in effect on the signing date of the agreement from waiving such immunity.

The committee observed the protected assets shielded from waiving of sovereign immunity are listed as above and the list can only be widened by a law coming in force before the signing date of the agreement.

The Committee recommends that;

- a. A definition for "Laws of Uganda" be provided for in the loan agreement to mean the laws of Uganda, and all orders, rules, regulations and decrees thereunder, judgments and notifications made pursuant thereto, as such laws, orders, rules, regulations, decrees, judgments and notifications may be modified, vacated or amended from time to time.***
- b. Government should provide a legislation that adequately provides for protected assets over which sovereign immunity cannot be waived.***

7.5 Access and affordable use of internet

Government of Uganda through NITA-U has been implementing projects with an objective of increasing internet coverage in the country. According to the National Information Technology Survey Report 2022, there has been a significant progress has been achieved in terms of the overall penetration and utilisation of IT services. The survey also indicated that unequal access to and use of such services across the country remain a major challenge, with especially rural-urban-, gender- and income-based divides (that relate to the affordability of service) remaining as challenges.

The Committee noted that although there had been relative investment in this sector, access to Internet remains inadequate and highly priced for by Government and individual users. The committee was informed that the cost of internet had reduced from USD 97 per month per mega bites per second in 2016 to USD 70 per month in 2018.

The Uganda Digital Acceleration Project (UDAP) which Parliament in approved in 2022 was envisaged to bring the cost of internet to USD \$35 per month Mbps. However, it has loan has not been disbursed and is currently under procurement stage. The Committee further notes that the utilization of the National Backbone Infrastructure remains at less than 30% of its full capacity and this is attributed to high cost of that limits the number of users.

In addition, the Committee noted that Government introduced ICT as subject in all educational learning institutions and accordingly the schools have since been supplied with computers to aid the learners get practical lessons. However, some schools have failed to effectively utilize computers due to inadequate internet connectivity.

Further, majority of the local governments are not connected with internet despite government policy to digitize most of the services (e-services). The Committee was informed that some of the district local governments which are not connected with internet are those that came in place after the implementation of the 1st, 2nd and 3rd phases of the National Backbone Infrastructure.

The Committee was informed that the implementation of the proposed National Data Transmission Backbone Infrastructure Project Phase V will bring down the cost of internet further to US 20 per month per mega bites per second since it is going address last mile connections challenges which have been hindering the use of internet.

The Committee recommends as follows;

- **National Information Technology Uganda should fast track extension of internet services to the least served local governments and schools so that to enable the local governments transact government business as well as bolstering effective learning of ICT lessons by learners in schools. This will increase effective utilization rate of the NBI, thus bringing the costs down.**
- **NITA-U in trying to enhance digital inclusion should ensure that all MDAs that get connected to internet services duly comply with national IT standards. This requires continuous security awareness about the dangers and risks of internet usage.**
- **NITA-U should enhance interventions that will increase awareness and skills among the population. This will increase the number of people using internet, thus easing the cost of doing business.**

7.6 Need for linkages with other agencies

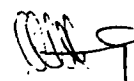
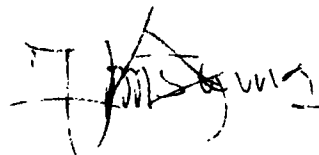
The Committee notes that while NITA-U has widened internet connectivity, its utilization has been hindered by limited power supply in the country, which is the major factor in accessing internet services. The Committee further notes that without access to power, the backbone infrastructure will remain unutilized, thus not serving the purpose.

The Committee recommends that Ministry of Energy and Mineral Development should scale up extension of power across the country in order to enhance utilization of internet in Uganda.

8.0 Conclusion

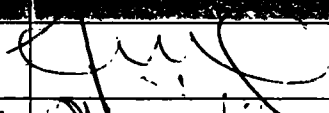
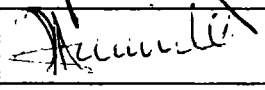
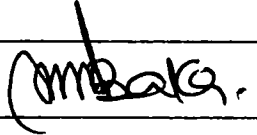
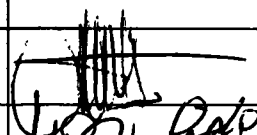
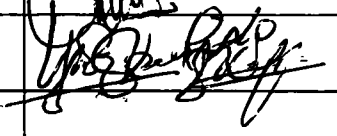
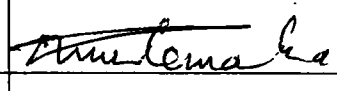
In light of the observations and above, the Committee recommends the that the proposal to borrow up to Renminbi (RMB) Yuan 1,050,000,000 from Export Import Bank of China to finance the supply, installation, commissioning and support of the National Data Transmission Backbone Infrastructure/E-Government Infrastructure Project Phase V be approved subject to the recommendations herein.

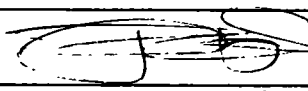
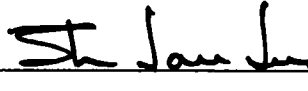
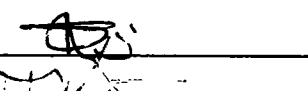
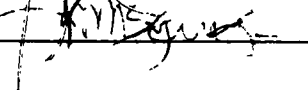
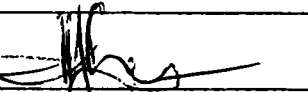
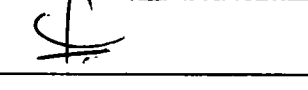
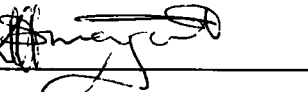
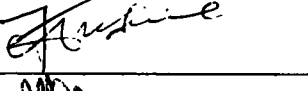
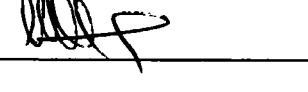
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COMMITTEE ON NATIONAL ECONOMY

**REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PROPOSAL
TO BORROW UP TO RENMINBI (RMB) YUAN 1,050,000,000 FROM EXPORT
IMPORT BANK OF CHINA TO FINANCE THE SUPPLY, INSTALLATION,
COMMISSIONING AND SUPPORT OF THE NATIONAL DATA TRANSMISSION
BACKBONE INFRASTRUCTURE/E-GOVERNMENT INFRASTRUCTURE
PROJECT PHASE V - 5/12/2023**

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. Andrew Ojok Oulanya	Omoro	
6.	Hon. Baka Stephen Mugabi	Bukooli County North	
7.	Hon. Katwesigye Oliver Koyekyenga	DWR Buhweju	
8.	Hon. Natukunda Midius	DWR Rukungiri	
9.	Hon. Byarugaba Alex Bakunda	Isingiro County South	
10.	Hon. Chemutai Phyllis	DWR Kapchorwa	
11.	Hon. Etuka Isaac Joakino	Upper Madi County	
12.	Hon. Isabirye Iddi	Bunya County South	
13.	Hon. Kajwengye Twinomugisha Wilson	Nyabushozi County	
14.	Hon. Agaba Aisa	Bugangaizi East County	
15.	Hon. Kemirembe Pauline Kyaka	DWR Lyantonde	
16.	Hon. Lematia Ruth Molly Ondoru	Maracha East County	
17.	Hon. Lochap Peterkhen	Bokora East County	

18.	Hon. Twinobusingye Jovanice	DWR Kiruhura	
19.	Hon. Aber Lillian	DWR Kitgum	
20.	Hon. Avur Jane Pacuto	DWR Pakwach	
21.	Hon. Byanyima Nathan	Bukanga North County	
22.	Hon. Kibalya Henry Maurice	Bugabula County South	
23.	Hon. Awas Sylvia Vicky	DWR Nabilatuk	
24.	Hon. Kwizera Paul	Kisoro Municipality	
25.	Hon. Wokorach Simon Peter	Aswa County	
26.	Hon. Teira John	Bugabula County North	
27.	Hon. Ebwalu Jonathan	Soroti West Division	
28.	Hon. Atugonza Allan	Buliisa County	
29.	Hon. Makhoha Margaret	DWR Namayingo	
30.	Hon. Abeja Susan Jolly	DWR Otuke	
31.	Hon. Macho Geoffrey	Busia Municipality	
32.	Hon. Tusiime Julius Karuhanga	Rwampara East County	
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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. James Mugira	UPDF	