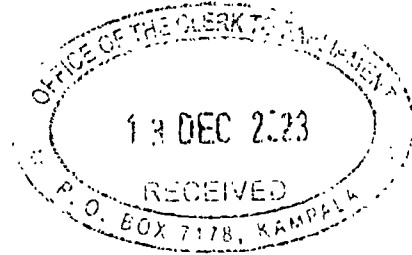




PARLIAMENT OF UGANDA



**REPORT OF THE COMMITTEE ON THE PROPOSAL TO PREFINANCE THE RECONSTRUCTION OF MASAKA - MUTUKULA ROAD (89.5KM) AND REHABILITATION OF NYENDO - VILLA MARIA (11KM), UPGRADING OF 3.5KM ACCESS ROAD TO UGANDA PEOPLE'S DEFENCE FORCES BARRACKS IN MASAKA, 3.5KM ACCESS ROAD TO MASAKA INDUSTRIAL PARK AND AN ADDITIONAL SCOPE OF 28.5 KILOMETERS FOR KIKAGATI - KAFUNJO ROAD AT A TOTAL COST OF UGX 691,680,000,000**

Office of the Clerk to Parliament  
December, 2023

## 1.0 INTRODUCTION

On the 29<sup>th</sup> November, 2023, the Minister of Finance, Planning and Economic Development presented a proposal to Prefinance the reconstruction of Masaka - Mutukula Road (89.5km) and Rehabilitation of Nyendo – Villa Maria (11km), Upgrading of 3.5km Access Road to Uganda People's Defence Forces Barracks in Masaka, 3.5km Access Road to Masaka Industrial Park and an Additional Scope of 28.5 Kilometers for Kikagati – Kafunjo Road at a total cost of UGX 691,680,000,000. The request was referred to the Committee on National Economy for scrutiny and report back.

The Committee considered the proposal and now reports

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. Section 23 of the Public Finance Management Act (PFMA), 2015 (amended) provides for approval of multiyear financial commitments by Parliament. In addition, section 36 authorizes the Minister of Finance to raise money by loan and to issue guarantees for and on behalf of Government. Therefore, the pre-financing request was submitted in accordance to the above legal provisions.

## 2.0 METHODOLOGY

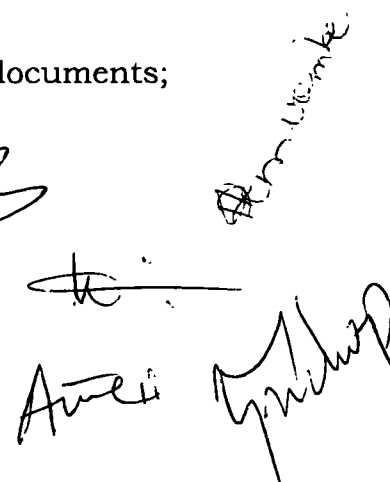
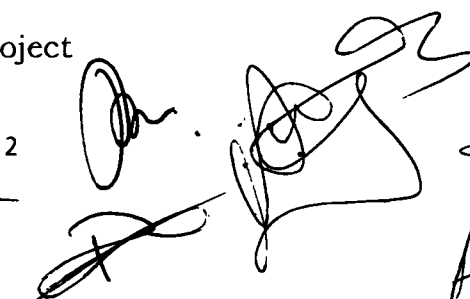
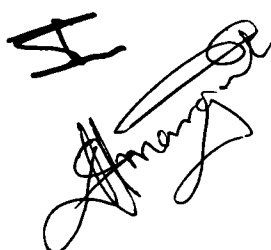
The Committee held a meeting with and received submissions from;

- a) Ministry of Finance, Planning and Economic Development
- b) Ministry of Works and Transport
- c) Uganda National Roads Authority (UNRA)



The Committee also made reference to and reviewed the following documents;

- a) Brief on the proposed project
- b) Feasibility study report on the project






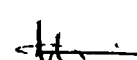


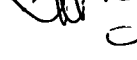

- c) Bidding documents for the construction of the roads
- d) Environmental and Social Impact Assessment Report of the project
- e) Report on the performance of the sector projects
- f) Report on a number of completed and on-going projects CICO has undertaken in Uganda since 2010.

### 3.0 BACKGROUND

Uganda's Vision 2040 set a target of an average paved road density of 100km per 1,000 square km, however, the current average paved road density is 29.6km per 1,000 square km of land area (as at 30th June 2023). Notwithstanding the urgent need to increase the stock of paved National Roads, Government continues to fall short of its targets due to; limited resources and the need to ensure that Uganda's debt remains sustainable as implied by the borrowing thresholds agreed with Parliament in the Charter for Fiscal Responsibility. For example, although the paved National Roads network totaled to 4,971 kilometers in 2015, it was 1,029 kilometers short of the NDPII target of 6,000 kilometers.

In the case of NDPIII the stock of paved roads is planned to increase by 2,529 kilometers to 7,500 kilometers. However, this target of 7500 kilometers excluded the need to rehabilitate existing roads that have deteriorated over time. The brief to Parliament on the pre financing request attributes the exclusion of rehabilitation of paved roads in the targeted stock of paved roads to inadequate resources.

Government through UNRA has come up with prefinancing arrangements to increase the resources available for development of the paved road network in the country. Under the prefinancing arrangements, a contractor is expected to mobilize own resources to kick-start civil works of the proposed project on the understanding that the requisite costs of the civil works undertaken by the contractor are reimbursed after an agreed period of time.

Government is committed to the East African Community Vision 2050. Under this vision, strategic infrastructure has been identified for boosting connectivity and regional trade within the East African Community. In addition, the 5th EAC Development Strategy (2017/18 – 2021/22) identified the need to develop Regional Infrastructure to support the integration process through improved road connectivity. The Masaka- Mutukula road is one of the regional roads that links Uganda to the coast connecting through Mutukula. Therefore, making it an EAC project: Upgrading of Kumunazi – Kasulo – Bugene road and the Reconstruction of Kyaka – Mutukula – Masaka road is in collaboration with the Government of Uganda and the United Republic of Tanzania.

In addition, the UNRA project brief<sup>1</sup> indicates that the Masaka Mutukula Road is an urgent requirement to support the construction of the East Africa Crude Oil Pipeline (EACOP). However, the GOU budget allocation for the vote is inadequate to enable the urgent construction of this road project this financial year 2023/24 and the traditional lenders require some time to secure a loan.

Government therefore proposes to engage the contractor to prefinance the reconstruction of the road starting this FY 2023/24 on the understanding that Government shall refund the contractor in the 3<sup>rd</sup> year (FY 2025/26) and 4<sup>th</sup> year (FY 2026/27) years. Government expects that by FY 2025/26 sufficient space shall have been created in the budget by completion of some of the ongoing projects.

Given the urgent requirement to have the road rehabilitated to support the construction of the East Africa Crude Oil Pipeline (EACOP), procurement using the PPDA regulations for direct procurement commenced. Following a bid by

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<sup>1</sup> Project brief for the Reconstruction of Masaka – Kyotera – Mutukula Road



UNRA, Chongqing International Construction Corporation (CICO) was identified, as it had mobilised in the project area undertaking other road upgrading and rehabilitation works. The contractor has been working on Ugandan roads and is currently working on Masaka town roads. The contractor has carried out fifteen (15) road and bridge contracts in the country which include among others: Hoima-Butiaba-Wanseko Road(111km), Designed and Built 6 bridges in Arua, Amuru and Adjumani Districts, Owlinyo-Pakwach road(60km), Fortportal-Bundibudyo-Lamiya road(103km), Vura-Arua-Koboko-Oraba road (92km), and Acholibur-Musingo road(86.4km).

The brief to Parliament therefore justifies the urgent need for other proposed road sub projects as follows:

**i. Rehabilitation of Nyendo-Villa Maria (11 kilometres)**


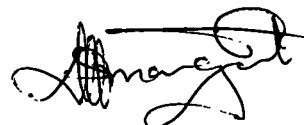
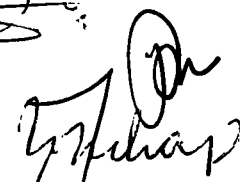



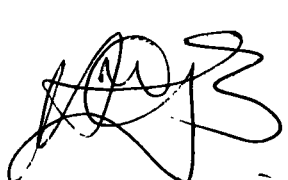

The Katonga Bridge was swept by the heavy floods on 13th May 2023, and vehicles were diverted to the Mpigi – Kanoni – Sembabule – Villa Maria – Nyendo Road. Whereas the emergency reconstruction works commenced to restore traffic flow along the Kampala – Masaka Highway, the traffic flow has not been restored for heavy goods vehicles.



**ii. The Mpigi – Kanoni – Sembabule – Villa Maria section** is a class II Paved road, recently upgraded and is in a good motorable state. However, the section from Villa Maria to Nyendo is a class III paved road which was already due for rehabilitation before the diversion of the high traffic volume from the Kampala – Masaka Highway. The geometric elements of Nyendo – Villa Maria section don't match that of Mpigi – Kanoni – Sembabule – Villa Maria section thus rendering difficulties to drivers considering the narrow lanes, narrow junctions, unpaved narrow shoulders among others.



The heavy traffic diverted to the Nyendo – Villa Maria Section has already caused further deterioration of this road. Considering the fact that this is a short stretch of 11km, packaging it as a separate road project for contracting



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would attract more costs in form of contractor mobilization which can be avoided by including it as part of the Contract for Reconstruction of Masaka – Mutukula Road.

**iii. Upgrading the access road to Masaka Industrial Park.**

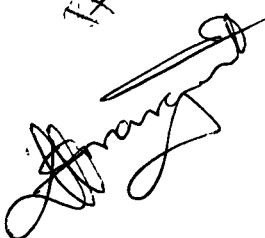
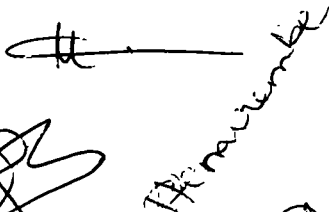
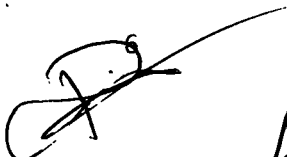
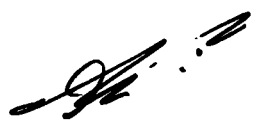
The access road to Masaka Industrial Park (3.5km) needs to be upgraded to enhance connectivity of the industrial park to the national paved road network to facilitate movement of raw materials and manufactured products to and from the industrial park once opened.

**iv. Upgrading the access road to Uganda People's Defence Forces Barracks** (3.5 km). This is an access to Masaka UPDF barracks which is considered critical since it is one of the unpaved accesses linking to such a national facility in Masaka City.

**v. Upgrading of Kikagati-Kafunjo road** (28.5kilometres). This stretch connects Kikagati with Mirama Boarder post and it is critical for the cargo and passengers both to and from Tanzania and Rwanda joining other parts of the country. This is also a link connecting the Mbarara-Isingiro road to Ntungamo-Mirama Hills road and therefore needs to be upgraded from its existing bad state to bituminous standards.

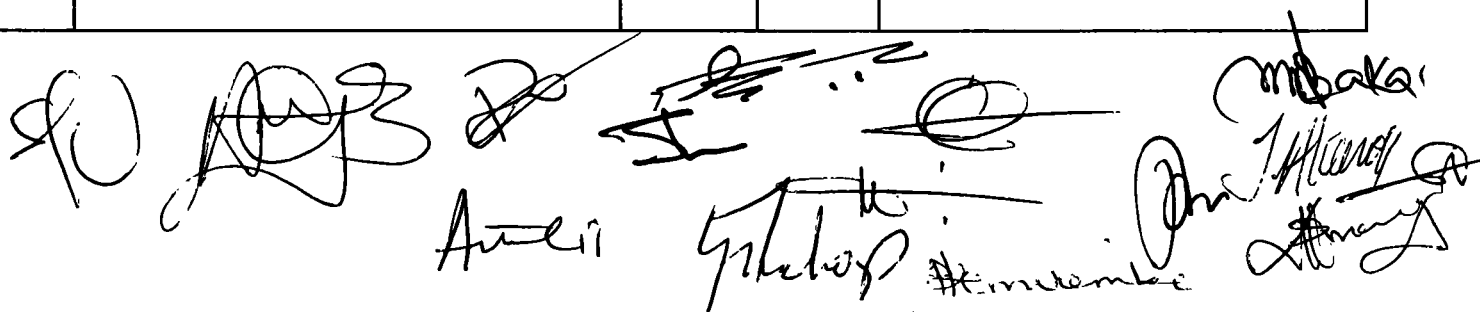
**1.2 Compliance with Rules of procedure of Parliament**

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. The pre-financing request was subjected to the requirements in that rule that relate to borrowing for projects and table 1 shows that twelve and a half (13.5) of the sixteen (16) documents were submitted in accordance with rule 155, translating into a performance of 84percent.



**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	The Bid document where UNRA invited CICO to express interest was submitted. CICO Expression of interest to pre-finance also submitted
	b) List of financing options	1	1	Options are mentioned in the brief to Parliament
	c) Loan Disbursement and repayment schedule	1	1	Financing and repayment periods observed in the bid document
	d) A letter from NPA	1	0	Not Submitted
	<b>Subtotal rule 155(5)</b>	<b>4</b>	<b>3</b>	<b>75 % of requirement</b>
155(7)	a) Social Economic Impact Assessment Report	1	1	In final environmental and social impact statement submitted
	b) Performance report for all projects in sector	1	1	Submitted
	c) Evidence of Consistency with NDP & sector strategy	1	1	In Brief the to Parliament
	d) Evidence of Availability of counterpart funds	1	1	There is a Land acquisition project for all land acquisition under UNRA.
	e) Project Appraisal Document (PAD)	1	1	Feasibility Study Report Submitted
	f) Procurement plan	1	1	Indicated in the bid Document


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Rule	Requirement	Target Score	Score	Remark
	g) Project Implementation Plan	1	1	In the project brief by UNRA
	h) Project Management Structure	1	1	UNRA will use their staff to oversee the implementation of this project.
	i) Resettlement action plan, if applicable	1	1	Resettlement Action Plan submitted
	j) Environmental Impact Assessment report, If applicable	1	1	Final environmental and social impact statement submitted
	K) Performance of past loans	1	1	Submitted Performance of Donor projects
	l) any other documents	1	1	Submitted a UNRA brief on the project
	<b>Subtotal rule 155(7)</b>	<b>12</b>	<b>11.5</b>	<b>96% submitted</b>
	<b>Total</b>	<b>16</b>	<b>14.5</b>	<b>91% submitted</b>

## 2. Performance of Externally Financed projects

The report on Public Debt, Grants, Guarantees and other Financial Liabilities FY 2022/23 that was submitted to the Committee shows financial performance of all loan financed projects in the sector. There is evidence that as at December 2022, 48% of the previous financial support to UNRA had been disbursed.

**Table 2: Disbursement of Loan Proceeds for projects under UNRA as at December 2022.**

S/N	Creditor /Donor	Project Title	Initial closure date	LOAN Amount Committed (US\$ m)	Disbursed to date (US\$ m)	% Disburse
1	IDA	Albertine Region Sustainable Development Project		76.17	63.58	83.50%
2	AfDB	Busega - Mpigi Express highway	31-Dec-19	91	33.42	36.70%
	AfDF	Busega - Mpigi Express highway	31-Dec-19	59.86	19.97	33.40%
3	JAPAN - JICA	Construction of New Bridge Across River Nile at Jinja plus Additional Financing	25-Jul-22	129.27	110.64	85.60%
4	AfDF	Kabale - Lake Bunyonyi/Kisoro - Mgahinga Roads Upgrading Project		72.12	1.44	2.00%
5	JAPAN - JICA	Kampala Flyover Construction and Road Upgrading Project	26-Feb-24	181.72	47.63	26.20%
6	AfDB	Kampala Jinja Expressway Project		229.47	0.34	0.10%
7	BADEA	Masaka - Bukakata	31-Dec-16	12	11.33	94.40%
	OFID	Masaka - Bukakata	31-Dec-16	15	15	100.00%
8	AfDB	Multinational Kapchorwa-Saum-Kitale and Eldoret Bypass Roads Project	31-Dec-22	38.4	24.19	63.00%
	AfDF	Multinational Kapchorwa-Saum-Kitale and Eldoret Bypass Roads Project	31-Dec-22	59.73	22.93	38.40%

S/N	Creditor /Donor	Project Title	Initial closure date	LOAN Amount Committed (US\$ m)	Disbursed to date (US\$ m)	% Disbursed
9	IDA	North Eastern Road Corridor Asset Management project	31-Oct-24	223.08	49.48	22.20%
10	EIB	Northern Corridor - Mbarara Bypass		71.99	65.01	90.30%
11	CHINA-EXIM BANK	Road infrastructure for delivery of first oil - Lot 1	31-Mar-24	186.06	138.15	74.30%
	CHINA-EXIM BANK	Road infrastructure for delivery of first oil - Lot 2	31-Mar-24	152.61	125.94	82.50%
	CHINA-EXIM BANK	Road infrastructure for delivery of first oil - Lot 3	31-Mar-24	117.72	80.19	68.10%
12	AfDF	Road Sector Support 5 - Mbale-Bubulo-Lwakhakha Road	31-Dec-21	42.29	20.16	47.70%
13	AfDF	Road Sector Support 5 - Rukungiri - Kihiki - Ishasha Road	30-Dec-20	56.39	57.57	102.10%
14	AfDF	Road Sector Support Project-4 (Kyenjonjo Hoima-Masindi - Kigumba Road)	30-Jun-18	112.4	81.6	72.60%
15	IDB	Tirinyi - Pallisa - Kumi/Kamonkoli Road	30-Jun-17	120	109.27	91.10%
16	BADEA	Upgrading Luwero Butalangu Road	31-Dec-20	11.5		0.00%
	OFID	Upgrading Luwero Butalangu Road	31-Dec-22	11.5	0.01	0.10%
17	IDB	Upgrading Muyembe - Nakapiripirit Road	30-Jun-19	110	20.25	18.40%

S/N	Creditor /Donor	Project Title	Initial closure date	LOAN Amount Committed (US\$ m)	Disbursed to date (US\$ m)	% Disburse
18	IDB	Upgrading of Rwenkunya Apac Lira Acholibur Road		210	60.28	28.70%
		Total		2,390.28	1,158.38	48%

**Source: MFPED & PBO Computations**

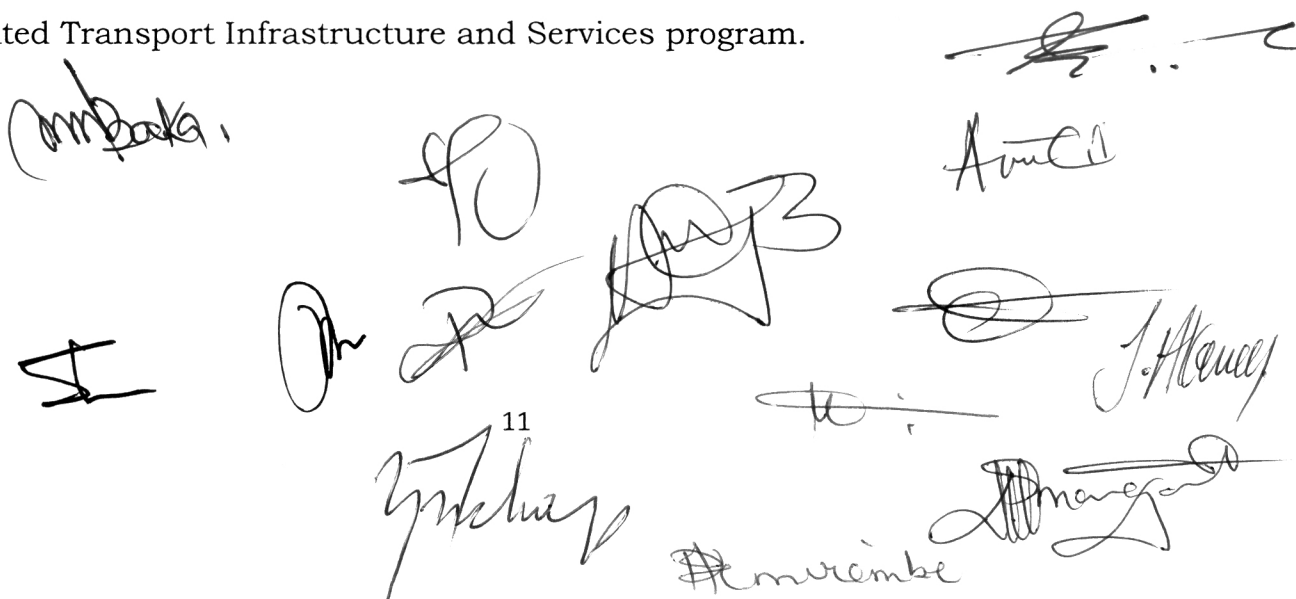
As noted from the table above, most of the loans under UNRA have exceeded their initial closure dates, an indicator of inadequate project implementation readiness at the point of acquisition of the loans.

#### 4.0 CONSISTENCY WITH COUNTRY STRATEGY

The proposed project is aligned to Vision 2040, the National Development Plan III (2020/21 – 2024/25) and the NRM Manifesto. The proposed components for implementation under this project are part of the Integrated Transport Infrastructure and Services (ITIS) program in the NDP III.

The project is in line with the NDPIII development objective of consolidating and increasing the stock and quality of productive infrastructure. In addition, the project is consistent with the ITIS programme objective 2 of prioritizing transport asset management to increase its lifespan and returns on the project; with an intervention of rehabilitating and maintaining transport infrastructure.

Further, all the specific sub projects are in the list of NDP III projects under the Integrated Transport Infrastructure and Services program.



## 5.0 THE PROJECT

### 5.1 Project Development Objective

The project will boost the socio-economic development of Uganda by providing better access to social infrastructure, facilitating access to market for farmers and traders, reinforcing the regional integration and tourism.

### 5.2 Project Scope

The project scope includes the following:

- i. Reconstruction of Masaka – Mutukula Road (89.5km) to Class 1b paved (carriage way width of 3.5m, two lanes, 2m shoulders on both sides and 11.m road width with Asphalt Concrete Surfacing.
- ii. Reconstruction of Villa Maria – Nyendo Road (11km) (Class II Paved);
- iii. Upgrading of access to Masaka Industrial Park (3.5km) (Class II Paved);
- iv. Upgrading of access to Masaka Uganda People's Defence Forces (UPDF) Barracks (3.5km);
- v. Upgrading of Kikagati-Kafunjo road section (28.5km).

### 5.3 Project Components

#### **Component 1: Reconstruction of Masaka – Mutukula Road (Class 1b) Length = 89.5km**

The component comprises construction of Bukora Bridge (Realignment through the green field(1.6km and the new bridge will be placed about 20m from the existing bridge.); Swamp works (Traverses through 10km of swamps); Earthworks (Cutting and Filing); Pavement works (Class 1b); Asphalt works (Class 1b); Climbing Lanes and Parking Lanes (equivalent no. 5km); Street Lighting (Masaka urban stretch for length of 2.65km, Kalisizo urban stretch for a length of 1.57km, Kyotera for a length of 1.95km and Mutukula for a length of 0.78km.); Walkways; Road Furniture; Drainage works; and Road Side Station and Weigh Station Facilities at Mutukula.



**Component 2: Reconstruction of Villa Maria – Nyendo Road (11km) (Class II Paved)**

This Component comprises of Reconstruction of Villa Maria – Nyendo Road (11km);

**Component 3: Upgrading of access to Masaka Industrial Park (3.5km) (Class II Paved)**

This Component comprises of Upgrading of access to Masaka Industrial Park (3.5km).

**Component 4: Upgrading of access to Masaka Uganda People's Defence Forces (UPDF) Barracks (3.5km).**

This Component comprises of Upgrading of access to Masaka Uganda People's Defence Forces (UPDF) Barracks (3.5km).

**Component 5: Additional Scope of 28.5 Kilometers for Kikagati – Kafunjo Road**

This Component comprises of the engineering designs of the works, physical contingencies, applicable taxes for the civil works of the 28.5 km as part of the Reconstruction of Masaka – Mutukula Road.


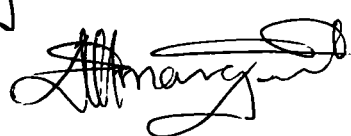
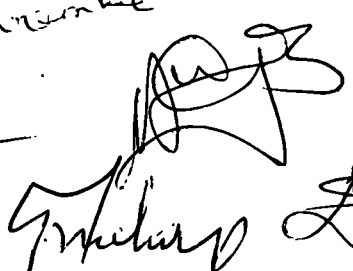






**6.0 Project Cost and Financing**

The total length of the proposed works is 136 kilometres at an estimated cost of Ugx 691.68 billion, equivalent to a unit cost of USD 1.338 million per kilometer. This unit cost is lower than the estimated cost by the EAC consultant for the regional project which estimated the Masaka Mutukula road section at a unit cost of USD 1.68 million per kilometer.



The project is to be pre-financed by Chongqing International Construction Corporation (CICO) on the understanding that construction commences in FY



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2023/24 for a period of four years with the first six (6) months for mobilisation and the last year for defects liability period.

## 7.0 Pre-financing Terms and Conditions

### 7.1 Financing Terms

**Table 4: Pre- financing terms**

Item	Terms
<b>Pre-financed Amount</b>	UGX 691 billion
<b>Maturity Period</b>	4 years
<b>Grace period</b>	2 years (Pre-financing period at no cost to Government)
<b>Repayment period</b>	2 years
<b>Effective</b>	Date of Contract signature

**Source:** Project Bid Document

The pre financing has a maturity period of 4 years inclusive of a grace period of 2 years when Government shall not make any payment. Government is to pay CICO through budgetary appropriations in quarterly instalments within two years in the third(3<sup>rd</sup>) and fourth(4<sup>th</sup>) year. During the first two years of pre-financing, the contractor will not charge Government any cost. The contractor used the estimated project figures by UNRA's feasibility study which were lower than those of the EAC consultant.

### 7.2 Pre financing Conditions

The General technical specifications are the general specifications for Road and Bridge Works, January 2005; published by the Ministry of Works, Housing and telecommunication, Uganda in 2005.

Some of the specific conditions are:

- Payment of the sums tendered for works shall include full compensation for all the Contractor's charges in respect of the following items, collectively termed the 'Contractor's General Obligations':

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- (a) complying with the requirements of the General Conditions of Contract and the Specifications, including the effecting of insurance and providing the sureties required.
  - (b) setting up and maintaining his organisation, camps, accommodation and construction plant on the site and their removal on completion of the Contract.
  - (c) All general site and office overheads, profit, financing costs, risks, legal and contractual responsibilities and other costs and obligations of a preliminary or general nature, the costs of which are not included in payment under other items.
- ii. The lump sum tendered for the project shall represent full compensation for fixed part of the Contractor's general obligations and time related obligations and **shall not be subject to variation.**
  - iii. The currency breakdown for the entire project cost shall be 80percent in USD and 20percent in Ugandan Shillings.

## 8. BUDGETARY IMPLICATION

Although the project is not part of the public Investment Plan FY 2023/24-FY 2025/26, procurement of a contractor for Rehabilitation of the Masaka-Mutukula road is one of the planned activities under UNRA in FY 2023/24. In addition, the UNRA vote budget framework Paper for FY 2024/25 indicates the project has a code (1809 Reconstruction of Masaka-Mutukula Road (89.5Km).

The GOU Development Budget to UNRA declined from UGX 1.518 trillion in FY 2022/23 to UGX 959.4 billion in FY 2023/24. The vote BFP for UNRA indicates that the MTEF allocation for FY 2024/25 has a modest reduction to UGX 957.5 billion, then a projected increase to UGX 1.149 trillion in FY 2025/26 and UGX 1.321 trillion in FY 2026/27.

## 7. 0 ECONOMIC IMPACT ON INVESTMENT

The economic analysis for 23 years' period (including 3 years of construction) for the Masaka Mutukula road section shows that the road has an economic rate of return of 23.5percent, higher than the interest rate of 12percent used in the

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analysis. Since the ERR is higher than Uganda's Economic Opportunity Cost of Capital (EOCK) of 11%, it's an indication that the project is economically viable and impactful to the whole country with both indirect and direct benefits.

The realized benefits will be much more, if we take into consideration the non-quantifiable benefits (social benefits) as follows:

- i. Reduced Food wastage (perishable commodities) due to faster transportation resulting from improved connectivity.
- ii. Tourism traffic is expected to increase as the Bugene-Kumnazi section passes through the Burigi and Kimisi Game Reserves (Wildlife residence). This improvement of roads will further lead to enhanced income from tourism through tourism related employment activities.
- iii. Improved Road safety due to provision of traffic calming measures, road furniture etc, which will also lead to reduced incidence of accidents.
- iv. Enhanced mobility levels of economically weaker sections of society, leading to opportunities of getting employed in higher paid jobs, which they otherwise may not get due to poor connectivity.
- v. Accelerated poverty reduction because of more abundant opportunities for microenterprise, small and medium-size enterprises (MSMEs) which do not require highly skilled workers.

## 8.0 IMPLEMENTATION PLAN

The funding mobilised above will be managed in line with the provisions of the Public Finance Management Act, 2015 as amended and attendant regulations.

The project will be implemented through the Contractor to undertake the Civil Works and a Supervision Consultant for ensuring the project is executed within the agreed specifications.

The Ministry of Works and Transport MoWT, through the Uganda National Roads Authority (UNRA), will be responsible for the execution of the Project. UNRA will









The Ministry of Finance, Planning and Economic Development (MoFPED) will be responsible for budgeting and disbursement of funds and for the road project. MoFPED will be responsible for the timely disbursement of the funds to the Civil Works Contractor and Supervision Consultant.

The Office of the Auditor General (OAG) will be responsible for auditing the project activities. This includes both technical and financial audits.

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As at June 2023, the total public debt stock stood at USD 23.66 billion (UGX 86,779.9 billion) increasing from USD 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% (USD14.24 billion /UGX 52, 206.1 billion) while domestic debt constituted 39.8% (USD 9.4 billion/UGX 34,573.8 billion).

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revenues to restore the domestic debt liquidity indicators (Domestic interest payments to domestic revenues) within the Charter for Fiscal Responsibility thresholds.

## **10. OBSERVATIONS AND RECOMMENDATIONS**

### **10.1. Unit cost of road construction**

The Committee observed that the annual budget performance report FY 2022/23 indicates that the average unit cost of upgrading a km of a road to paved standard in FY 2022/23 was UGX 3.28 billion while that of rehabilitating/reconstructing a road was UGX 1.96 billion.

However, the unit cost of a road in this proposed project is USD 1.33 million equivalent to UGX 5.08 billion per km which far above the average as indicated in the Budget performance report of report for FY 2022/23. The Committee was informed that the construction of the bridge, swamp works of 10km, climbing lanes and realignment of the road are some of the major cost drivers of the high unit cost of the proposed project.

**The Committee recommends that given the high unit cost of construction, Ministry of Works and UNRA should ensure that the contractor delivers the best quality bridges and roads in order to achieve value for money.**

**In addition, the Committee recommends that UNRA should increase the stations to two (2) since this is an international highway.**

**Further, given the unit cost of the project, the 400m from Ndegeya PTC be upgraded and street lighting should be included in the following urban areas; Masaka Urban stretch be increased to 10km, Bukunda urban stretch (1.5km), Villa Maria – Nyendo road (11km) Masaka Industrial Park (3.5) and Kitwe Town on Kikagati – Kafunjo road.**

### **10.2. Need to include prefinanced projects in the debt report**

In a letter which was submitted to the Committee, the Attorney General had advised Government that pre-financed projects also fall under article 159 of the

Constitution, which 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.

The Committee observed that there are some projects that were previously pre-financed but the report on Public Debt, grants and other financial Liabilities did not include any performance report on the pre-financed projects.

The exclusion of these projects from the debt portfolio would give an impression of a higher figure of discretionary revenue yet some of this amount is already committed under the affected votes. In addition, it implies that the vote may not take on new projects until the commitments are fulfilled, unless it is provided with additional resources.

Therefore, the inclusion of this information in public debt reports will facilitate oversight of the pre-financed projects in any given vote, with regard to sustainability of debt.

**The Committee therefore recommends that going forward the Hon Minister of Finance Planning and Economic Development includes performance of all pre financed projects in his report to parliament on public debt.**

*mmBaka.*

### **10.3. Slow disbursements in Externally Financed projects under UNRA**

The committee observed that most of the externally financed projects under UNRA are having their loan proceeds disbursed at a slow pace. The Busega Mpigi Express way project had a disbursement rate of 36percent in December 2022, 6 years after the loan became effective. The committee noted that this project had been affected by a number of factors including design review, procurement delays, inadequate counterpart funding among others.

*ST* *mmBaka.* *19* *Yutchar* *Amelii* *Handy* *Margaret*

The Kampala Jinja Expressway (KJE), was at procurement 7 years after project started and by June 2022, it had attracted commission fees amounting to UGX 3bn according to the Auditor general report for the year ending June 2022 and between July and December 2022, UGX 1.1 billion was spent on commission fees. The Committee was informed that the delay in KJE is partly attributed to Cabinet and Parliament's loan approval conditions that delayed the project by 18 months as well as delayed procurement of the project implementation unit due to lack of readily available skills in the region.

Further, the Committee observed that some of the delays under some projects were attributed to the procurement process. For example, the Road Sector Support Project V whose loan effectiveness was on 20 April 2015, had commencement for Bumbobi-Lwakhakha on 6 December 2016 while Rukungiri-Kihihi-Ishasha/Kanungu road commenced on 5 November 2018. The delayed commencement dates were attributed to delays in procurement. Also the committee was informed that complaints under the whistle blowers Act delay the procurement process, because the whistle blower's Act has no timelines unlike the timelines in the PPDA process.

**The committee recommends that UNRA should ensure that externally financed projects are only secured when projects are ready for implementation.**

**In addition, UNRA should devise mechanisms to ensure implementation of ongoing projects is expedited to minimise on the commitment fees being paid to the various creditors.**

**Further for the GOU projects, UNRA should ensure their timely implementation to create the much needed fiscal space(resources) that shall be required in two years' time to pay CICO for the pre-financed work.**

**The Whistle Blower's Act. 2010 should be amended to provide for timelines of procurement related complaints as it is in the PPDA Act.**



#### **10.4. Inadequate Counterpart Funding**

The Committee noted that during approval of any loan, the Hon Minister of Finance usually indicates that the proposed project will be prioritized within the Medium term expenditure framework allocations of the respective entity. For the proposed pre financing, the committee was informed that the counterpart funding required for this project is for the section of realignment, whose budget will come from the UNRA budget under the project 1771: Land Acquisition Project II, which finances all land acquisition for the various projects under UNRA. This project has an approved budget of UGX 324.9 billion in FY 2023/24 down from UGX 518.9 billion in FY 2022/23.


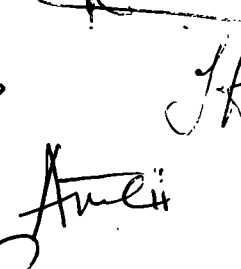


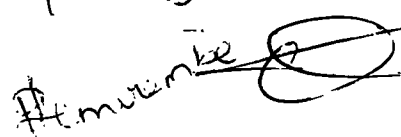
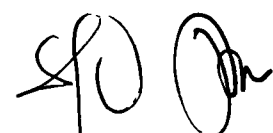

However, the committee observed that the budget for Land acquisition under that project is not enough. Some projects had to stall, as contractors had to wait for when the sections of the road will be acquired so as to access full possession of the site. For instance, civil works for Kigumba-Bulima (under the Kigumba-Masindi-Hoima-Kabwoya road project) commenced works a year after Contract signature due to lack of adequate right of way which was attributed to inadequate funding for land acquisition.



With a contractor pre-financing this proposed project for the first two years, Government should ensure that there are adequate counterpart funds.

**The Committee recommends that the budget for Land acquisition under UNRA should be enhanced to ensure smooth implementation of various projects with Government's commitments.**

**In addition, UNRA should prioritize counterpart funding for this project under the land acquisition project to ensure its timely implementation, leaving no room for blame on Government for any delays.**



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## 10. 5. currency breakdown of prefinanced projects

The currency breakdown for the entire project cost shall be 80percent in USD and 20percent in Ugandan Shillings. The currency breakdown for repayment of the project cost shows the need for the country to boost her foreign exchange reserves, most preferably through exports and timely implementation of the oil projects to realize the anticipated oil revenues. This is because a depreciation in the Ugandan Shilling against the USD dollar will increase the project cost by the size of the depreciation.

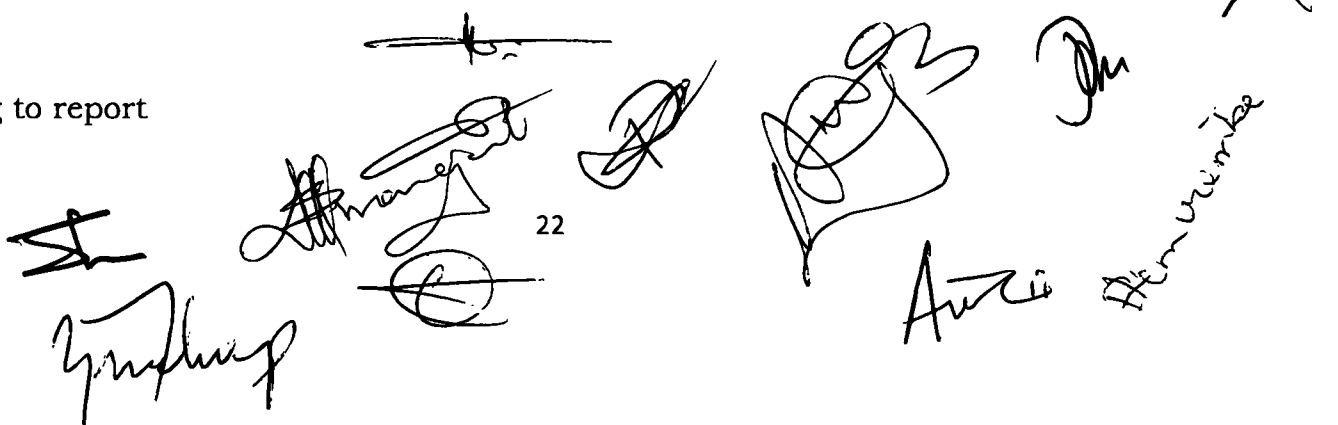
FY 2025/26 is an election year, and with an exception of FY 2020/21 which had an appreciation of 1percent, for the other two election years, the UGX shilling depreciated against the USD by 22percent and 15percent in FY 2015/16 and FY 2010/11 respectively.

**The Committee therefore recommends that UNRA should consider negotiating for better currency breakdown in the various contracts so as to minimize on the foreign exchange risk associated with foreign currency, to preferably a ratio of 50:50.**

## 11. CONCLUSION

The Committee recommends that the proposal to prefinance the reconstruction of Masaka - Mutukula Road (89.5km) and Rehabilitation of Nyendo – Villa Maria (11km), Upgrading of 3.5km Access Road to Uganda People's Defence Forces Barracks in Masaka, 3.5km Access Road to Masaka Industrial Park and an Additional Scope of 28.5 Kilometers for Kikagati – Kafunjo Road at a total cost of UGX 691,680,000,000 be approved subject to the observations and recommendations herein.

I beg to report

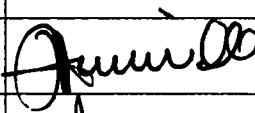


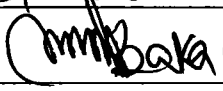
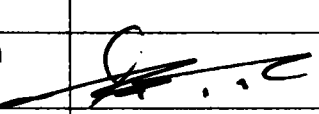

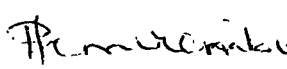



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Handwritten signatures and initials of committee members, including names like 'Yusuf', 'Amang', 'Auzi', and 'Demunba'.

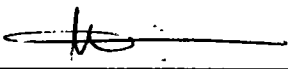

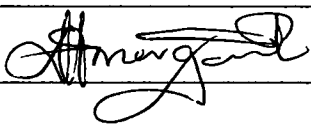

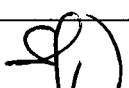
# COMMITTEE ON NATIONAL ECONOMY

**REPORT OF THE COMMITTEE ON THE PROPOSAL TO PREFINANCE THE RECONSTRUCTION OF MASAKA - MUTUKULA ROAD (89.5KM) AND REHABILITATION OF NYENDO - VILLA MARIA (11KM), UPGRADING OF 3.5KM ACCESS ROAD TO UGANDA PEOPLE'S DEFENCE FORCES BARRACKS IN MASAKA, 3.5KM ACCESS ROAD TO MASAKA INDUSTRIAL PARK AND AN ADDITIONAL SCOPE OF 28.5 KILOMETERS FOR KIKAGATI - KAFUNJO ROAD AT A TOTAL COST OF UGX 691,680,000,000**

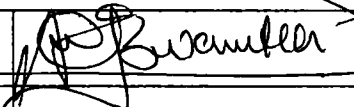
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