



PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PROPOSAL BY
GOVERNMENT TO BORROW USD 456,370,000 MILLION FROM THE EXIM
BANK OF CHINA TO FINANCE THE UPGRADE AND CONSTRUCTION OF
NATIONAL OIL ROADS UNDER PACKAGE 1 (MASINDI-KASANJA/PARK
JUNCTION, TANGI (PACKWACH) JUCTION-PARAA -BULIISA ROAD,
WANSEKO-BUGUNGU ROADS), PACKAGE 2 (HOIMA-BUTIABA-WANSEKO AND
PACKAGE 3 (BUHIMBA-BULAMAGI-IGAYAZA-KAKUMIRO)**

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Office of the Clerk to Parliament

Parliament Building

Kampala

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SEPTEMBER 2019

1.0 INTRODUCTION

The Committee on National Economy considered the request by Government to borrow up to USD 456,370,000 million from the EXIM Bank of China to finance the upgrade and construction of national oil roads project under **Package 1** (Masindi-Kasanja/Park Junction, Tangi (Packwach) Junction-Paraa-Buliisa Road, Wanseko-Bugungu Roads), **Package 2** (Hoima-Butiaba-Wanseko and **Package 3** (Buhimba-Bulamagi-Igayaza-Kakumiro), in accordance with Rule 166 (2) (b) of the Parliamentary Rules of Procedure.

The request was presented to this House by the Hon. Minister of Finance, Planning and Economic Development on 16th May, 2019 and accordingly referred to the Committee of National Economy for consideration.

The Committee considered and scrutinized the request and now reports.

2.0 METHODOLOGY

2.1 MEETINGS

The Committee held meetings with the following:

- i. The Ministry of Finance, Planning and Economic Development;
- ii. The Ministry of Works and Transport; and,
- iii. The Uganda National Roads Authority (UNRA).

2.2 DOCUMENTARY REVIEW

The Committee studied and made reference to the following documents:

- i. The Minister of Finance, Planning and Economic Development's Brief on the loan request;
- ii. The Certificate of Financial Implications for the Oil Roads Project, confirming GoU counterpart funding for the project amounting to USD 80.5 million (approximately UGX 290 billion) over the implementation years, dated 12th March, 2019;

- iii. The Buyer Credit Loan Agreement between the Export-Import Bank of China and the Government of Uganda for financing the Commercial Contract under **Package 1** (Masindi-Kasanja/Park Junction, Tangi (Packwach) Junction-Paraa-Buliisa Road, Wanseko-Bugungu Roads);
- iv. Clearance Letter by National Planning Authority dated 14th May, 2019;
- v. The Solicitor General letter of clearance of the Contract Agreements entered into between Government and the 3 contractors;
- vi. The Solicitor General letter of approval for the clearance of the Contract Agreement between the the Uganda National Roads Authority and M/s China Communications Construction Company Ltd for the Design and Build Build of Lot 1: Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Roads Upgrading Project;
- vii. The Contract Agreement for the Design and Build of Lot 1: Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Roads Upgrading Project (159km) between the Uganda National Roads Authority and M/s China Communications Construction Company Ltd dated 5th February, 2018;
- viii. The Contract Agreement for the upgrading of Upgrading of Lot 2: Hoima-Butiaba-Wanseko Road Project (111 km) between the Uganda National Roads Authority and M/s Chongqing International Construction Corporation (CICO) dated 18th January, 2018;
- ix. The Contract Agreement for the Design and Build of Lot 3: Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km) between the Uganda National Roads Authority and M/s China Wu yi Co. Ltd dated 2nd February, 2018;
- x. Final Feasibility and Preliminary Engineering Design Report and the Economic Assessment Report (Revised) for Upgrading Hoima-Butiaba-Wanseko Road Project dated April, 2013;
- xi. Draft Feasibility Study and Preliminary Engineering Design of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km) dated August, 2017;

- xii. Feasibility and Preliminary Design Study of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Roads Upgrading Project (159km) dated August, 2017;
- xiii. The Environment and Social Impact Assessment (ESIA) Report for the upgrade of; Kisanja-Park junction, Sambiya-Murchrson Falls, Buliisa-Paraa, Paraa-Pakwach, Wanseko-Kasenyei-Kirango-Bugungu Camp Roads and Associated Bridges (169km) dated September, 2017.
- xiv. The Environment and Social Impact Assessment (ESIA) Report for the upgrade of Hoima-Butiaba-Wanseko Road dated January, 2013;
- xv. The Final Environment and Social Impact Assessment (ESIA) Report for Upgrading Hoima-Butiaba-Wanseko road Project (Revised Report) dated September, 2013;
- xvi. The Environment and Social Impact Assessment (ESIA) Report for the upgrade of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km) dated September, 2017;
- xvii. NEMA Certificate of Approval of Environmental Impact Assessment for Upgrading Hoima-Butiaba-Wanseko road Project dated 16th August, 2016;
- xviii. NEMA Certificate of Approval of Environmental Impact Assessment for Upgrading Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km) dated 7th December, 2017;
- xix. NEMA Certificate of Approval of Environmental Impact Assessment for Upgrading Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa - Buliisa Roads Upgrading Project (159km) dated 7th December, 2017;
- xx. The Resettlement Action Plan for upgrading Masindi (Kisanja)-Park junction, Sambiya-Murchrson Falls, Buliisa-Paraa, Paraa-Pakwach, Wanseko-Kasenyei-Kirango-Bugungu Camp Roads and Associated Bridges;
- xxi. The Resettlement Action Plan for upgrading Hoima-Butiaba-Wanseko Road dated September, 2013;
- xxii. The Resettlement Action Plan for upgrading Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project dated November, 2017;
- xxiii. Projects Implementation Plan (May, 2019);

- xxiv. The Oil Roads Infrastructure Projects in Albertine Region: Risk Management & Planning (May, 2019);
- xxv. The National Planning Authority Report on the Evaluation of the Upgrade and Construction of these National Oil Roads dated 14th May, 2019;
- xxvi. The Project Status Report for the Design and Build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Roads dated August, 2019;
- xxvii. The Project Status Report for the Design and Build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km) dated September, 2019;
- xxviii. The Project Status Report for the Design and Build of Hoima-Butiaba-Wanseko Road (111km) dated August, 2019.

2.3 FIELD STUDY VISITS

The Committee undertook a field study visit to Hoima, Buliisa and Masindi Districts, to study and ascertain the state of the existing project roads and access the current status of the ongoing road construction works on the Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa - Buliisa Roads, Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads and Hoima-Butiaba-Wanseko Road.

3.0 BACKGROUND

Commercial crude oil reserves were discovered in 2006, amounting to 6.5 billion barrels of oil, of which 1.4-1.7 billion barrels are estimated to be recoverable. The deposits are mainly located on the East Bank of Lake Albert and in the Nile Delta north of Lake Albert.

Progress has been made towards the commercialization of these resources in line with the Uganda Oil and Gas Policy of 2008. Such progress includes establishing the legal and institutional frameworks and in the areas of licensing. What is lacking is the petroleum infrastructure development like the refinery to add value to the national resource.

The overarching goal of the Government of Uganda is to develop transport infrastructure required to support oil development and other strategic priorities of the country. This

In order to achieve the key milestones leading to oil production in 2023:

- #### 4.0 ALIGNMENT OF THE PROJECT TO THE NATIONAL PLANNING FRAMEWORK

Therefore, the project under consideration is in line with the Uganda Vision 2040 and the NDP II (2015/16-2019/20) and is consistent with Objective 2 of the NDP: ***"Increase the stock and quality of strategic infrasturture to accelerate country's competitiveness."*** In this regard, the project intends to increase the total national paved

competitiveness." In this regard, the project intends to increase the total national paved

road network to enable timely as well as efficient movement of merchandise and labour resources the in Albertine region production zones to local and export markets.

In addition, the project falls within the Road Sector Development Program, which recognizes the need to link district, urban and community roads to the national network. This is believed to be the most optimum approach to stimulating rural economic growth and infrastructure development. An integrated road network will not only increase access to rural agriculturally productive areas, but will also stimulate the rural service sector. The proposed road projects therefore are a strategic element of the Poverty Reduction Strategy for the country.

5.0 ALIGNMENT OF THE PROJECT WITH THE SUSTAINABLE DEVELOPMENT GOALS

The public investment cornerstones of an agenda for sustainable infrastructure are the SDGs. Infrastructure is deeply embedded in many of the SDGs. This project is particularly aligned to SDG Goal 9 of building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation. The Goal of SDG 9.1 is to develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. The indicators of this Goal 9.1 are proportion of the rural population who live within 2 km of an all-season road, and 9.1.2 passenger and freight volumes, by mode of transport

6.0 PERFORMANCE OF PREVIOUS PROJECTS IMPLEMENTED BY UNRA

Table 1: Loan Performance under UNRA Implementation in US\$ millions (as at end December, 2018)

Donor	Project	Parliament Approval date	Loan Amount Committed	Disbursement Amount	Undisbursed Amount	% Disbursed	Initial Completion date
China-Exim Bank	Entebbe Express Highway	28 th April 2011	350.00	333.10	16.90	95%	31 st December 2016
JAPAN-JBIC	Construction of New Bridge across River Nile	28 th April 2011	129.30	91.20	38.00	71%	25 th July 2022
EIB	Dualling of Kampala Northern By pass and Construction of Mbarara Bypass	4 th April 2013	71.50	56.40	15.10	79%	21 st December 2015
BADEA	Masaka-Bukakata road	21 st May 2013	12.00	0.30	11.70	2%	31 st December 2016
OFID	Masaka-Bukakata road	21 st May 2013	15.00	-	15.00	0%	31 st December 2016
ADB	Road Sector Support 4-Kyenjojo-Hoima-Masindi-Kigumba road	6 th Nov. 2013	112.4	21.80	90.60	19%	30 th June 2018
IDB	Tirinyi-Palisa-Kumi/Kamonkoli Road	16 th Sept. 2014	120.00	21.00	99.00	17%	30 th June 2017
ADB	Road Sector Support Project 5 - Rukungiri-Ishasha and Mbale-Lwakhakha-Bubobi	4 th Dec. 2014	98.70	20.60	78.10	21%	30 th Dec. 2020
IDA	North Eastern Corridor Asset Management	17 th Dec. 2014	243.80	29.60	214.20	12%	31 st Oct 2024
IDB	Muyembe - Nakapiripirit Road	10 th March 2015	110.00	-	110.00	0%	30 th June 2019
IDA	Albertine Region Sustainable Development Project (Kyenjojo to Kabwoya Road)	22 nd July 2015	95.00	37.65	57.35	40%	31 st July 2019
JAPAN-JICA	Greater Kampala Flyover Project	3 rd Sept. 2015	199.89	4.00	195.90	2%	26 th February 2024
ADB	Busega-Mpigi express highway	21 st Dec. 2016	91.00	0.20	90.90	0%	31 st December 2019
AfDF	Busega-Mpigi express highway	21 st Dec. 2016	61.00	0.20	60.80	0%	31 st December 2019
BADEA	Luwero-Butalangu Road	21 st Dec. 2016	11.50	-	11.50	0%	31 st December 2020

BADEA	Luwero-Butalangu Road	21 st Dec. 2016	11.50	-	31 st December 2020	0%
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OFID	Luweero-Butalangu Road	21 st Dec. 2016	11.50	-	11.50	0%	31 st December 2020
IDB	Rwekunya-Apac-Lira-Acholibur Road project	16 th May 2016	210.00	-	210.00	0%	30 th June 2020
AfDF	Kapchorwa-Suam-Kitale Road Project	28 th Nov. 2017	59.70	4.70	55.00	8%	31 st December 2022
ADB	Kapchorwa-Suam-Kitale Road Project	28 th Nov. 2017	38.40	5.30	33.10	14%	31 st December 2022
JAPAN-JBIC	Construction of New Bridge across River Nile-Additional Financing	13 th Mar. 2018	49.20	-	49.20	0%	25 th July 2022
	TOTAL		2,089.89	626.05	1,463.85	30%	

Source: Ministry of Finance, Planning and Economic Development and DRS computations

Approved projects to the Uganda National Roads Authority (UNRA) as at end December, 2018 amounted to USD 2,089.89 million of which USD 626.05 million has been disbursed representing an overall average disbursement rate of 30%. However, this includes the projects of upgrading the Luweero-Butalangu road, Muyembe-Nakapiripirit Road, Rwekunya-Apac-Lira-Acholibur Road, Additional Financing of the Construction of New Bridge across River Nile project, which are not yet effective.

There are other projects that are already effective but no disbursements have been made. These include Masaka-Bukakata road project financed by the OPEC Fund for International Development (OFID) and the Arab Bank for Economic Development in Africa (BADEA) and Busega - Mpigi express highway project financed by the African Development Bank (ADB) and the African Development Fund (ADF). The delay in disbursement for Tirinyi-Palisa-Kumi/Kamonkoli Road is due to delayed land acquisition, delayed procurement and administrative reviews, no objection delays by IDB and delayed completion of designs.

The low disbursements for the Road Sector Support Project 4 by African Development Fund and Masaka-Bukakata project by BADEA/OFID were attributed to challenges in procurement by UNRA while that for Road Sector Support project-5 was due to resettlement challenges.

Bubobi-Lwakhakha, which is 44.5 kms and funded by the African Development Bank (ADB), commenced in November 2016 and contracted to China State Construction Engineering Ltd. The project was marred by the delays in acquisition of right of way.

7.0 PROJECT OBJECTIVES AND OUTPUTS

7.1 Project Objectives

The objectives of the 3 (three) road projects are to:

- i. Improve the road infrastructure within the mineral and oil exploration zones which are both in Hoima , Buliisa and Nwoya districts;
- ii. Improve access to social and economic development opportunities along the project roads and intergration to the rest of the country by providing high capacity infrastructure;
- iii. Improve access to rural, economically productive areas and thereby contribute to socio-economic development, poverty reduction, regional and national integration; and
- iv. Stimulate and support local economic activities by reducing transport costs and travel time along the existing gravel road.

7.2 Expected Project Outputs

The expected outputs of the Project are:

- i. Construction and upgrading of Hoima–Butiaba–Wanseko Road (111km) from gravel to paved (Bituminous Standard Class II), with 7 meter wide carriageway and 2 meter wide shoulders on both sides of the carriage way;
- ii. Design and Build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Roads (159km) from gravel to paved (Bituminous Standard class II),with 6 meter wide carriageway and 1.5 meter wide shoulders on both sides of the carriage way;

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- iii. Design and Build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads (93km) from gravel to paved (Bituminous Standard class II), with 6 meter wide carriageway and 1.5 meter wide shoulders on both sides of the carriage way;
- iv. HIV/AIDS awareness programmes and environmental mitigation measures; and
- v. Occupation health and safety management plans of contractors detailing safety risks, their impact and mitigation measures.

8.0 PROJECTS DESCRIPTION AND COSTS

8.1 Project Description

8.1.1 Hoima-Butiaba-Wanseko Road Project(111km):

The Hoima-Butiaba-Wanseko Road (111km) is an existing gravel road situated in Bunyoro region. The road lies in Hoima and Buliisa Districts. The road passes through the subcounties of Hoima Town Council, Kitoba, Kigorobyia in Hoima District and Biiso, Buliisa and Wanseko in Buliisa District where oil exploration is on-going.

The contract for upgrading to bituminous Class II paved standard of Hoima-Butiaba-Wanseko Road (111km) was signed on 18th January 2018 between Uganda National Roads Authority (UNRA) acting on behalf of Government of Uganda and Chongqing International Construction Corporation (CICO) Ltd. The project details are shown in **Table 1**.

Table 1: General Information for Hoima-Butiaba-Wanseko Road Project

Project Name	Civil Works for Upgrading Hoima-Butiaba-Wanseko Road (111km) from Gravel to Paved (Bituminous Standard Class II)
Implementing Agency	Uganda National Roads Authority (UNRA)
Funding Agency	Government of Uganda and Exim Bank China
Contractor	Chongqing International Construction Corporation (CICO) Ltd
Contract Amount	USD 179,58,545.59
Contract Signature	18 th January,2018
Commencement Date	16 th April,2018
Original Completion Date	16 th April,2021

Original Project Duration	36 months
Time Completed as at August 2019	14.5 months (45.8%)
Physical Progress at at August 2019	33.68%
Financial progress as at August 2019	USD 27,125,547.36 (UGX 30,899,018,949)
Defect Liability Period	12 months
Pre-Financing period	15 month from commencement

Source : UNRA, August 2019

The scope of works comprise the following:

- Bush clearing and road widening (111km);
- Surfacing of 70 mm asphaltic concrete;
- Road Width of 7m with 2m wide shoulders on either side;
- Construction of 2 bridge structures;
- Instalation of pipe culverts and box culverts;
- Road marking and installation of road signs, guardrails and other road furniture;
- Main contractor to sub-contract 30% of the value of total physical works to local firms; and
- Implementation of HIV/AIDS awareness programmes and environmental mitigation measures.

8.1.2 Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Road Project (159km):

The Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Road Project (159km) is an existing gravel road situated in Bunyoro and Acholi regions. The road lies in Buliisa, Nwoya and Masindi districts. The contract of design and build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa - Buliisa Road Project (159km) was signed on 5th February , 2018 between Uganda National Roads Authority (UNRA) acting on behalf of Government of Uganda and China Communications Construction Company (CCCC). The project details are shown in **Table 2**.

Table 2: General Information for Design and Build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Road Project

Project Name	Design and build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Road Project (Bituminous Standard Class II)
Implementing Agency	Uganda National Roads Authority (UNRA)
Funding Agency	Government of Uganda and Exim Bank China
Contractor	China Communications Construction Company (CCCC)
Contract Amount	USD 218,888,518.40
Contract Signature	5 th February, 2018
Commencement Date	23 rd April, 2018
Original Completion Date	26 th April, 2021
Original Project Duration	36 months (1,099 days)
Time Completed as at August 2019	18 months (50%)
Physical Progress at at August 2019	19.21%
Financial progress as at August 2019	24.13% (USD 52,817,799.49)
Defect Liability Period	24 months
Pre-Financing period	15 month from commencement

Source : UNRA, August 2019

The scope of works comprise the following:

- Road Pavement Structure (Bush clearing, top soil stripping and embarkment widening, wearing course of 55-100 mm Asphaltic Concrete, sub-base of 150-215mm of cement established, base course of 125-150mm of crushed stone base;
- Drainage activities, i.e, installation of concrete culverts and construction of box culverts;
- 7 bridge works (Waiga, Wairingo, Zoliya, Sambiya, Tangi, Emmi and Paraa);
- Road width of 6 metre carriageway with 1.5m wide shoulders on either side;
- Road marking and installation of road signs, guardrails and other road furniture;
- Main contractor to sub-contract 30% of the value of total physical works to local firms; and
- Implementation of HIV/AIDS awareness programmes and environmental mitigation measures.

8.1.3 Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Roads Project (93km):

The Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km) is an existing class C gravel road situated in Bunyoro region. The road lies in Kikuube (Formerly part of Hoima) and Kakumiro districts. It is being development to ease the exploration and production of oil in the region. The contract of design and build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km) was signed on 2nd February, 2018 between Uganda National Roads Authority (UNRA) acting on behalf of Government of Uganda and China Wu Yi Company Ltd. The project details are shown in **Table 3**.

Table 3: General Information for Design and Build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km)

Project Name	Design and build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km) Road Project (Bituminous Standard Class II)
Implementing Agency	Uganda National Roads Authority (UNRA)
Funding Agency	Government of Uganda and Exim Bank China
Contractor	China Wu Yi Company Ltd
Contract Amount	USD 138,488,356
Contract Signature	2 nd February, 2018
Commencement Date	13 th April, 2018
Original Completion Date	16 th April, 2021
Original Project Duration	36 months (1,099 days)
Time Completed as at August 2019	16 months (46%)
Overall Progress at at August 2019	18.1%
Financial progress as at August 2019 (Certified)	USD 13,264,875 & UGX 13,091,483,046
Defect Liability Period	24 months
Pre-Financing period	15 month from commencement

Source: UNRA, August 2019

The scope of works comprise the following:

- Detailed engineering design and construction of a 93km road;
- Drainage Activities, i.e, installation of concrete culverts and construction of box culverts;
- Bridge works;
- Road Width of 7 metre carriageway with 2m wide shoulders on either side;
- Road marking and installation of road signs, guardrails and other road furniture;
- Main contractor to sub-contract 30% of the value of total physical works to local firms; and
- Implementation of HIV/AIDS awareness programmes and environmental mitigation measures.

8.2 Project Cost by Source of Funding

The total estimated project costs for the 3 road projects is USD 536,915,419.99 million, which will be financed through borrowing of USD 456,378,107 (85%) from China Exim Bank, while Government of Uganda (GoU) will provide counterpart funding of USD 80,537,313 (15%) as indicated in **Table 4**.

Table 4: Total Cost for the 3 (three) Road Projects (exclusive of 18% VAT)

Contract Description	Contract Price USD	China Exim Bank (85%) USD	GoU (15%) USD
Design and Build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa-Buliisa Road Project (159km)	218,888,518.4	186,055,241	32,833,278
Civil Works for the upgrading to bituminous class II paved standard of Hoima-Butiaba-Wanseko Road (111km)	179,538,545.59	152,607,764	26,930,782
Design and Build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km)	138,488,356.00	117,715,103	20,773,253
Total	536,915,419.99	456,378,107	80,537,313

Source: Project Contract Agreements

The Contract Agreements for the above 3 road projects between Government of Uganda represented by Uganda National Roads Authority (UNRA) and the 3 contractors was to the effect that the contractors were to pre-finance and execute works for a period of 12 months from the commencement date and Government of Uganda would refund the contractors for works executed.

9.0 LOAN TERMS; ECONOMIC AND FINANCIAL RETURNS; AND BUDGETARY IMPLICATIONS

9.1 Loan Terms:

The Exim Bank of China will make available **USD 456,378,107** to finance the Design and Build of Masindi (Kisanja)-Park Junction and Tangi Junction-Paraa - Buliisa Road Project (159km), Civil Works for the upgrading to bituminous class II paved standard of Hoima-Butiaba-Wanseko Road (111km) and Design and Build of Buhimba-Nalweyo-Bulamagi and Bulamagi-Igayaza-Kakumiro Road Project (93km) under the terms indicated in **Table 5**.

Table 5: China Exim Bank Loan Terms

Item	Terms
Loan Amount	USD 456,378,107
Maturity Period	15 years
Repayment period	10 years
Grace period	5 years
Interest charge	6 month LIBOR + 3.00% (300 basis points per annum)
Management fee	0.5% Calculated on loan amount (upfront) (Approx USD 2,281,890.54)
Commitment fee	0.5% p.a. on amounts not withdrawn

Source: Draft Financing Agreement

One basis point is equal to 0.0001

9.2 Loan Conditions:

- i. Certified true copies of the approval of the Parliament of Uganda approving the Facility, the legal advice and clearance of the Solicitor General of the Attorney General's office and all other approvals or consent by the Government of Uganda, which are required under the laws and regulations of Uganda for borrowing in respect of the execution, delivery and the performance of this Agreement or the implementation of the Project;
- ii. Satisfactory evidence that the Agreement has been validly executed by a person, authorized to sign on behalf of the Borrower;
- iii. A certified true copy of the Commercial Contracts duly executed by the Government of Uganda and the EPC Contractors;
- iv. A written undertaking issued by the Government expressing its consent to cooperate with the Lender on the post evaluation for the Project; and
- v. Certified true copies of the land expropriation and resettlement plan in relation to the land used for the construction of the Project.

10.0 PROJECT IMPLEMENTATION ARRANGEMENTS

The Uganda National Roads Authority will be responsible for the implementation of the road projects. During the execution of the project, UNRA shall be responsible for the following amongst others:

- i. Project monitoring, reporting and evaluation, as well as liaison with MoFPED and China EXIM Bank;
- ii. Contractual relationships with the Contractors for the project; and
- iii. Financial management and record keeping, accounts and disbursements.

11.0 THE LOAN CURRENT DEBT SITUATION OF THE COUNTRY

The loan will increase the Country's total nominal public debt that stood at UGX 42.07047 trillion as at the end of June 2018. The existing debt stock constitutes of UGX 28.51448 trillion as external debt, while UGX 13.55599 trillion is domestic debt. In terms of shares, external debt takes the largest share of total public debt at 68% while domestic debt is 32% of total public debt.

The estimated nominal debt as a percentage of GDP as at end June 2018 stood at 42%, increasing the risks of public debt sustainability if the productive capacity of the economy grows at a much lower rate, while the Present Value (PV) of public sector debt to GDP stood at 30.81% as of end June 2018. This is relatively below the Public Debt Management Framework threshold of 50 per cent.

Despite the increase in sovereign debt, it is still sustainable and Uganda is not under debt distress if it stays within the Charter of Fiscal Responsibility budget deficit target (3% of GDP by FY2020/21). Public debt will be manageable, if infrastructure spending raises growth and domestic revenues improve further.

12.0 CHALLENGES AFFECTING IMPLEMENTATION OF WORKS

The challenges affecting the implementation of the project relate to lack of funds, environment, procurement and land related matters. They include, but are not limited to:

- i. Land acquisition process that has been delayed due to lack of adequate funds;
- ii. Progress of works on the three packages 1, 2 and 3 slowed down due to cash flow constraints. A total of USD 90.44 million dollars was expected to be paid to the contractors by the end of pre-financing period in July 2019 for works executed since April 2018. However, only USD 27.72 million was released by MoFPED in July 2019 and it has been paid to the respective contractors. There is need for more releases to enable UNRA pay the remaining balance of USD 62.72 million to be able to meet the target of 2020.

- iii. Most of the project roads traverse through very sensitive eco-system that require wider consultations by NEMA prior to approvals of the ESIA reports for roads and bridges.
- iv. Land conflicts, absentee land lords, issues of land values, lack of bank accounts and land titles remain a big challenge in the acquisition of road project corridors.

13.0 OBSERVATIONS AND RECOMMENDATIONS

13.1 PRE-FINANCING AGREEMENTS EXECUTED BY UNRA FOR CONSTRUCTION OF OIL ROADS

The Committee observed that:

- i. UNRA entered into an agreement with 3 (three) Chinese companies for the purpose of upgrading the road network within the oil region of Bunyoro. The Contract Agreement between GoU represented by UNRA and the Contractors was to the effect that the Contractors were to Pre-finance and execute works for a period of 12 months from the commencement date and GoU would refund the contractors for works executed.
- ii. The pre-financing of works by Contractors for packages 1-3 commenced in April 2018 and ended in April 2019. However, due to lack of funds and loan negotiations between GoU and Exim Bank, the period was extended through addenda to the end of July 2019 (by 3-months) to enable GoU negotiate and conclude the Loan.
- iii. The extension of time for the Pre-financing expired in July 2019 before GoU could conclude on the acquisition of the Loan. It should be noted that MoFPED submitted a request for approval of the loan to Parliament in May 2019 for review and clearance to enable GoU conclude the process of the loan acquisition with the Bank.

The Committee strongly recommends that:

- i. ***Government Agencies should desist from making commitments on behalf of Government before seeking approval of Parliament; and in future, if any Government Official, Ministry, Department or Agency commits***

Government in such a manner, they should be held personally liable and should be dealt with in accordance with the law.

ii. In future, any loan presented before Parliament with this kind of provision shall not be approved.

13.2 STATUS OF WORKS AND LAND ACQUISITION

During its oversight visit to Hoima, Buliisa and Masindi Districts, the Committee observed that:

- i. To-date the following Contractors and Supervisors have been contracted to implement Oil roads for packages 1,2, 3 and 5;
 - Package 1: - The contractor is CCCC and the consultant is AECO in association with TECHO Consult.
 - Package 2: - The contractor is CICO and the supervisor is UNRA in-house Construction Supervision Team.
 - Package 3: - The contractor is China Wu Yi and the supervisor is called KAGGA and Partners.
 - Package 5: - The contractor is China Seventh Group Construction Ltd and the consultant to supervise the works is NET Consulting Engineers and Architects PLC JV KATT Consult Ltd and Stadia Eng. Works Consultant PLC.
- ii. The remaining procurement for packages 4 was at contract award stage. Contract signing was expected in October 2019 and Works expected to commence in November 2019. And the procurement of package 6 that was cancelled by PPDA will be concluded by December 2019.
- iii. Funds were released by July 2019 and both PAPs and the contractors were paid accordingly. However, the un-paid Interim Payment Certificates from the three contractors was USD 62.72 million dollars and un-paid PAPs amounted to UGX 21.3 billion.
- iv. UNRA targets to complete most of land compensation by December 2019 and any activities that will spill over will be concluded by December 2020. Therefore, the success of this projection depends entirely on the availability and timely release of funds by GoU.

- v. The delays in project implementation that inflate the cost of financing and attract penalties are compounded by the perennial delay in land acquisition due to insufficient funds to pay PAPs in time, and contestations in land ownership.

The Committee recommends that:

- i. Since land acquisition lies on the critical path for the implementation of oil roads, Government should ensure that funds are ring-fenced and always available before contracts are signed, to make timely payments to the Contractors and PAPs respectively so that project deliverables are not delayed.***
- ii. Government should expedite putting up central utility corridors to avoid multiple compensations whenever public infrastructure projects are being constructed.***

13.3 LOCAL CONTENT

The Committee observed that all Civil Works contracts have 30% Local content that was included in the Contracts to be implemented by the local Contractors/Providers. Works commenced in April 2018 and by the end of August 2019, there were about Nine (09) Local Contractors that had been engaged by the main Contractors and were working. The UNRA's Taskforce and the Project Management Team are monitoring the engagement and performance of the local contractors in line with the contract requirements. A monitoring tool had been developed by the team that was guiding the Monitoring and Evaluation process. However, the Committee observed that the performance of the local contractors still lacked both financial and technical capacity to match their foreign counterparts.

The Committee recommends that:

- i. Government should further assist local contractors to enhance their capacity, especially in acquisition of heavy earth-moving equipment at affordable rates.***
- ii. In order to reduce the high attrition rate, Government should consider adjusting the remuneration of the local Engineers to match their input.***

- iii. Government should create a Fund to support local contractors taking on infrastructure projects; and foreign contractors should create partnerships with local contractors.**
- iv. Local contractors should be sensitized about the tax options and benefits that are in place.**
- v. The work of local contractors should be ring-fenced at full score.**
- vi. The Local Content Bill should be expedited to make it into law.**

13.4 DELAYS IN OIL PRODUCTION PROCESSES

The Committee observed that much as oil roads are critical infrastructure projects in aiding delivery of the first oil in the year 2020, the oversight role of the Committee and available information indicate that the first oil cannot be achieved as anticipated by Government; and if the status quo is maintained, Government will remain with a huge debt without producing the first oil.

The Committee recommends that Government should fast-track the Final Investment Decision (FID) with oil companies to ensure that the first oil is delivered per Government timelines.

14.0 CONCLUSION


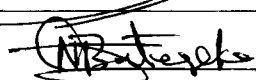
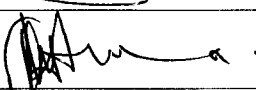









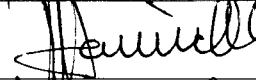


The Committee, having visited the oil region and seen the progress of the works and the impact the finished roads will have on the economy, observes that overall the projects are progressing very well, and the systems put in place have enhanced smooth implementation of the projects. There is a strong commitment to ensure that the works are completed on time, despite the challenges highlighted herein.

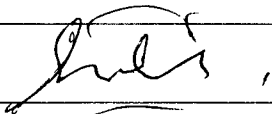
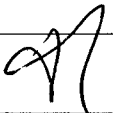
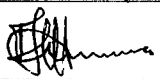


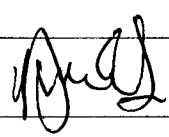
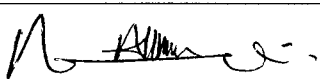
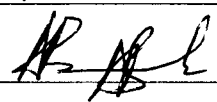

The expedited approval of the loan is critical because the pre-financing ended in April 2019 and was extended to July 2019, which also expired; and the outstanding Certificates from July 2019 will start attracting interest.

The Committee therefore recommends that the request for Parliament to authorize Government to borrow up to USD 456,370,000 million from the EXIM Bank of China to finance the upgrade and construction of the National Oil Roads Project under **Package 1** (Masindi-Kasanja/Park Junction, Tangi (Packwach) Junction-Paraa-Buliisa Road, Wanseko-Bugungu Roads), **Package 2** (Hoima-Butiaba-Wanseko) and **Package 3** (Buhimba-Bulamagi-Igayaza-Kakumiro), be approved, subject to the recommendations herein.



**REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PROPOSAL BY
GOVERNMENT TO BORROW USD 456,370,000 MILLION FROM THE EXIM BANK
OF CHINA TO FINANCE THE UPGRADE AND CONSTRUCTION OF NATIONAL OIL
ROADS UNDER PACKAGE 1 (MASINDI-KASANJA/PARK JUNCTION, TANGI
(PACKWACH) JUCTION-PARAA -BULIISA ROAD, WANSEKO-BUGUNGU ROADS),
PACKAGE 2 (HOIMA-BUTIABA-WANSEKO AND PACKAGE 3 (BUHIMBA-
BULAMAGI-IGAYAZA-KAKUMIRO)**

NO.	NAME	CONSTITUENCY	SIGNATURE
1.	Hon. Bbumba Syda Namirembe	Nakaseke North	
2.	Hon. Bategeka Lawrence	Hoima Municipality	
3.	Hon. Tayebwa Thomas	Ruhinda North	
4.	Hon. Kajara Aston	Mwenge South	
5.	Hon. Yeri Apollo Ofwono	Tororo Municipality	
6.	Hon. Kiwanuka Keefa	Kiboga East	
7.	Hon. Seguya Lubyayi John Bosco	Mawokota South	
8.	Hon. Musoke Paul Sebulime	Buikwe North	
9.	Hon. Kabafunzaki Herbert	Rukiga County	
10.	Hon. Ayepa Michael	Labwor County	
11.	Hon. Katoto Hatwib	Katerera County	
12.	Hon. Lokeris Samson	Dodoto East	
13.	Hon. Rwemulikya Ibanda	Ntoroko County	
14.	Hon. Migadde Robert Ndugwa	Buvuma Islands	
15.	Hon. Manderam Amos	Buyamba County	
16.	Hon. Wamakuyu Mudimi Ignatius	Elgon County	
17.	Hon. Okello Anthony	Kioga County	

NO.	NAME	CONSTITUENCY	SIGNATURE
18.	Hon. Dhamuzungu Geoffrey	Budiope East	
19.	Hon. Guma Gumisiriza David	Ibanda North	
20.	Hon. Sematimba Simon Peter	Busiro South	
21.	Hon. Elotu Cosmas	Dakabela County	
22.	Hon. Alyek Judith	DWR, Kole	
23.	Hon. Turyahikayo K. M. Paula	Rubabo County	
24.	Hon. Isala Eragu Veronica Bichetero	Kaberamaido County	
25.	Hon. Azairwe Dorothy Nshaija K.	DWR, Kamwenge	
26.	Hon. Akol Anthony	Kilak North	
27.	Hon. Okupa Elijah	Kasilo County	
28.	Hon. Ariko Herbert Edmund	Soroti Municipality	
29.	Hon. Nzoghu William	Busongora North	
30.	Hon. Bakireke Nambooze Betty	Mukono Municipality	
31.	Hon. Akena James Jimmy	Lira Municipality	
32.	Hon. Baryayanga Andrew Aja	Kabale Municipality	
33.	Hon. Katwesigye Oliver Koyekyenga	DWR Buhweju	
34.	Hon. Akamba Paul	Busiki County	
35.	Hon. Atiku Bernard	Ayivu County	
36.	Hon. Okumu Ronald Reagan	Aswa County	
37.	Hon. Kassiano Wadri Ezati	Arua Municipality	
38.	Hon. Kutesa Pecos Onesmus	UPDF Representative	