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16<sup>th</sup> March, 2021

All Local Government Accounting Officers

## CIRCULAR ON CONTRACT MANAGEMENT AND SAFEGUARD REQUIREMENTS UNDER THE INTERGOVERNMENTAL FISCAL TRANSFER PROGRAM (UGIFT)

### INTRODUCTION

1. Refer to the first Circular dated 26<sup>th</sup> May 2020 on Contract Management and Safeguard requirements under the Intergovernmental Fiscal Transfer Program for Results (UgIFT) following the 1st joint monitoring exercise held in March 2020, in which clarification was made on actions that must be undertaken by both the MDAs as well as Local Governments to comply with contract management and safeguard requirements.
2. Further reference is made to the 2nd Joint Monitoring of the UgIFT projects that was undertaken between July 27<sup>th</sup> to 7<sup>th</sup> August 2020 (Access soft copy on: [www.budget.go.ug/All Documents](http://www.budget.go.ug/All Documents)), and the dissemination exercise of December 2020, where the Environment and Social, Health and Safety Implementation guidelines by the Ministries of Water and Environment and that of Gender Labor and Social Development (Access soft copy on: [www.budget.go.ug/All Documents](http://www.budget.go.ug/All Documents)) were disseminated to all the Local Governments.
3. From these exercises, a number of issues were observed among the ongoing projects and readiness for the new ones programmed for this financial year. These include among others: **Expired contract agreements, construction defects on structures, abandoned sites, inadequate monitoring and supervision by the Project Management Team (PMT) coupled with unsatisfactory adherence to Environment and Social Safeguards requirements.**
4. Despite issuance of the 1st Contract Management Circular on 26<sup>th</sup> May, 2020 (*see copy attached*) which indicated actions to be undertaken, during the 2nd Joint Monitoring and dissemination exercise, we noted that most Local

Governments/MDAs are still not complying with the construction management as well as environment and social safeguards requirements.

## **PURPOSE OF THE CIRCULAR**

5. The purpose of this Circular therefore, is to make further clarification on the actions that **MUST** be undertaken by the Ministries, Departments and Agencies as well as the Local Governments in order to adhere to Contract Management and Safeguard requirements for both the ongoing and new UGIFT Projects.

## **ACTIONS TO BE UNDERTAKEN BY THE MDAs**

6. The actions that shall be undertaken by respective Sector Ministries, Departments and Agencies include:
  - i. Following the issuance of Environment and Social Health and Safety (ESHS) guidelines by the Ministry of Water and Environment (MoWE) and MoGLSD, all MDAs are required to ensure that all workplans and budgets consider ESHS issues;
  - ii. The respective line Ministries of Health, Education, Water and Environment, Agriculture will issue and disseminate Grant and Budgeting Guidelines for FY 2021/22 to guide Local Governments on the management of Non-wage, Wage and Development grants;
  - iii. Following the issuance by the Public Procurement and Disposal of Public Assets Authority (PPDA) of the, updated the Standard Bidding Documents (SBDs) for all Works, Supplies incorporating Environment, Social, Safety and Health safeguards requirements. Therefore, all procurements should utilize these revised Standard Bidding Documents (SBDs) in all procurement activities;
  - iv. Given the challenges in supervision of works at the local government level, the Ministry of Works and Transport should issue a comprehensive guideline on construction management addressing issues among others; geotechnical studies, supervision of construction works, measurement, certification and payment of completed works and retirement of performance guarantees; and
  - v. This Ministry and the respective MDAs, will continue to undertake Joint and Spot Monitoring to among others ensure timely completion of all infrastructure and in total compliance with Contract Management, Environment and Social Safeguards requirements.

## ACTIONS TO BE UNDERTAKEN BY THE LOCAL GOVERNMENTS

7. **UGIFT Unspent Balances for FY 2019/20:** This Ministry has provided supplementary Budgets for the UgIFT unspent balances for FY 2019/20 to the respective Local Governments (*See attached schedule*). The beneficiary Local Government Votes are required to clear all their outstanding payment Certificates to ensure completeness of the projects and have the resources fully absorbed by June, 2021. **This Ministry shall not tolerate any requests for unspent balances which is submitted after the Final Accounts for the financial year have been submitted to the Accountant General (by 30th September).**
8. **Assets Management:** You are reminded to keep records of the handed over infrastructure/Equipment in the District/Municipal Asset Registers; and planning and budgeting for emerging Operation and Maintenance (O&M) during the course of the financial year to ensure continuity of service delivery.
9. **Projects with Defects, Abandoned Sites, Expired Contracts and delayed payments:** It has come to my attention that, due to among others inadequate supervision, there are defects on some projects and abandoned sites by some Contractors, therefore;
- i) All construction materials (sand, stones, and bricks) must be tested in laboratories certified by Ministry of Works and Transport and materials test results must be kept on site for verification by the Ministry and Local Government Supervision Teams;
  - ii) In liaison with PPDA, invoke the sections in the Contract Agreement that relate to abandonment of sites by the Contractors;
  - iii) All Payments to Contractors is done **within 30 days** upon receipt of the requisition from the Contractor;
  - iv) Ministry of Works and Transport shall be undertaking spot monitoring on projects identified with Major Defects and the recommendations shall be communicated to the respective LGs; and
  - v) Report and sanction contractors for shoddy work for immediate remedial actions.
10. **Titling of Land:** All projects **MUST** be sited on titled land and in line with the required acreage as per the sector guidelines. **You are requested to make adequate budgetary provisions for titling of land for both old and new projects as you finalise your budget for FY2021/22. Where MoUs have been signed, please consider**

processing of land titles for the acquired MoUs, and all MoUs must be signed after clearance by the Solicitor General's Office.

11. **Revised Standard Bidding Documents (SBDs).** All procurement should be based on the PPDA updated Standard Bidding Documents (SBDs) incorporating Environment, Social, Health and Safety requirements that were issued on 15<sup>th</sup> September 2020. **Any procurement made using outdated SBDs shall be deemed null and void and the Accounting Officer shall be held accountable for causing financial loss to Government.**
12. **Project Management Teams:** All projects should have a Project Management Team (PMT). The PMT should prepare a work plan for preliminary activities prior to the commencement of the project as well as fund the joint monitoring and supervision of works on a monthly and quarterly basis. The composition of the Project Management Team was highlighted in our circular of even reference dated 26<sup>th</sup> May 2020.
13. **Compliance to Environment, Social, Health and Safety Safeguards Implementation Guidelines:** Following the issuance and dissemination of the implementation guidelines for Environment and Social, Safety and Health Safeguards requirements, by MoGLSD and MoWE, ensure compliance and adherence to these guidelines for all Government and donor funded projects. **MoGLSD and NEMA/MoWE will follow up on compliance of the guidelines.**
14. **Management of Project Investment Service Costs:** Please note that, all Grant and Budgeting Guidelines provide for Investment Service Costs and these resources are embedded in the total project construction costs. These funds are to cater for the Joint Monitoring and Supervision exercises related to Contract Management, Environment and Social Safeguards implementation, payment of Clerk of works and related procurement expenses. **Therefore, this calls for a Workplan and Activity schedule prepared for each project as you finalize your budget for FY 2021/22.**
15. **For budgeting and execution purposes, these funds should be allocated to the following budget output items:**
  - i. **281502:** Feasibility Studies for capital works including preparation of engineering designs and cost estimation, location studies for geotechnical investigations, customization of bidding documents including preparation of BoQs;
  - ii. **281504:** Monitoring, supervision and appraisal of capital works including costs for project identification and appraisal, contract management and execution activities, routing joint monitoring involving the Project Management Team; and

- iii. **098309:** Environment and Evaluation of Environment and Social compliance, including Environment and Social Impact Assessments and preparation of the Environment and Social Management Plans.

## **MANDATORY REQUIREMENTS FOR ALL NEW CONSTRUCTION PROJECTS**

- i. Formal proof of land ownership by the Local Government (Land title or MoU);
- ii. Mandatory Environmental and Social Screening of projects in accordance with the Guidelines issued by the respective Sector Ministries;
- iii. Costing of the Environment and Social Management Plans (ESMPs) to inform Bills of Quantities (BoQs);
- iv. Conducting Geotechnical investigations;
- v. Customization of Standard Architectural and Structural Plans to the Local context and approved by the **District/Municipal Physical Planning Committee**;
- vi. Establishment of a Project Management Team (PMT) at the LG level; and
- vii. Establishment and functionalization of a Grievance Redress Committee for the LG.

Patrick Ocailap

**FOR: PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

Copy to:

- The Rt. Hon. Prime Minister, Office of the Prime Minister
- The First Lady and Hon. Minister of Education and Sports
- Hon. Minister of Finance, Planning and Economic Development
- The Hon. Minister of Health
- The Hon. Minister of Local Government
- The Hon. Minister of Works and Transport
- The Hon. Minister of Lands, Housing and Urban Development
- The Hon. Minister of Water and Environment
- The Hon. Minister of Agriculture, Animal Industry and Fisheries
- The Hon. Minister of Gender, Labor and Social Development
- All Hon. Ministers of State for Finance, Planning and Economic Development
- The Permanent Secretary, Ministry of Local Government
- The Permanent Secretary, Ministry of Health
- The Permanent Secretary, Ministry of Education and Sports
- The Permanent Secretary, Ministry of Works and Transport

The Permanent Secretary, Ministry of Water and Environment

The Permanent Secretary, Ministry of Agriculture, Animal Industry and Fisheries

The Permanent Secretary, Ministry of Gender, Labor and Social Development

The Executive Director, PPDA

The Executive Director, NEMA

The Secretary, Local Government Finance Commission

The Auditor General, Office of the Auditor General

