



THE REPUBLIC OF UGANDA

# **STANDARD OPERATING PROCEDURES (SOPs)**

**FOR THE APPROVAL, ACQUISITION, IMPLEMENTATION  
AND PERFORMANCE OF EXTERNALLY LOAN FINANCED  
GOVERNMENT PROJECTS**

JULY, 2025





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## FOREWORD

Governments internationally require financing from alternative sources to fill the gap resulting from shortage of domestic revenues. With regards to Uganda, accessing both External and Domestic financing, receiving grants and issuance of guarantees, the Government is guided by the Constitution, Public Finance Management Act as Amended (2015), the Medium-Term Debt Strategy (MTDS) among others.

Despite using various legal and policy instruments such as the Public Financing Investment Strategy (PIFS), Government has been experiencing high borrowing costs, delays in negotiations for financing and project completion, cost overruns and overlapping of activities during the implementation of projects which is leading to delayed economic benefits and public outcry.

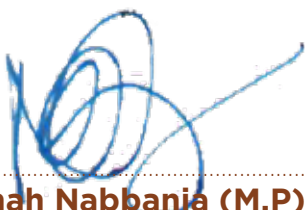
These shortfalls have been caused by among other things; inadequacy of project preparation, uncoordinated efforts among Government institutions throughout the project life-cycle, lack of project ownership and inadequate preparations for negotiations with the

financing agencies.

In order to address some of these challenges, Government has developed Standard Operating Procedures (SOPs) for all stakeholders for the Approval, Acquisition, Implementation and Performance of Externally Loan Financed Government Projects to improve implementation of the projects. These SOPs shall be used by all Ministries, Departments and Agencies (MDAs), and Local Government Authorities (LGAs) that are implementing Externally Funded Projects.

Furthermore, we expect that the adherence to the SOPs will result into reduction in cost variations and maximization of local content, hence ensuring effective project management and attainment of value for money.

Preparation of these SOPs considered various laws and regulations governing External Loan Acquisition processes in Uganda. All Government entities are required to adhere to these SOPs in all phases of the project cycle.



**Robinah Nabbanja (M.P)**  
Rt. Hon. Prime Minister



**Matia Kasaija (M.P)**  
Hon. Minister of Finance Planning and  
Economic Development

## LIST OF ACRONYMS

<b>AfDB</b>	African Development Bank
<b>AfDF</b>	African Development Fund
<b>DPs</b>	Development Partners
<b>DC</b>	Development Committee
<b>D/DCP</b>	Directorate of Debt and Cash Policy
<b>DHoPs</b>	Deputy Head of Public Service
<b>EA</b>	Executing Agency
<b>EIA</b>	Environmental Impact Assessment
<b>EMP</b>	Environmental Management Plan
<b>GoU</b>	Government of Uganda
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICB</b>	International Competitive Bidding
<b>IDA</b>	International Development Association
<b>IFAD</b>	International Fund for Agricultural Development
<b>MDAs</b>	Ministries Departments Agencies
<b>MoFPED</b>	Ministry of Finance Planning and Economic Development
<b>MI</b>	Multilateral Institutions
<b>NCB</b>	National Competitive Bidding
<b>OAG</b>	Office of the Auditor General
<b>PAD</b>	Project Appraisal Document
<b>PAR</b>	Project Appraisal Report
<b>PAM</b>	Project Administration Manual
<b>PIMS</b>	Public Investment Management System
<b>PIU</b>	Project Implementing Unit
<b>PMU</b>	Project Monitoring Unit
<b>PS/ST</b>	Permanent Secretary / Secretary to Treasury
<b>RfP</b>	Request for Proposals

## CHAPTER 1

### 1.0 INTRODUCTION

- 1.1 Standard Operating Procedures (SOPs) were established following a decision of Cabinet on 10<sup>th</sup> March 2025 and the SOPs will guide projects approval, loan acquisition, implementation and performance of the programs and projects.

### 2.0 BACKGROUND

- 2.1 A Cabinet paper on performance of externally financed projects presented to Cabinet under CT (2023) 124) highlighted key challenges associated with externally loan financed projects among which include; delayed acquisition of right of way for infrastructure projects, Environmental and Social Management Framework (ESMF), shortcomings in funding of Feasibility Studies and capacity of Ministries, Departments and Agencies (MDAs) to prepare bankable projects, inadequate project preparedness, insufficient counterpart funding for projects, delays in procurement processes, lack of suitable and adequate capacity within MDAs for project implementation, notable laziness of the Project Managers, lack of ownership of projects at both the political and senior technical levels within the MDAs, delayed issuance of no-objection certificates by financiers, stringent conditions associated with the loan by the financiers and delayed achievement of conditions of effectiveness of the loan.
- 2.2 The poor performance of these projects has caused the country a huge debt portfolio and the fiscal space has reduced significantly, which space would have been used to finance other critical priorities of Government.
- 2.3 In order to enhance the country's debt sustainability position, there is need to ensure that the tax revenue is significantly improved to earn more foreign exchange through strategic enterprises like Gold, Coffee, fish maw, iron ore, oil, Gas, medicinal cannabis among others.
- 2.4 There is also need to invest strategically in Agriculture, Tourism development, Energy, Transport Infrastructure (Roads, Airports, Railway Development and Marine) among others.

### **3.0 OBJECTIVES OF THE STANDARD OPERATING PROCEDURES**

The following are the objectives of the Standard Operating Procedures;

- 3.1 To streamline procedures and timelines for the project approval, loan acquisition, implementation and performance of externally loan financed Government projects,
- 3.2 To harmonize synergies among all stakeholders throughout the project cycle, reduce time wastage and duplication in project development, implementation, and performance, thereby increasing the return on investment for the Government by ensuring efficient delivery and accountability of duty bearer,
- 3.3 To guide the timely implementation of projects and expedite their exit from the Public Investment Plan (PIP), thereby creating fiscal space for the inclusion of new projects,
- 3.4 To support the ten-fold growth strategy by enhancing the Public Investment Management System (PIMS) reforms, improving project appraisal, and ensuring a transparent project selection process focused on contributing to socio-economic transformation, and
- 3.5 To enhance governance in project selection, ensure effective and efficient utilization of public and borrowed funds, and improve the supervision of Government projects to achieve value for money, maximize the return on investment, and realize the desired multiplier effects in the economy.

### **4.0 PROBLEM STATEMENT**

- 4.1 Currently, the project approval, loan acquisition, implementation and performance of programs and projects is guided by the Constitution of Uganda 1995 as amended, Public Finance Management Act (PFMA) 2015 as amended, Development Committee (DC) guidelines, the Public Debt and other Financial Liabilities Framework (PDMF 2023), National Development Plan (NDP) and NRM Manifesto. However, there are significant gaps in the coordination, enforcement, implementation and monitoring framework that has led to uncoordinated processes and delayed approvals hence leading to many other challenges as highlighted under paragraph 2.1.
- 4.2 The poor performance of these projects has caused the Country a huge debt portfolio and the fiscal space has reduced significantly, which space would have been used to finance other critical priorities of Government.



Government has to repay these loans even in a situation where they are non-performing and contributing insignificantly to the growth of the economy.

- 4.3 This therefore calls for development of Standard Operating Procedures that will enhance synergies and streamline the processes of project approval, loan acquisition, implementation and performance of externally loan financed projects.

## 5.0 STANDARD OPERATING PROCEDURES (SOPs) FOR LOANS

- 5.1 The SOPs are practical steps that will be followed to enhance synergies and streamline the processes of; a) project approval, b) loan acquisition, c) timelines for approval processes d) project implementation and performance of externally loan financed government projects across various MDAs.

## 6.1 PROJECT APPROVAL PROCESS

- 6.1.1 **Public Investment Management System (PIMS):** A project shall only be approved for financing after it has completed the Public Investment Management System (PIMS) appraisal process and fulfillment of the readiness conditions enshrined in the selection criteria. The PIMS processes include; (i) Project Identification Stage arising from the National Development Plan, NRM Manifesto, Cabinet Directives, H.E the President's Directives and Programme Investment Plans, (ii) Project Profile Stage that provides chronological sequencing of the change framework, sets targets and lays out a foundation for project monitoring, (iii) Pre-feasibility and feasibility Stages which examine the overall potential and economic viability of the project. The PIMS process shall be facilitated by the Development committee chaired by PS/ST. The DC Institutional representation and the Roles and responsibilities are indicated in Annex 2.
- 6.1.2 **Program Working Group (PWG):** Project proposals are developed and generated from the Program Working Group of the National Development Plan where MoFPED furnishes the MDAs with information on the planned and/ or Projects and programs to be included in the respective financiers-Government of Uganda Country Strategy papers. The National Partnership Forum (NPF) under the chairmanship and guidance of the Prime Minister comprised of Development partners, MoFPED, Civil Society among others

will pick its Agenda from the Program Working Group to engage the relevant stake holders.

**6.1.3 Environment and Resettlement:** Environment and Social Impact Assessments (ESIA) should be concluded by MDAs with clearance from National Environment Management Authority (NEMA) as enshrined in the NEMA Act before sourcing for project financing. No financing agreement will be signed before PIMS and ESIA requirements are fulfilled. MDAs shall have concluded Resettlement Action Plans (RAP) and ensure that at least 50% of continuous Right of Way (RoW) has been secured prior to acquisition of the loan for the project. The following guidance will apply with regards to acquisition of Right of Way:

- i. Government will not borrow for any project if the required counterpart funding is not earmarked or provided for in the Medium-Term Expenditure Framework of the respective MDALGs.
- ii. Where a community accepts to give RoW without compensation, Implementing MDAs should expedite Consent Agreements and/or any other evidence from the Communities and Projects Affected Persons (PAPs) which can be availed to Development Partners. Communities benefit from these projects and most of the times are willing to surrender part of the land for the development because they benefit and derive value from these projects' development.
- iii. Where a project is approved by Government, the Right of Way on Government property should be guaranteed by Consent Agreements signed between Government Agencies or a decision by Cabinet depending on the magnitude of the investment.

## **6.2 LOAN ACQUISITION PROCESS**

- 6.2.1 MoFPED takes lead in the acquisition process whereby the most feasible financiers are identified in line with their Respective Country Strategy Papers and various Programme Working Groups (PWG).
- 6.2.2 Upon clearance by Programme Working Groups, the MDA line Minister submits the request for funding/proposal to MoFPED.
- 6.2.3 The Minister responsible for Finance will then seek clearance from His Excellency the President for the project to be financed based on the project's readiness and alignment to the National Development Plan and the NRM Manifesto.

- 6.2.4 Upon approval of H.E the President, MoFPED shall assemble a negotiation team in line with the Negotiation Guidelines.
- 6.2.5 MoFPED will ensure that the projects and programs to be funded externally using loans are presented to the Top Technical and Top Management of the Ministry by the respective MDA's technical and political heads respectively for clearance prior to presentation to the Prime Minister and Secretary General of NRM for further consideration. The minutes of the meeting chaired by Prime Minister and clearance letter signed by the Prime Minister should be attached as an annex to the Cabinet paper.
- 6.2.6 MoFPED shall prepare the draft Cabinet Paper in consultation with the respective MDAs before the paper is presented to Cabinet. If there is no response from the line MDA within two weeks, MoFPED shall proceed with the Paper for consideration to the next level.
- 6.2.7 The Cabinet paper to be presented to Cabinet by Hon. MoFPED will have both the OPM clearance letter and H.E the President's clearance before submission to Cabinet Secretariat for both comments and issuance of a Cabinet Number. Certificate of financial implication will also be attached as an annex to the Cabinet paper.
- 6.2.8 The Minister responsible for Finance supported by the relevant MDA Minister shall present the Cabinet Paper for consideration and clearance.
- 6.2.9 Upon Cabinet clearance, MoFPED shall prepare and submit a motion to Parliament for Approval.
- 6.2.10 Upon Parliamentary Approval (Resolution of Parliament), MoFPED shall follow up the effectiveness and disbursement conditions with development partners, Attorney General and MDAs and these include:
- i. MoFPED will secure clearance to sign the Financing Agreements from the Solicitor General (5 working days). After signature, MoFPED will secure the Legal Opinion on the Financing Agreements to be issued by the Attorney General (14 working days).
- The Minister responsible for finance shall publicize the approved financing and details of the project to be financed will be made public.
- ii. MoFPED and the respective MDA shall follow up the other effectiveness conditions which are not limited to formation of the

project/program implementation unit among others (20 working days).

- iii. Upon effectiveness of the project, the respective Accounting Officers will be expected to brief the Prime Minister and Hon.MoFPED on the implementation plan and/or arrangements for the project.
- iv. Project Extension: MDAs will not be allowed to access new external financing if more than 30% of ongoing projects under its portfolio have been given an extension more than once and where additional financing for a project is sought, the MDA shall be required to have disbursed not less than 70% on the same project and 50% of physical performance against the scheduled planned performance.

### 6.3 TIMELINES FOR LOAN ACQUISITION AND APPROVAL PROCESSES

6.3.1 The timeframe for which the responsible centers must conclude the clearance processes shall be strongly adhered to, to not exceed 212 days as indicated in Table 1. The Deputy Head of Public Service (Office of the Prime Minister) shall monitor the adherence to the time lines and where there is a delay, the matter will be brought to the attention of the political head of the MDA in consultation with the Cabinet Sub-Committee on Performance of Government Loans.

6.3.2 This process will be supported by a digital platform/dashboard hosted by OPM Monitoring and Evaluation Department that will ensure that any delays in the process are flagged immediately for the Prime Minister's attention who will in turn cause for a meeting of the Cabinet Sub-Committee on Performance of Government Loans.

**Table 1: Timelines for Loan Acquisition and Approval Process**

Responsible Center	Mandatory Period (Working Days)
MDA Submissions & Responses to Development Committee (DC)	<110
MoFPED (arrange Negotiations, Top Technical and Top management meetings)	10
Prime Minister & Secretary General	15
H.E the President	N/A
Cabinet	15
Parliament	25

Responsible Center	Mandatory Period (Working Days)
Solicitor General (Clearence to sign)	15
MoFPED(Signing of the Agreements)	7
Attorney General (Legal Opinion)	15
<b>Total Average Time to be taken</b>	<b><u>212</u></b>

All the Institutions named are expected to comply with the timelines and deadlines as stipulated in the table above. The aim is to ensure that financing for projects is concluded within the desired timelines as currently, financing terms and conditions for various development partners post variable terms whose validity change every after six (6) months according to the prevailing financial market rates.

## 6.4 PROJECT IMPLEMENTATION PROCESS

- 6.4.1 The MDA Heads/Accounting Officer shall constitute Project/Program teams with the relevant qualification and expertise dedicated to Project/program preparation, supervision and implementation. Project/Program teams shall be given performance-based contracts by the MDA Heads/Accounting Officers with clear expected deliverables which are time bound as well as set termination clauses and sanctions for poor performance.
- 6.4.2 MDAs shall be required to use Project Management tools and utilize the project implementation module on the Integrated Bank of Projects (IBP) to program, schedule, organize and coordinate tasks within the projects.
- 6.4.3 The responsible MDA shall ensure that the project team is constituted out of the technical staff in the respective MDA for project supervision except where the required skills and competencies do not exist in the country. The Government should then ensure capacity building in this particular area to ensure 100% local content for project supervision.
- 6.4.4 The MDA Accounting officer shall submit quarterly performance reports that include financial, physical performance of externally loan financed projects and the list of the Project Management Teams implementing the projects through the Deputy Head of Public Service (Office of the Prime Minister). The Deputy Head of Public Service(DHoPs) will work closely with the respective departments in OPM, MoFPED and NPA. These reports

will be discussed under the leadership of the Cabinet Sub-Committee on Performance of Government Loans thereafter presented to the Prime Minister and /or Cabinet for information and guidance. The Sub-Committee of Cabinet on Performance of Government Loans will receive and discuss the performance reports on externally loan funded projects to inform their decisions.

- 6.4.5 MDAs shall ensure that all financial commitment and disbursement information is uploaded and updated quarterly in the Digital Dashboard of OPM and Aid Management Platform that is housed by the Ministry of Finance Planning and Economic Development.
- 6.4.6 Contractor agreements shall include Performance, Environment and Social Safeguards punitive clauses that can be invoked in case of default on the contractual obligations.
- 6.4.7 The MDA Accounting officers should undertake stakeholder engagements at all levels of the project cycle to ensure that the projects address the challenges and demands of the communities particularly on issues of local content and inclusiveness as required. Provision of evidence of involvement of the community/stakeholders shall be required.

## **6.5 PERFORMANCE**

- 6.5.1 The Cabinet Sub-Committee on Performance of Government Loans alongside the technical teams from relevant departments of MoFPED, NPA and OPM will review reports and recommend measures to address the challenges hindering performance of Government projects.
- 6.5.2 The Cabinet Sub-committee through the Prime Minister shall submit a status report to Cabinet every six months of the financial year as approved by Cabinet in 2023.
- 6.5.3 MDA Heads/Accounting Officers shall be required to develop/update sustainability plans for completed projects including financing for operations and maintenance after completion and handover of the project to the beneficiaries. The plan shall outline the strategies and commitments Accounting officers will undertake to ensure the long-term environmental, social and economic sustainability of the project.

## ANNEX 1

### TERMS OF REFERENCE FOR THE CABINET SUB-COMMITTEE ON PERFORMANCE OF GOVERNMENT LOANS

#### A. Background:

1. The general performance of the Government loan portfolio has been poor for a long period of time with a number of projects having surpassed their grace periods and extended durations by the financiers. The poor performance of these loans has meant that the country has a huge debt portfolio and the fiscal space has reduced significantly, which space would have been used to finance other critical priorities of government. Government therefore has to repay these loans even in a situation where they are non-performing and contributing insignificantly to the growth of the economy.
2. As part of improving the performance of these loans, it's important to enhance the political and technical supervision of these projects. Accordingly, a Cabinet Sub-committee has been proposed alongside a technical sub-committee to oversee both the financial and physical performance of government loans, grants and guarantees.

#### B. Objectives of the Sub-committee:

3. The main objectives of the sub-committee will be to;
  - i. Update Cabinet on the performance of government loans.
  - ii. Recommend measures to enhance the performance of the public debt portfolio.

#### C. Scope of work:

4. The scope of work for the sub-committee will include the following;
  - i. Ensure implementation of projects funded through loans, guarantees and grants.
  - ii. Receive and analyse reports on the performance of various loans, guarantees and grants from various MDAs.

- iii. Make recommendations on the necessary policy actions and advise Cabinet.
- iv. Provide any other policy recommendations to Cabinet to ensure effective project management.
- v. Ensure implementation of Cabinet decisions on the report of the committee and any other related matters.

**D. Composition of the Cabinet Sub-committee:**

- 5. The sub-committee shall comprise of the sitting members of the portfolios below;
  - i) Office of the Prime Minister represented by the Minister of General Duties.
  - ii) Ministry of Finance, Planning & Economic Development represented by the Minister of State for Planning.
  - iii) Ministry of Works and Transport
  - iv) Ministry of Lands, Housing and Urban Development
  - v) Ministry of Energy and Mineral Development.

**E. Deliverables of the working Groups:**

- 6. The Sub-Committee will meet at least once every quarter to consider the reports in 6.4.4.
- 7. The sub-committee shall submit a status report to Cabinet every six months of the financial year.



## ANNEX 2

### DC Institutional representation and the Roles and responsibilities

No	DC INSTITUTION	ROLES AND RESPONSIBILITIES
1.	Ministry of Finance, Planning and Economic Development	Chair and Secretariat to the DC. Programming of the projects in the MTEF and resource envelope
2.	Office of the President	Provide policy oversight.
3.	Office of the Prime Minister	Provide guidance on the M&E framework for the projects/programmes
4.	National Planning Authority	Responsible for strategic alignment of the project/programmes to the NDP.
5.	Ministry of Gender, Labour and Social Development	Handle socio-economic aspects, i.e. social, safety and health, among others
6.	Public Procurement and Disposal of Public Assets Authority	Provide guidance on procurement-related issues and performs the procurement audit on existing projects in the PIP.
7.	Ministry of Lands, Housing and Urban Development	Handle aspects concerning acquisition of Right of Way, land compensation and physical plans.
8.	Ministry of Works and Transport	Provide technical guidance on construction works and designs for all projects/programmes
9.	National Environment Management Authority	Provide strategic guidance on environmental management and compliance
10.	Equal Opportunities Commission	Provide guidance on gender and equity issues
11.	Solicitor General	Provide legal advice throughout the project cycle.
12.	Makerere University PIM Centre of Excellence	Independent reviewer of studies and advises the DC as an expert offering training service to GoU.
13.	Ministry of Water and Environment	Providing guidance on climate change issues in project appraisal
14.	Ministries, Departments and Agencies	Initiate project ideas consistent with the Comprehensive National Development Planning Framework.







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