INDUSTRIALISATION SUB-SECTOR

SEMI-ANNUAL BUDGET MONITORING REPORT

FINANCIAL YEAR 2019/20

APRIL 2020

Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
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MOFPED
#DoingMore

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ABBREVIATIONS AND ACRONYMS

ACE	Area Cooperative Enterprise
AIA	Appropriation in Aid
CPU	Community Processing Unit
EDI	Enterprise Development Investment
EEI	Enterprise Expansion Investment
EIA	Environmental Impact Assessment
EOC	Equal Opportunities Commission
FAO	Food and Agricultural Organisation
FY	Financial Year
GoU	Government of Uganda
IFMS	Integrated Financial Management System
ISO	International Standards Organisation
KIBP	Kampala Industrial and Business Park
KMC	Kiira Motors Corporation
KOICA	Korean International Cooperation Agency
LG MAAIF	Local Government Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MoTIC	Ministry of Trade, Industry and Cooperatives
MoU	Memorandum of Understanding
MTAC	Management Training and Advisory Centre
NEMA	National Environment Management Authority
OAG	Office of the Accountant General
SOFTE	Soroti Fruit Factory Limited
SPV	Special Purpose Vehicle
RIDP	Rural Industrial Development Programme
SME	Small and Medium Enterprises
TEFCU	Teso Farmers' Cooperative Union
ToR UFZA	Terms of Reference Uganda Free Zones Authority
UDC	Uganda Development Corporation
UNBS	Uganda National Bureau of Standards
US$	United States Dollar
USADF	United States African Development Foundation

FOREWORD

The Government strategy this Financial Year 2019/20 is to promote import substitution and export promotion, and incentivize private sector development. It is envisioned that this will be achieved through industrialization anchored on agriculture and agro-industrialization, manufacturing, and mineral potential. This will also ensure inclusive growth and the creation of jobs, while promoting development of other key primary growth sectors.

According to findings shared by the Budget Monitoring and Accountability Unit (BMAU), majority of the sectors monitored got over 50% of their budget releases, however fair performance was noted in terms of service delivery. This is attributed to the persistent challenges of delayed procurement and poor planning which must be dealt with as the country moves to implement the third National Development Plan.

This report is produced at time when the whole world is affected by the novel coronavirus disease (COVID-19). It is prudent that the sectors devise cost effective means to ensure that their stakeholders will still benefit from the government programmes/projects.

Keith Muhakanizi
Permanent Secretary and Secretary to the Treasury

EXECUTIVE SUMMARY

Introduction

The Industrialisation Sub-Sector is composed of the Ministry of Trade, Industry and Cooperatives (MoTIC), Uganda National Bureau of Standards (UNBS), Uganda Investments Authority (UIA), Uganda Development Cooperation (UDC), and Ministry of Finance, Planning and Economic Development (MFPED), Uganda Free Zones Authority (UFZA).

This report reviews selected key programmes and sub-programmes within the Industrialisation Sub-Sector, based on approved plans and significance of budget allocations to the Votes. Attention is on large expenditure programmes including both development expenditure and recurrent costs.

Programmes selected for monitoring were based on planned annual outputs; regional representation; level of capital investment; and value of releases during half year, Financial Year 2019/20. The methodology adopted for monitoring included literature review of annual progress and performance reports; interviews with the respective responsible officers or representatives; and observations or physical verification of reported outputs. Physical performance was rated using weighted achievement of the set output targets by 31st December, 2019.

The FY2019/20 semi-annual monitoring focused on four programmes of: Industrial and Technological Development; Development Policy and Investment Promotion; Investment Promotion and Facilitation; and Standards Development, Promotion, Enforcement.

Overall Performance

The annual budget for the four programmes monitored was Ug shs 265.029billion, of which Ug shs 91.210billion (34.4%) was released and Ug shs 78.708billion (86.3%) spent by 31st December, 2019.

The overall half year Industrialization Sub-Sector performance was fair (65.6%). The Standards Development, Promotion, Enforcement Programme under UNBS and USADF project under the MFPED performed better in terms of achievement of development outputs. The UIA and UFZA exhibited low utilization of funds. Infrastructure development in the different industrial and business parks was at different levels, whereas construction of a public free zone at Entebbe International Airport was at contract stage with civil works expected to commence in Q3.

Highlights of Sector Performance

Development Policy and Investment Promotion program (MFPED)

The overall programme performance was fair at 58.3%. The Uganda Free Zones Authority (UFZA) licensed three new free zones and renewed 10 licenses. The Environment and Social Impact Assessment (ESIA) for the establishment of a free zone at the Entebbe International

Airport was concluded, designs approved and civil works were anticipated to begin in Q3 FY2019/20. The UFZA initiated the process for the amendment of the Free Zone Act to include special economic zones, and partnered with Trade Mark East Africa (TMEA) for technical assistance to undertake a feasibility study for the trade and logistics park in Jinja. The land procured in Buwaya, Ssisa Sub-county, Wakiso District for establishing a free zone had encumbrances that remained unresolved. The UFZA exhibited low funds utilization at 53%.

The United States African Development Foundation (USADF) planned to support five cooperatives by end of Q2 FY2019/20. Four cooperatives were selected and supported namely: Bufumbo Organic Farmers' Association in Mbale District, Taabu Integrated Farmers' Cooperative Society Limited in Sironko District, Biganda Farmers' Cooperative Society Limited in Bukomansimbi District, and Pingire-Labori Producers' and Marketing Cooperative Society in Serere District. Implementation of planned activities were at initial stages with recruitment of staff undertaken in all selected cooperatives and construction of storage facilities at varying levels of progress. Implementation of activities by the four cooperatives monitored that started receiving support in the previous FY was at 80% progress. Overall, the project exhibited effectiveness in resource utilization.

Investment Promotion and Facilitation Programme

The semi-annual programme performance was 59.1%. The contract for the Engineering, Procurement and Construction (EPC) was signed with M/s Lagan Joint Venture with M/s Dott Services for infrastructure development in Kampala Industrial and Business Park (KIBP)–Namanve. The contracts for the maintenance of roads in Luzira and Bweyogerere Industrial and Business Parks were awarded in Q3. The development of the Mbale Industrial and Business Park under the Tian Tang Group was ongoing, three factories had started operations, while one factory was undertaking test runs and three were under construction. Thirty seven squatters still occupied the Mbale park land as they had contested and declined the values from the Chief Government Valuer.

The UIA did not fulfil the set loan conditions to enable the release of external financing worth Ug shs 101.457billion for infrastructure development at Kampala Industrial and Business Park (KIBP) planned for Q1.

Generally, the roads in all parks were in fair to poor state owing to the heavy rains during the first half of the financial year and inadequate maintenance budget. The new factories that opened in the first half of FY2019/20 created a total of 620 direct jobs.

Industrial and Technological Development Programme

The various projects and sub-programmes were at varying levels of implementation. The Government of Uganda (GoU) through Uganda Development Corporation (UDC) acquired an additional 8% (Ug shs 15,483,852,800) shareholding in Atiak Sugar Factory. The total GoU shareholding was at 40% with a total investment of Ug shs 80.3billion. Soroti Fruit Factory (SOFTE) started commercial operations for the production of mango and orange juice, and pulp. Two products (ready to drink mango and orange juice) acquired UNBS certification. The procurement of an automated mango line was ongoing. SOFTE obtained accreditation for alternative procurement and disposal systems from the Public Procurement and Disposal of Public Assets Authority (PPDA). The factory had challenges of power outages that greatly affected production. Installation of a 40,000kg Curl Tear and Cut (CTC) tea processing line at Kayonza Growers Tea Factory was substantially complete (99%) awaiting test runs.

The Rural Industrial Development Project (RIDP) under the MoTIC planned to procure and deliver equipment to eight selected groups undertaking value addition enterprises. Three groups had received equipment namely: Lusaze Modern Agriculture Solution Cooperative Society in Kampala District, Buzaaya Dairy Development Farmers' Cooperative Society in Kamuli District, and Mbarara Youth Entrepreneur Association in Mbarara District. Sixteen members of Mugabi Apiary Products in Kabale District were trained in value addition, good manufacturing practices and quality requirements of sorghum and honey processing. Bubaare Innovation Platform Multipurpose Cooperative Society Ltd in Kabale District received support to have one of their products (honey) certified by UNBS.

Standards Development, Promotion, Enforcement Programme

The programme performance during the period under review was very good (90.5%). The construction and equipping of the food safety and analytical laboratories, calibration ridge and power house were substantially completed. A total of 652 product/systems certification permits were issued, 3,432 market and factory outlets inspected, 5,445 imported consignments inspected, and 4,872 product samples tested. In addition, 318,112 equipment used in trade were verified, 743 industrial equipment calibrated, and 332 Standards developed. The programme lacked adequate staff in the surveillance department to carryout enforcement operations.

Key Challenges

Execution of the planned activities across the sub-sector was hampered by poor infrastructure in the industrial parks especially roads that deteriorated from fair to poor, delayed initiation of procurements, limited support to medium, small and micro enterprises (MSMEs) to enable them meet the legal certification requirements for attaining quality standards, poor quality and intermittent power supply that increases the cost of production, inadequate staff and field vehicles for surveillance activities by the UNBS to curb counterfeits and poor quality products on the market.

Recommendations

- The Ministry of Energy and Uganda Electricity Transmission Company Limited (UETCL) should expedite the transmission of high voltage power to major processing zones/ industrial parks
- The UIA and MFPED should prioritize funding for maintaining infrastructure in the existing industrial parks especially roads that have deteriorated from fair to poor condition. A holistic approach for maintenance of infrastructure should be sought including partnerships and synergies with other government agencies including Uganda National Roads Authority, UETCL and National Water and Sewerage Corporation (NWSC).
- The MoTIC, through UNBS should support MSMEs to acquire quality certification.
- The UDC and UFZA should initiate procurements early to avoid spill over of activities into the subsequent financial years.
- The UFZA should urgently resolve the land related encumbrances for the proposed free zone in Ssisa, Wakiso District.
- The UNBS should engage the Ministry of Public Service to review the staffing requirements to ensure efficient delivery of services.

CHAPTER 1: BACKGROUND

1.1 Introduction

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development*". It is in this regard that the Ministry gradually enhanced resource mobilization efforts and stepped up funds disbursement to Ministries, Departments, Agencies and Local Governments (MDAs/LGs) in the past years to improve service delivery. The Industrialization sub-sector contributes to objective 1 of the NDP II that is: "*Increase sustainable production, productivity and value addition in key growth opportunities*". The sub-sector aims at promoting sustainable industrialization through appropriate technology transfer and job creation.

Although some improvements have been registered in citizens' access to basic services, their quantity and quality remains unsatisfactory, particularly in the sectors of health, education, water and environment, agriculture and roads. The services being delivered are not commensurate to the resources that have been disbursed, signifying efficiency challenges in the user entities.

The Budget Monitoring and Accountability Unit (BMAU) was established in FY2008/09 in MFPED to provide comprehensive information for removing key implementation bottlenecks. The BMAU is charged with tracking implementation of selected government programmes or projects and observing how values of different financial and physical indicators change over time against stated goals and targets (how things are working). This is achieved through semi-annual and annual field monitoring exercises to verify receipt and application of funds by the user entities. Where applicable, beneficiaries are sampled to establish their level of satisfaction with the public service.

The BMAU prepares semi-annual and annual monitoring reports of selected government programmes and projects. The monitoring is confined to levels of inputs, outputs and outcomes in the following areas:

- Accountability
- Agriculture
- Infrastructure (Energy and Roads)
- Industrialization
- Information and Communication Technology
- Social services (Education, Health, and Water and Environment)
- Public Sector Management; and
- Science, Technology and Innovation

1.2 Sector Mandate

The Industrialization sub-sector aims to promote sustainable industrialization, appropriate technology transfer and development[1]. It is a sub-component of the trade and industry sector and accountability sector. It consists of four (4) votes, that is: Vote 015 Ministry of Trade, Industry and Cooperatives (MoTIC); Vote 154 Uganda National Bureau of Standards (UNBS), Vote 513 Uganda Investment Authority (UIA) and partly Vote 008, Ministry of Finance, Planning and Economic Development (MFPED).

1.3 Sector Objectives

The industrialisation sub-sector objectives are;

- Promote the development of value added industries in agriculture and minerals
- Increase the stock of new manufacturing jobs.
- Enhance the use of Standards and quality infrastructure in industry.
- Promote green industry and climate smart industrial initiatives.

1 National Development Plan (NDP II) 2015/16-2019/20. Page 175

CHAPTER 2: METHODOLOGY

2.1 Scope

This report is based on selected programmes in the following Votes (Table 2.1): Vote 015: Ministry of Trade, Industry and Cooperatives (MoTIC); Vote 154: Uganda National Bureau of Standards (UNBS), Vote 310: Uganda Investment Authority (UIA), and partly Vote 008, Ministry of Finance, Planning and Economic Development (MFPED). It covers progress from 1st July to 31st December 2019. Selection of areas to monitor is based on a number of criteria:

- Significance of the budget allocations to the votes within the sector budgets, with focus being on large expenditure programmes. Preference is given to development expenditure. The programmes that had submitted Q2 progress reports for FY2019/20 were followed up for verification as they had specified output achievements.
- Multi-year programmes that were having major implementation issues are also visited.
- Potential of projects/programmes to contribute to sector and national priorities.
- For completed projects, monitoring focused on value for money, intermediate outcomes and beneficiary satisfaction.

Table 2.1: Programmes and sub-programmes/project monitored for semi-annual FY2019/20

Vote	Programmes and sub-programme/Projects
Vote 008 Ministry of Finance, Planning and Economic Development (MFPED)	Development Policy and Investment Promotion Programme • United States African Development Foundation (USADF) • Uganda Free Zones Authority (UFZA)
Vote 015 Ministry of Trade, Industry and Cooperatives (MoTIC)	Industrial and technological development program • Rural Industrial Development Project (RIDP) • Value Addition to Tea (VAT) • Soroti Fruit Factory (SFF) • Establishment of Zonal Agro-processing Facilities.
Vote 154 Uganda National Bureau of Standards (UNBS)	Standards development, promotion and enforcement program • Construction of UNBS headquarters Phase two
Vote 513: UIA	Investment Promotion and facilitation. • Development of industrial parks

Source: Authors' compilation

2.2 Methodology

Physical performance of projects and outputs was assessed through monitoring a range of indicators and linking the progress to reported expenditure. Across all the projects and programmes monitored, the key variables assessed included: performance objectives and targets; inputs and outputs, and intermediate outcomes.

2.2.1 Sampling

A combination of random and purposive sampling methods were used in selecting projects from the Ministerial Policy Statements and progress reports of the respective departments. Priority was given to monitoring outputs that were physically verifiable. In some instances, multi-stage sampling was undertaken at three levels: i) Sector programmes and projects ii) Local governments and iii) Project beneficiaries.

Outputs to be monitored are selected so that as much of Government of Uganda (GoU) development expenditure as possible is monitored during the field visits. Districts were selected so that as many regions of Uganda as possible are sampled throughout the year for effective representation.

2.2.2 Data Collection

Data was collected from various sources through a combination of approaches:

- Review of secondary data sources including: Ministerial Policy Statements for FY2019/20; National and Sector Budget Framework Papers; Sector project documents and performance reports from the Programme Budgeting System (PBS), Sector Quarterly Progress Reports and work plans, District Performance Reports, Budget Speech, Public Investment Plans, Approved Estimates of Revenue and Expenditure, and data from the Budget Website.
- Review and analysis of data from the Integrated Financial Management System (IFMS) and legacy systems; Quarterly Performance Reports (Performance Form A and B) from some implementing agencies.
- Consultations and key informant interviews with project managers in implementing agencies both at the Central and Local Government level.
- Field visits to project areas for primary data collection, observation and photography.
- Call-backs in some cases to triangulate information.

2.2.3 Data Analysis

The data was analyzed using both qualitative and quantitative approaches. Comparative analysis was done using the relative importance of the outputs and the overall weighted scores.

Relative importance (weight) of an output monitored was based on the amount of budget attached to it; thus the higher the budget the higher the contribution of the output to the sector performance. This was derived from the approved annual budget of each output divided by total annual budget of all outputs of a particular programme/project. The weight of the output and percentage achievement for each output were multiplied to derive the weighted physical performance. The overall programme/project performance is a summation of all weighted scores for its outputs. On the other hand, the overall sector performance is an average of individual programme performances that make up the sector.

The performance was rated on the basis of the criterion in Table 2.2.

Table 2.2: Assessment guide to measure performance of projects monitored in FY2019/20

SCORE	COMMENT
90% and above	Very Good (Most of the set targets achieved and funds absorbed)
70%-89%	Good (Some core set targets achieved and funds absorbed to 70%-89%)
50%- 69%	Fair (Few targets achieved and funds absorption is 50%-69%)
Less than 50%	Poor (No targets achieved and or funds absorption is less than 50%)

2.3 Limitations of the report

The preparation of this report was constrained by a number of factors namely:

- Lack of detailed quarterly work plans and targets for some programmes/projects/ outputs.
- Lack of disaggregated financial information for some outputs which might have affected the overall weighted scores and performance.
- Inadequate information on resource use against targets in LGs due to poor planning and reporting following the introduction of the Programme Based Budgeting (PBB). Reporting is mainly focused on a few high level indicators, and not comprehensively on the entire resource that is disbursed to the local governments.
- Inadequate sampling of beneficiaries due to limited field time, given the large number of programmes monitored.
- Some project implementers did not have up-to-date information on donor releases, so information as reported in the progress reports for such projects was relied upon.
- A number of beneficiaries had little information on scope of works, project costs, contract periods particularly on projects contracted and implemented by some Votes.

CHAPTER 3: SUB-SECTOR PERFORMANCE

3.1 Overall Sub-Sector Performance

Financial performance

The Industrialization Sub-sector budget for FY 2019/20 is Ug shs265.029billion, of which Ug shs 91.210billion (34.4%) was released and Ug shs 78.708billion (86.3%) spent by 31st December 2019. The release and expenditure performance were poor and good respectively as shown in table 3.1.

Table 3.1: Overall Financial Performance of the Industrialization Sub-sector by 31st December 2019

Institution/ Project	Budget (Ug shs)	Release (Ug shs)	Expenditure (Ug shs)	% Release	% Spent
UNBS	68,936,000,000	38,080,000,000	35,840,000,000	55.2	94.1
RIDP	1,207,763,000	470,211,000	461,996,200	38.9	98.3
UDC	62,421,758,000	38,945,092,521	32,915,554,624	62.4	84.5
UFZA	11,960,000,000	4,811,283,712	2,549,988,472	40.2	53
USADF	3,600,000,000	3,600,000,000	3,600,000,000	100	100
UIA	116,904,000,000	5,304,000,000	3,341,000,000	4.5	63
TOTAL	265,029,521,000	91,210,587,233	78,708,539,296	34.4	86.3

Source: IFMS, MDAs

Overall sector performance

The Industrialisation Sub-sector performance by half year was fair (65.6%). The Standards Development, Promotion and Enforcement Programme performed better than the rest of the programmes with a score of 90%. The UNBS and USADF physical and financial performances were good (development and recurrent sub-programmes). The projects demonstrated efficiency in resource utilization contrary to UFZA and UDC which presented deficiency in utilization of availed funds.

The UIA exhibited good performance on the recurrent outputs however, progress on the development outputs was poor. The road network in the Kampala Industrial and Business Park was in a poor state with potholes and blocked drainages. Roads in Kasese and Soroti industrial and business parks were not opened as planned. The UDC under the Industrial and Technological Development Programme acquired another 8% shares in Atiak Sugar Factory. The Soroti Fruit Factory had started commercial production of juices and pulp. However, the UDC had a spill over of activities from the previous financial year.

The average performance of the other programmes under the sub-sector was mainly due to delays in initiation of procurements and poor planning. The sub-sector is further affected by limited funding to implement the ongoing and identified pipeline projects. Table 3.2 shows the overall performance by programme.

Table 3.2: Industrialization Sub-Sector Performance by 31st December 2019

Programme	Score (%)
Development Policy and Investment Promotion (United States African Development Foundation USADF and Uganda Free Zones Authority)	58.3
Industrial and Technological Development (RIDP and UDC)	54.5
Standards Development, Promotion and Enforcement Program (UNBS)	90.5
Investment Promotion and Facilitation (UIA).	59.1
Average performance	65.6

Source: Author's compilation

Vote Performance

3.2 Ministry of Finance, Planning and Economic Development

The Ministry of Finance, Planning and Economic Development's mission is "To formulate sound economic policies, maximize revenue collection, and ensure efficient allocation and accountability of public resources so as to ensure sustainable economic growth and development" (MFPED, 2015). The ministry is mandated to; formulate policies that enhance economic stability and development; mobilize local and external financial resources for public expenditure; regulate financial management, and ensure efficiency in public expenditure; oversee national planning and strategic development initiatives for economic growth.

The semi-annual monitoring (FY2019/20) focused on the subventions of Uganda Free Zones Authority (UFZA) and United States African Development Foundation (USADF) project under the Development Policy and Investment Promotion Programme.

Development Policy and Investment Promotion Programme

3.2.1 Uganda Free Zones Authority

The Authority was established by an Act of Parliament in 2014 as body responsible for establishing, developing, managing, and marketing, maintaining, supervising and controlling Free Zones. The UFZA budget for FY2019/20 is Ug shs 11,964,934,000 (excluding non-tax revenue (NTR), of which Ug shs 4,811,283,712 (40%) was released and Ug shs 2,549,988,472 (53.3%) spent by 31st December 2019.

The UFZA licensed one free zone and renewed four licenses. The Environment and Social Impact Assessment (ESIA) for the establishment of a free zone at the Entebbe International Airport was concluded, designs approved and civil works were anticipated to begin in Q3 FY2019/20. The UFZA initiated the process for the amendment of the Free Zone Act to include special economic zones, in this respect, consultative meetings with MoFPED and UIA were held.

The UFZA partnered with Trade Mark East Africa (TMEA) for technical assistance to undertake a feasibility study for the trade and logistics park in Jinja. The UFZA held three Inter-Agency meetings with Uganda Revenue Authority (URA) and Uganda National Bureau of Standards (UNBS) on the implementation of the Uganda Electronic Single Window project. The land procured in Buwaya, Ssisa sub-county, Wakiso District for establishing a free zone had encumbrances that have remained unresolved. There was limited progress on implementation of development related outputs compared to recurrent outputs under UFZA.

3.2.2 United States African Development Foundation (USADF)

Background

In November 2006, a Memorandum of Understanding (MoU) for strategic partnership between the USADF and the Government of Uganda was established. The MoU was initially for five years but was subsequently renewed in April 2012 for another 5 years. The USADF and GoU each make equal contributions (matching grants) of US$ 1,000,000 per annum towards targeted farmer cooperatives and Small and Medium Enterprises (SMEs). The funds are transferred by USADF through grants made to individual selected projects/groups, which are developed and approved in accordance with USADF criteria and methodologies taking into consideration their alignment to the goals and objectives of the MoU.

Overall project objective is to promote the development of farmer cooperatives, producer associations, smallholder agricultural producers, small scale agri-business (SSAs) and small and medium enterprises (SMEs) in Uganda and increase their market competitiveness, with a particular focus on the development of underserved and marginalized community groups and enterprises.

To qualify for selection, an organization must be 100% African owned, managed, and legally registered. Due diligence and technical backstopping is provided by a local partner: the Uganda Development Trust (UDET).

Support under this project is provided through two grants - Enterprise Development Investment (EDI) and Enterprise Expansion Investment (EEI). The EDI grant is meant to strengthen the managerial, technical and financial capacities of the beneficiaries. This grant does not exceed UD$100,000 per beneficiary organization over a period of two years.

The EEI grant is intended to enhance the business development of the beneficiaries to boost competitiveness. The grant does not exceed US$ 250,000 per beneficiary. One of the eligibility criterion for the EEI grant is successful implementation of the EDI grant. The project/ beneficiary organization should be self-sustaining at the end of the grant.

In FY 2019/20, the USADF project planned to support ten cooperatives by constructing storage facilities, providing agro-processing equipment and facilities, working capital, technical assistance, and administrative support to selected beneficiary groups countrywide.

Performance of the USADF Sub-Programme

The approved budget for USADF for FY2019/20 is Ug shs7.20billion, of which Ug shs 3.60 billion is GoU contribution.

The semi-annual monitoring for FY2019/20 focused on four cooperatives that were selected for support by USADF. These were: Bufumbo Organic Farmers' Association in Mbale, Taabu Integrated Farmers' Cooperative Society Limited in Bulambuli, Biganda Farmers' Cooperative Society Limited in Bukomansimbi and Pingire Labori Producers' and Marketing Cooperative Society in Serere.

All the cooperatives were implementing the planned activities at varying levels of progress. Five other cooperatives that were supported in the previous financials years and were still receiving financial and technical support from USADF and UDET respectively were monitored. The cooperatives included: Kasaali Farmers' Cooperative Society Limited, Amatura Produce and Marketing Cooperative Society Limited, Mt. Rwenzori Farmers' Cooperative Union, Abatahunga Farmers' Cooperative Union Limited, and Sihubira Farmers' Cooperative Society Limited. By 31st December 2019, implementation by the different beneficiary groups was at varying levels.

A) Abatahunga Farmers' Cooperative Union Limited

Located in Kiruhura District, the Union deals in coffee trade and processing. It received an enterprise expansion investment grant worth US$ 239,285(Ug shs 919,278,030) in July 2018 with an objective of establishing a central eco-friendly washing station for processing high quality specialty Robusta and catimor coffee. The union received Ug shs 442,924,804 and Ug shs 435,506,454 expended by January 2020. Construction of the coffee processing facility and warehouse (500MT) was at roofing level.

The supplier for the coffee huller was identified and 50% of the agreed sum paid awaiting delivery on completion of the processing facility. The union procured one motorcycle, two desktop computers and a moisture meter. The union had received all the money for crop finance. Trainings in financial management, monitoring and evaluation, stores management and coffee quality were conducted. Participants in the trainings included staff, board members and representatives from the primary producer societies.

The pending activities include; acquiring fair trade certification, financial systems upgrade, review and development of manuals and setting up of a coffee inputs shop. Warehouse completion and running of the processing facility were expected in July 2020. The union cited budget shortfalls due to the appreciation of the Uganda shillings against the USD during the year and delayed transfer of the power line that passes above the processing facility by UMEME.


L-R: Coffee processing facility and warehouse under construction for Abatahunga Farmers' Cooperative Union Limited, and poles delivered to relocate the power above the factory building

B) Mt. Rwenzori Coffee Farmers' Corporative Union is located in Kasese District. It received an enterprise expansion investment grant worth USD 232,951(Ug shs 900,389,326) for a period of three years from July 2018 to June 2021 for construction of a processing facility, a warehouse, equipment purchase, technical assistance, trainings and administrative support. By January 2020 the union had received Ug shs 489,063,432 and expended Ug shs 485,568,528. The warehouse and processing facility were at roofing level. The union procured coffee post-harvest handling equipment; one moisture meter, 10 weighing scales and 5 motorized coffee pulpers that were distributed to primary producer societies. The union received Ug shs 81,250,000 out of 162,500,000 for crop finance that was used to procure 92MT of coffee in the year 2019.

The union also procured a 10MT truck and office equipment, conducted trainings in financial management and M&E, coffee quality and marketing and stores management. The trainings were attended by staff, board members and representatives from 20 primary cooperative societies. The union received technical assistance to upgrade financial systems, review and develop manuals and develop a business plan. The union was able to recruit seven staff. The remaining activities were completion of warehouse and processing facility, procurement of a coffee huller and transformer, setting up an input shop and attaining fair trade certification.

Key impediments to achievement of project objectives included low prices for coffee, and influx of the big multinational players in the coffee business extending their services to rural areas.

C) Sihubira Area Cooperative Enterprise Limited

The cooperative is located in Busia District. It received an EEI grant worth US$244,759. The grant is aimed at increasing cassava production and value addition through construction of a storage facility, purchase of processing equipment, truck and planting materials. By January 2020 the cooperative had received Ug shs 826,430,902 and Ug shs 774,128,008 spent. The cooperative procured and delivered a truck (8MT), two motorcycles, five bicycles and office equipment (two desktop computers, one printer and furniture). The warehouse and processing facility were at 90% completion, pending wall plastering and floor finishes. Installation of a 6MT/h cassava processing equipment (cassava peeler, grater and mill) was completed. The cooperative had extended 3 phase electricity to the facility and procured a transformer. Test running of the equipment awaits completion of a metering unit by Uganda Electricity Distribution Company Limited (UEDCL).

The cooperative received Ug shs 40,000,000 for crop finance and used the funds to procure 241MT of cassava. They also procured 400 bags of cassava cuttings, 70 tarpaulins and 15 spray pumps that were distributed to farmers through their respective primary producer societies. Training in hazard analysis and critical control points (HACCP) awaited completion of the processing facility and start of production. The other pending activity is a study tour to Rwanda for bench marking purposes. The challenges included: lack of portable water in the vicinity, under estimates for civil works and lack of a mechanical dryer for the cassava chips.

L-R: Coffee processing facility under construction for Mt. Rwenzori Coffee Farmers Cooperative in Kasese District; Some of the cassava flour processing equipment installed at Sihubira in Busia District

D) Bufumbo Organic Farmers' Association: Located in Mbale District in Bufumbo sub-county, the association started in the year 1997 and registered as a Community Based Organisation (CBO) in 1999 dealing in organic farming of coffee. The association has 444 members in Bufumbo, Bubyangu, Bukonde and Rwaso sub-counties. It received an EEI grant worth $244,327 (Ug shs 910,000,000) to establish 500MT storage and processing facility and procure a coffee processing and transport equipment. The grant will also provide working capital, capacity building, technical assistance and recruitment of key staff. By January 2020, the association procured a 10MT truck, 2 motorcycles, 10 manual coffee pulpers and office equipment.

The association received funds for crop finance to buy coffee from its members. Financial management and M&E training was conducted and eight staff recruited. The pending trainings were: coffee quality, stores management and cooperative governance. The association upgraded its financial system to QuickBooks. The association had started the process of fair-trade certification and procured an external auditor. Development and review of manuals was pending and expected to be executed in Q3 of FY2019/20. The association developed a website to promote sales and marketing of coffee. Construction of a warehouse and processing facility was behind schedule due to delays in acquiring a land title for the proposed site from Mbale District Lands Office. The challenges included limited working capital and an influx of big exporters in rural areas thus limiting the volumes got from farmers.

E) Tabu Integrated Farmers' Cooperative Society Limited: Located in Bulambuli District with 2,518 members in Bukise and Bukobero sub-counties and deals in maize and soybean. The cooperative's objective is to improve livelihoods of its members through increasing production, value addition and collective marketing. The cooperative received an EEI grant worth $227,458 (Ug shs 837,884,024) in June 2019 for construction of a maize processing facility; procure a maize mill; and other processing equipment; conduct various trainings, and provide technical support. By January 2020 the cooperative had received Ug shs 330,353,744.

The cooperative procured a tractor to plough members' gardens and ferry farmers' produce from the nearby villages to the warehouse and two motorcycles for the extension workers. The following postharvest handling equipment were procured; three threshers, one moisture metre and one weighing scale, plus office equipment; two desktop computers, two office chairs, two tables, filing cabinet and a printer were procured.

Members and staff were trained in financial management, M&E, cooperative governance and stores management. The training in maize postharvest handling and agronomy was pending as well as financial systems upgrade. The cooperative got 50% (Ug shs 31,500,000) of the crop finance and used it to procure 49,870 and 18,023kgs of maize and soybean respectively. An input shop in Bukise trading centre was established, 1,000kg maize seed, 5,000kg fertilizer, 100 tarpaulins and protective gear for mill operators were procured. Architectural designs and drawing for the maize processing facility were approved by the district planning board. The prolonged rainy season in season B of 2019 reportedly affected the drying of maize and fluctuations in price for soybean were some of the challenges the cooperative was facing.

F) Kasaali Farmers' Cooperative Society Limited: Located in Kyotera Town Council, Kyotera District, the cooperative deals in coffee bulking, processing and marketing. In 2016, it received an EEI grant from USADF worth Ug shs 773,092,919, of which Ug shs 717,160,091 had been spent by January 2020. The cooperative constructed a 200MT warehouse, procured a 10MT truck and quality improvement equipment (one moisture meter and a weighing scale). The cooperative also received Ug shs 164,000,000 for crop finance that had grown to Ug shs 216,000,000 by January 2020, and Ug shs 30,191,000 as input fund that was used to establish an input shop in Kyotera town. The input fund had grown to Ug shs 64,000,000 by January 2020.

The cooperative built capacity of its staff and members through trainings in financial and M&E, stores management, cooperative governance and management and coffee quality enhancement. It received technical assistance to upgrade financial systems and revise its manuals. Seven staff were recruited, and 434 farmers trained in fair-trade farming. The pending activity by January 2020 was fair-trade certification of the processing facility.

The cooperative had started grading its coffee to increase their profit margin. To ensure sustainability of the project, the cooperative opened up a coffee nursery to supply quality planting materials to farmers at fee.

L-R: Agri-input shop and coffee nursery operated by Kasali Cooperative in Kyotera District

G) Biganda Farmers' Cooperative Society Limited is located in Bigasa sub-county, Bukomansimbi District. The cooperative started in 2014 and deals in coffee primary processing and marketing. The cooperative received an EEI grant worth Ug shs 857,125,628 to run for three years from April 2019 to June 2022. By January 2020, the cooperative had received Ug shs 302,122,420. It had started construction of a 500MT coffee warehouse and the sub-structure was completed. A 10MT truck, two motorcycles, two desktop computers and office furniture were procured.

The cooperative got Ug shs 80,000,000 as part of Ug shs 159,000,000 for crop finance. Trainings in financial management, and M&E for staff, board members and representatives from producer societies were conducted, and eight staff were recruited. The pending activities were completion of the warehouse, coffee huller upgrade, establishment of a coffee input shop, procurement of coffee quality equipment and fair-trade certification. Key challenges include low coffee prices and limited operating capital.

L-R: Coffee warehouse under construction and a 10MT truck at Biganda Farmers' Cooperative

H) Amatura Produce and Marketing Cooperative Society

Located in Moyo District, the cooperative deals in cassava and maize bulking, processing and marketing. The cooperative received an EEI grant worth Ug shs 760,853,968 in July 2017 and by January 2020 Ug shs 714,178,270 had been received. The cooperative had constructed a processing facility, procured a milling machine, cassava chipper, grater and press, 10MT truck and motorcycle. They extended electricity to the facility and installed a 100kva transformer and received technical assistance to upgrade the financial systems, product development and branding.

Construction of the cassava solar dryer was at sub-structure level. An input shop was opened in Moyo Town to supply genuine agriculture inputs to its members. It offers extension services to farmers and renovated teachers' quarters at Toloro Primary School. It sells planting materials, hires a tractor for its members and grows cassava as part of the sustainability strategies.

Key challenges include grain moth that infested maize in the stores, flooding of local markets with food aid that is sold at a cheaper price, unstable power supply and inclement weather that caused rotting of cassava affected implementation of the project.

L-R: Cassava flour processing equipment and solar dryer under construction at Amatura Cooperative

I) Pingire-Labori Producers' and Marketing Cooperative Society Limited is located in Serere District. The cooperative deals in bulking, processing and marketing of maize and rice. They received an EDI grant worth Ug shs 356,202,101 in May 2019. The grant was to be used to construct a 500MT storage facility, procure maize shelling machine, working capital and establishment of an input shop. By January 2020, the cooperative had received Ug shs 92,598,838 and Ug shs 87,920,576 spent on procuring office equipment (two computers, one printer, four tables, four chairs, and one filing cabinet), one motorcycle, two solar panels and one maize sheller.

The cooperative recruited six staff and received trainings in cooperative governance, financial management, M&E and review of manuals.

The pending activities included construction of storage facility, installation of maize milling machine. Securing of a land lease letter from Serere DLG delayed the construction. The other challenges included lack of a tractor to open up big acreages and the poor state of feeder roads that affect the transportation of produce to the bulking centres.

L-R: Solar panels and accessories and motorcycle procured by Pingire Labori Cooperative

Table 3.3: Performance of the Development Policy and Investment Promotion Programme by 31st December, 2019

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Project: 1003 US-ADF	Infrastructure	713,534,642	620,534,642	6.00	3.70	3.82	Construction of warehouses and processing facilities was ongoing for Mt. Rwenzori Farmers' Cooperative Union, Abatahunga Farmers' Cooperative Union Ltd, Sihubira Area Cooperative Enterprise Ltd and Biganda Farmers' Cooperative Society ltd
	Equipment	1,731,088,301	1,182,064,902	44.00	39.00	13.07	The beneficiary co-operatives procured assorted equipment like cassava processing equipment, tractor and plough, trucks, maize sheller and office equipment
	Working capital	746,641,000	564,394,400	10.00	7.00	5.22	The cooperatives received money for crop finance and input fund.
	Training	109,026,000	82,107,546	22.00	19.00	0.82	The cooperatives conducted different trainings to build capacity of their staff and members. The trainings included: financial management and monitoring and evaluation, stores management, co-operatives governance, quality management, etc.
	Technical assistance	304,296,247	131,827,755	19.00	14.00	2.30	The cooperatives upgraded the financial systems and reviewed the administrative manuals. Fair-trade certification for most of the cooperative had not been attained.
	Administrative support	679,598,414	491,574,964	24.00	14.00	4.14	All the cooperatives monitored had recruited staff and the salaries paid, maintained office and other equipment.

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Support to Uganda Free Zones Authority	Awareness, marketing, and sensitization	33,316,034	33,316,034	10.00	5.00	0.13	Two inward and one outward trade and business missions held.
	Enhanced competitive business environment	35,000,000	25,150,000	2.00	2.00	0.26	Project Implementation meetings conducted with the URA and Uganda Electronic Single window Project team to implement a Free Zones licensing and Customs Management module
	Environment, Gender and Equity mainstreamed	15,500,000	11,330,000	2.00	1.00	0.08	Meeting held with the National Environment Management Authority (NEMA) to conduct joint environment inspections to assess the implementation of the ESIAs in Free Zones.
	Free Zones Law amended	-	-	10.00	1.00	0.00	Meeting conducted with MFPED, UIA and UFZA to justify the amendment of the Law.
	Private Free Zones facilitated	40,245,400	22,503,000	12.00	7.00	0.30	Four free zones monitored and inspected. Three Interagency meetings conducted
	Private Free Zones declared and gazetted	3,288,806,541	1,806,561,438	10.00	5.00	22.59	One free zone declared and four developers' license renewed.
	Public Free Zones developed	586,954,825	586,954,825	100.00	30.00	1.33	Draft feasibility study, scheme designs and preliminary cost estimates for Entebbe International Airport Free Zone prepared. Contract signed with supervisor for Phase 1 construction works at Entebbe International Airport Free Zone. Feasibility study of Jinja Free Zone and Logistics Hub con-

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
							ducted and report produced.
	Buwaaya public free zone developed	4,915,111,200	2,247,875,312	100.00	5.00	4.06	Proposed site for the Buwaya free zones has encumbrances that have remained un resolved.
	Institutional Performance monitored and evaluated	50,000,000	50,000,000	3.00	1.50	0.19	UFZA annual report FY2018/19 produced. ToRs for the development of new strategic plan developed and contract signed with the consultant.
	Programme Performance (Outputs)					58.30	Fair performance

Source: Beneficiary Progress reports, and field findings

Conclusion

The Development Policy and Investment Promotion Programme performance was fair at 58.3%. The USADF project registered good performance and all the beneficiaries were on track in implementation of outputs. Procurement of equipment was at various levels for the different groups. Construction of processing facilities for some beneficiary groups was delayed due to land ownership related challenges. That notwithstanding, the USADF project exhibited effectiveness in resource utilization and is on course of achieving its objectives. The UFZA performance was poor and most of the released funds were not utilized (Ug shs 2.261billion). The proposed site for the Buwaya Free Zone in Wakiso had encumbrances that have remained unresolved.

Investment Promotion and Facilitation Programme

3.2.3 The Uganda Investment Authority

The Uganda Investment Authority (UIA) was established by an Act of Parliament (Investment Code 1991) with the aim of promoting and facilitating private sector investment in Uganda. To achieve this, the UIA was tasked to develop 22 industrial parks across the country by the year 2020. Over the years, UIA has acquired land for nine industrial and business parks in Luzira, Bweyogerere, Mbarara, Moroto, Kasese, Soroti, Mbale, Jinja and Namanve. The master plans for all parks were done and so were attempts to design and build infrastructure (roads, water, and electricity) in the parks.

The UIA budget for FY2019/20 is Ug shs116.904billion, of which, Ug shs 5.304billion was released representing 46.5% for the Government of Uganda budget component and Ug shs

3.341billion (63%) spent by 31st December 2019. Most of the expenditures were on recurrent activities.

Development of Industrial Parks

A commercial contract for the Engineering, Procurement and Construction (EPC) was signed with M/s Lagan in a Joint Venture with M/s Dott Services for the infrastructure development of Kampala Industrial and Business Park (KIBP) –Namanve.


L-R: Status of roads in South Estate of KIBP and a truck stuck in a ditch at South A

The UIA/GoU was in the process of fulfilling the loan conditions. However the status of roads especially in the South Estate of KIBP was poor. The contracts for the maintenance of roads in Luzira and Bweyogerere Industrial and Business Parks were awarded in Q3 and by February 2020 the contractors had started works. Roads in the Soroti and Kasese Industrial Parks, were neither opened nor serviced. Generally, the road networks in all parks were in fair to poor state owing to the heavy rains during the first half of the financial year and inadequate maintenance budget.

The development of the Mbale Industrial and Business Park under the Tian Tang Group was ongoing, three factories had started operations, one factory was undertaking test runs and three were under construction. Thirty-seven squatters were still occupying the park land as they had contested and declined the values from the Chief Government Valuer. The new factories that opened in the first half of FY2019/20 created a total of 620 direct jobs. The park developers cited a challenge of floods during the heavy rains due to silted Namatala river channel in the neighbouring private land.


L-R: Opened up roads and a stream polluted with alcohol distillation effluent from the neighbouring communities at Mbale Industrial and Business Park

More information about the programme performance is in table 3.4.

Table 3.4: Performance of the Investment Promotion and Facilitation Programme under UIA by 31st December, 2019

Sub-programmes	Out put	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Investment promotion	Investment promotion services	300,000,000	220,000,000	45.00	27.00	3.34	21 inward and 5 outward missions were facilitated; 3 investment conferences held; 13 investment profiles were developed for refuges hosting districts; UIA participated in UNAA convention in Chicago.
Investment facilitation	Investment facilitation services	300,000,000	120,000,000	9.00	6.00	4.09	UIA licensed 151 new projects, facilitated 276 projects and handled 99 cases under aftercare services.
Industrial park facilitation services	Development and servicing of industrial parks	600,000,000	300,000,000	5.00	2.00	6.54	Contract for repair and maintenance of road works in Luzira and Bweyogerere industrial parks were awarded and works had started; Contract for renovation of SME work space in Mbarara SME parks was awarded.
One stop centre	Supervision of one stop centre	4,490,000,000	1,720,000,000	5.00	1.00	31.94	A business process re-engineering inter agency workshop (UIA-NEMA) was held; e-biz platform development, support and maintenance contract signed; annual investment abstract produced; procured as-

Sub-programmes	Out put	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
							sorted ICT equipment and participated in two radio talk shows.
Small and medium size enterprises (SMEs)	SME facilitation services	540,000,000	310,000,000	100.00	50.00	6.41	60 SMEs were profile and trained; 4 investment forums were held and 435 SMEs sensitized; two value addition clusters formed in Silk worms and Apiary in Kasese and Lira respectively;
Development of Industrial parks	Acquisition of other capital assets	1,110,000,000	370,000,000	10.00	1.50	6.81	Loan agreements for infrastructure development of KIBP were signed and UIA is in process of fulfilling the loan agreements; procured assorted office equipment and furniture.
	Programme Performance (Outputs)					59.12	Fair performance

Source: IFMS, Progress reports, and field findings

Challenges

- Delayed evacuation of squatters from the Mbale Industrial and Business affected development of the park.
- Delayed implementation of the infrastructure development project at KIBP-Namanve.
- Inadequate allocation and funding for the development of industrial parks.

Conclusion

The performance of Investment Promotion and Facilitation Programme was rated as fair (59%). The road network in most parks was in a poor state thus affecting movement of industrial supplies especially in the rainy season. Serviced industrial parks are a key incentive to attracting investors however, the continued underfunding has hindered attraction and occupation by potential investors. The GoU and UIA should therefore consider provisioning adequate resources for servicing the Parks to ensure the intended industrialization for job creation.

Recommendations

- The UIA should prioritize its development budget to enable the servicing of industrial parks.
- The UIA should expedite the process of fulfilling the loan conditions for servicing the KIBP.
- The UIA should expeditiously deposit the agreed compensation values to the remaining squatters in Mbale as guided by Courts of Law.

3.3 Ministry of Trade, Industry and Cooperatives (MoTIC)

The Ministry's mandate is: "*to formulate, review and support policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology transfer, to generate wealth for poverty eradication and benefit the country socially and economically*" (MoTIC, 2014).

The Ministry supervises five agencies namely: Uganda Development Corporation (UDC), Uganda National Bureau of Standards (UNBS), Uganda Export Promotions Board (UEPB), Management Training and Advisory Centre (MTAC) and Uganda Warehouse Receipting System Authority (UWRSA).

The approved budget for the MoTIC for FY2019/20 is Ug shs 136.541 billion, of which Ug shs 90.772 billion (66.5%) was released and Ug shs 84.753 billion (93.4%) spent by December 2019.

The Industrial and Technological Development Programme budget for FY2019/20 is Ug shs 64.53billion, of which Ug shs 40.15billion (62.2%) was released and Ug shs 39.73billion (98.9% of the released funds) spent by 31st December, 2019. The overall release and expenditure performances were good.

Industrial and Technological Development Programme

The overall objective of the programme is to ensure policy formulation, planning and coordination; and promoting the expansion, diversification and competitiveness of the industrial sector. The programme outcome is industrial facilitation, promotion and cluster competitiveness. This contributes to the sector outcome of a strong industrial base and increased employment in the manufacturing sector.

The semi-annual monitoring focused on the Rural Industrial Development Project (RIDP) and implementations under Uganda Development Corporation (UDC).

3.3.1 The Rural Industrial Development Project (RIDP)

The RIDP formally known as One Village One Product (OVOP) started in FY 2017/18 aiming at promoting value addition to agricultural products at different levels of the commodity value chain that include drying, storage, preservation, packaging and processing. This is to be achieved through promotion of production and industrial processing clusters that includes operators of the storage facilities, suppliers of raw materials for processing, value addition enterprises, manufacturers and distributors of value addition equipment and providers of business development services.

Performance of the RIDP

The approved budget for the RIDP, FY2019/20 was Ug shs 1,207,763,000, of which Ug shs 470,211,000 (38.9%) was released and Ug shs 461,996,200 (98.2%) spent by 31st December 2019. Although release was poor, expenditure was very good.

The RIDP procured and delivered various processing equipment for different beneficiaries. Three groups received equipment from RIDP in the FY2019/20 and these include: Lusaze Modern Agriculture Solution Cooperative Society in Kampala District, Buzaaya Dairy Development Farmers' Cooperative Society in Kamuli District, and Mbarara Youth Entrepreneur Association in Mbarara District. The equipment for Atiak Tropical Honey Cooperative society in Amuru District and Agribusiness and Real Estate Investments in Mbarara District were procured in FY2018/19 but delivery was done in quarter one of FY2019/20.

Purchase of Specialised Machinery & Equipment

1. Lusaze Modern Agriculture Solution Cooperative Society received an electric feed machine with milling capacity of 150kg/h. The milling machine will be used to produce pellet feeds for fish and chicken. The pellets will allow feed to float on water for easy feeding by fish and reduce wastage. The cooperative had a total of 326 fish farmers in Wakiso and Kampala districts and the farmers will be charged milling fee to cater for the electricity bills. By January 2020, the mill was not operational as the cooperative had not extended three phase electricity to the premises.

2. Mbarara Youth Entrepreneurs Association is composed of 35 members and was registered as a CBO in January 2018. The association received a machine for making concrete products (blocks, pavers and other products) in November 2019. By January 2020 the machine was operational but lacked a mould for pavers.

L-R: Fish feed pellet making machine at Lusaze Modern Agriculture Solutions Cooperative and a concrete products making machine at Mbarara Youth Association

3. Buzaaya Dairy Development Farmers' Cooperative Society is located in Buzaaya County, Kamuli District and deals in dairy and poultry. The cooperative received an incubator and hatchery machine with capacity of hatching 10,000 eggs per month in November 2019. Three members from the cooperative were attached to Butenga Farmers in Kira-Wakiso to be trained in operation and maintenance of the machine. The attachment was for four weeks from 8th January 2020 to 14th February, 2020. The cooperative cited challenges of unreliable power in the area that is likely to increase the cost of operation when they run the generator and inadequate extension staff.

4. Atiak Tropical Honey Cooperative Society in Amuru District received a solar wax melter, refractometer, four settling tanks and a honey press in July 2019.

L-R: An egg incubator and hatchery for Buzaaya Dairy Farmers' Cooperative and honey settling tanks at Atiak Tropical Honey Cooperative

The cooperative has 137 members each with an average of nine hives. The pressure plate of the honey press was not well aligned to the barrel and therefore not in use by January 2020. The cooperative started the process of acquiring quality certification for honey and UNBS conducted the first audit visit. The cooperative had a challenge of limited production space.

5. Agribusiness and Real Estate Investments in Mbarara District deals in cheese processing and marketing. The enterprise received four cheese vats of 350 litre capacity each. With the acquisition of the cheese vats, the milk production volumes handled in a single batch increased from 500 to 800 litres. The proprietor of the business noted that the vats are not jacket which lengthens the cooling time for milk. The enterprise started on the process of acquiring quality certification from UNBS.

Delivery of equipment to the other selected five beneficiaries was differed to Q3 FY2019/20.

6. Capacity building for Jua Kali and private sector

The RIDP planned to train 40 members from selected enterprises in vale addition, business management and quality requirements during the period under review. Fifteen members of Mugabi Apiary Products in Kabale District were trained in value addition, good manufacturing practices and quality requirements of sorghum and honey processing. The firm deals in processing of sorghum into sweet porridge and fermented alcoholic beverage (*enturire*) using honey as the sweetener. The firm is now producing branded products packaged in 500ml plastic bottles.

Training of two selected beneficiaries (Malubanga Oyubu Cooperative Society in Amuru District and Lira Garment Designers Cooperative Society in Lira District) was differed to Q3.

7. Promotion of Value Addition and Cluster Development

The RIDP planned to have four products from potential enterprises certified across the country between July to December 2019. Bubaare Innovation Platform Multipurpose

Cooperative Society Ltd in Kabale District received support to have one of their products (honey) certified by UNBS. The UNBS conducted the first audit of the processing facility and recommended that the construction of processing facility be completed first. The cooperative got funding from the Agriculture Cluster Development Project to complete the structure. The cooperative lacks equipment for honey processing and needs training in GMP and value addition for honey and *Bushera*.

It was observed that implementation is behind schedule especially for promotion of value addition and cluster development through product certification and provision of technical support. Some equipment had defects and not to the satisfaction of the beneficiaries. In addition, some of the equipment supplied such as the concrete block making machine were not in tandem with the project objective of promoting value addition to agricultural products.

Challenges

- Unstable and intermittent power which increased the cost of production.
- Inadequate funding that constrains the project's ability to implement most of the planned activities and achieve the objectives.

Recommendations

- The UEDCL, UETCL and MEMD should improve the quality and stabilise power supply across the country. This will reduce the losses incurred during power surges.
- The MoTIC and MFPED should prioritize and adequately fund the project if it is to achieve the intended outcomes.

3.3.2 Uganda Development Corporation (UDC)

The Uganda Development Corporation (UDC) was re-established under the Uganda Development Corporation Act, 2016 as the investment and development arm of the Government. Its primary objective is to promote and facilitate industrial and economic development in Uganda. This is to be met through: i) establishment of subsidiary and associated companies, ii) enter into Public Private Partnerships (PPPs) with other enterprises, and iii) promoting and facilitating research into industrial development.

Performance of the UDC

The approved budget for UDC FY 2019/20 is Ug shs 62.421billion, of which Ug shs 38.945billion (62%) was released and Ug shs 32.915billion (84%) spent by 31st December, 2019. It was noted that UDC had finances brought forward from FY2018/19 amounting to Ug shs 12.178billion.

1. Acquisition of shares in Atiak Sugar Factory: The GoU acquired an additional 8% (Ug shs 15,483,852,800) shareholding in Atiak Sugar Factory from Horyal Investments. The total GoU shareholding is currently at 40% with a total investment of Ug shs 80.3billion. A total of Ug shs 8,516,147,200 was loaned to the company. Overall physical progress of the civil works were estimated at 80% and the project was expected to be completed by 30th June 2020.

2. Soroti Fruit Factory

The Soroti Fruit Factory (SOFTE) is a proposed Government intervention aimed at supporting value addition in fruit processing for the promotion of industrial growth, income diversification and increasing household incomes in the Teso region. In 2012, the Government of Korea through its development arm; the Korean International Cooperation Agency (KOICA) provided a turnkey project worth US$7.4million for the construction of Soroti Fruit Factory with the GoU responsible for provision of complementary services and works.

The planned outputs for FY2019/20 were: procurement and installation of an automated mango juice processing line, procurement of factory supplies, distribution truck and a double cabin pickup, and construction of a sewerage treatment system.

The approved budget for SOFTE for FY2019/20 is Ug shs 14.482 billion, of which Ug shs 9.436billion was released and Ug shs 4.742billion spent by 31st December, 2019. The SOFTE had balance brought forward from the previous FY amounting Ug shs 1.161billion. This brings the total funds available to SOFTE during the period under review to Ug shs 10.597billion.

By January 2020, the factory was operational. Evaluation of bids for procurement of a mango juice line was completed and terms of reference for the secondary effluent treatment plant developed. SOFTE obtained accreditation for alternative procurement and disposal systems from PPDA. The factory was sourcing raw materials from organised farmer groups and traders including the Teso Fruit Farmers' Cooperative Union. Two ready to drink mango and orange juice products were certified by UNBS. SOFTE had initiated the process of acquiring ISO 22000 Certification.

The SOFTE procured a 3,400 cartoons capacity truck for the distribution of finished products. The secondary package for the finished ready to drink juices was rebranded to make it more appealing and less space consuming.

The company hired a mobile mango juice processing line from the School of Food Science Makerere University. The mobile plant could do automated peeling, destoning and pulping. The pasteurization and evaporation were done using existing facilities at SOFTE.

The SOFTE lacked water treatment (portable water) and solid waste treatment plants that fit the capacity of the factory. The factory had challenges of power outages that greatly affect the cost of production and interference from the many stakeholders.

L-R: UNBS certified ready to drink juice and mobile mango juice processing line at Soroti Fruit Factory

3. Establishment of Zonal Agro-Processing Facilities

The Second National Development Plan (NDP II) and the National Export Development Strategy for the period FY2015/16 - FY 2019/20, identified priority crops (including: tea, coffee and fruits) that Government intended to promote in terms of value addition as a means of promoting the benefits associated with industrialization and its impact on Uganda's export potential.

The establishment of the zonal agro-processing project aims at achieving the following objectives: increase the incomes of target farmers by providing ready market for their fresh produce and promote value addition and development of its related linkages. The UDC was to conduct feasibility studies on key strategic crops for value addition and environmental impact assessment (EIA) studies to inform the environment sustainability and impacts. In addition, it would establishm agro-processing facilities that add value to the targeted agro-produce in the various agro-ecological zones where production is already being supported.

During FY 2017/18-2019/20, the project intended outputs were: i) establishment of a Crush, Tear, Curl (CTC) tea factory in Zombo District, ii) installation of a 3rd CTC line at Kayonza Tea Factory, iii) installation of a 3rd CTC line in Mabale Tea Factory and iv) installation of a cold storage and transportation facilities in Isingiro District. The project timeframe was four years from FY 2017/18 to FY 2020/21.

Installation of cold storage and transportation facilities for the Isingiro based Agro Health Products Limited, and installation of CTC lines for Kabale and Kisoro highland tea were completed during FY 2017/18.

Performance

a) Kayonza Tea Factory

By 15th January 2020, the installation of the 40,000kg CTC processing equipment was at 98% completion. The new line was anticipated to be ready for production on 21st January 2020, however, delays in its commissioning were related to the extension of a steam line for the new production line that was not included in the scope of works. The new line is automated, more efficient and expected to improve the quality of teas and eventual price for CTC teas. Civil works for both office block and facility to house the new line were at 99% completion. The pending outputs were; paving the compound and fencing it with a chain link.

Kayonza Tea Factory had submitted a request to UDC for 23 trucks with hooks to ensure aeration of the leaf during transportation.

The factory cited low prices for teas at the auction market in Mombasa that had greatly affected the cash flows. It was observed that at the time of initiating the intervention, there was no Memorandum of Understanding (MoU) between UDC and Kayonza Tea factory. The factory management considered the support as a grant as opposed to equity shareholding or lease financing proposed by UDC.


L-R: New 40MT CTC line installed and office block constructed at Kayonza Grower's Tea Factory

b) Support to Mabale Tea: The UDC was undertaking preliminary analysis of the Mabale Tea Growers' Factory to determine its net worth that will be used to inform the shareholding to be acquired by the Corporation. The valuation report will also be used to inform the need to procure and install the third CTC line.

c) Zombo Tea Factory: The procurement of a consultant to undertake the feasibility study of the proposed Nebbi/Zombo Tea factory was ongoing.

4. UDC Capitation Projects

i) Establishment of a cement, lime and marble factory in Karamoja: Land for setting up a factory (221 acres) was acquired in Nadunget Sub-county through Moroto DLG and compensation was completed. The UDC under Savana Mines (Special Purpose Vehicle) acquired a new exploration license to carry out geological and geo-technical surveys. It hired an in-house consultant on mineral beneficiation. Two reconnaissance studies were carried out in the licensed area to determine the quality of raw materials. Detailed geological studies were anticipated to commence in Q3 FY2019/20.

ii) Luweero Fruit Factory: Bids for the development of a master plan, environment impact assessment and geo-technical survey for the factory were obtained. The shortlist for consultants to develop technical proposals was done. The UDC acquired a lease for 49years for 3.4ha land at Bulemezi Block 652 Plot 984 from Buganda Land Board.

iii) Pipeline Initiatives

a) **Mutuma Commercial Agencies Ltd:** The company processes cotton to produce surgical cotton, cotton lint, cotton seed cake and oil. It was experiencing cash flow constraints. Procurement of a consultancy firm to undertake the valuation of the company was ongoing, and the findings will determine the net worth of the company and the actual shareholding to be acquired by UDC.

b) **Budadiri Arabica Coffee:** It is located in Mbale District and adds value to Arabica coffee green beans before export. The company requires Ug shs 6billion to cater for the loan (Ug shs 3.5billion) from Uganda Development Bank and the balance to be used as working capital. Procurement of a consultancy firm to undertake the valuation of the company on behalf of UDC was ongoing.

c) **Yumbe Fruit Processing Factory:** Established in partnership with NAADS and the private sector (FONUS), the factory will add value to the abundantly produced mangoes in the region to produce ready to drink mango juice and concentrate. The factory anticipated production capacity is 5MT/hr and civil works for the processing facility were at 90% completion and processing machinery already on site. The contribution of NAADS will be taken over by UDC in form of equity shareholding. In addition UDC will acquire more equity when the factory starts operations by providing working capital.

d) **Cassava Processing Project (Acholibur Pilot Project):** Procurement of a consultancy firm to undertake a feasibility study on establishment of cassava processing plants by UDC in Gulu, Soroti and Kibuuku districts was ongoing. The proposed industries are expected to add value to cassava to produce high quality cassava flour, industrial starch and glucose.

e) **Brentec Investment Limited:** Due diligence was ongoing for the possibility of a joint venture project to manufacture livestock vaccines by UDC and Brentec Investment Limited.

f) **Molino Food City:** Financial appraisal of the project by UDC was ongoing. The project is intended to setup a processing centre to add value to Uganda grown cereals (maize, wheat and rice).

g) **Kiruhura Coffee Grading:** The UDC intends to partner with Kaaro Agric Producers Ltd to set up an 8,250 MT/yr specialty coffee plant in Kiruhura District. Due diligence on the venture was ongoing.

h) **Cocoa Project:** The project is intended to add value to cocoa produced in Bundibugyo District and tripartite engagements were ongoing between UDC, Bundibugyo DLG leadership and East Africa Cocoa and Commodities-SMC Ltd.

i) **Tondeka Metro Mass Transit-Bus System:** The project is intended to transform Greater Kampala's urban public transport system. UDC intends to partner with Ashok Leyland to supply 980 buses of 65 seater capacity. Financing is expected through a loan from the Exim Bank of India. An appraisal of the feasibility study for the project was underway.

j) **UDC Construction Company Ltd**: UDC intends to start a construction company to promote local content in the construction industry.

k) **Gamma Irradiation**: UDC in collaboration with MTIC, MFPED and Tenaga Gamma Ltd are exploring prospects of setting up a gamma irradiation facility to sanitize fruits and other horticultural goods before export.

Table 3.5: Performance of the Industrial and Technological Development Programme by 31st December, 2019

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Project: 1111 Soroti Fruit Factory	Procure and install mango line and waste water effluent plant	2,000,000,000	2,000,000,000	2.00	0.30	0.40	Evaluation of bids for procurement of a mango juice line was completed and terms of reference for the secondary effluent treatment plant developed.
	Procure raw materials	731,787,000	731,787,000	1.00	0.00	0.00	SOFTE obtained accreditation for alternative procurement and disposal systems from PPDA. The factory is currently sourcing raw materials from organised farmer groups and traders.
	Working Capital	10,000,000,000	4,204,390,200	1.00	0.40	12.55	Operational expenses for the factory cleared.
	Administration expenses	1,751,000,000	2,449,920,000	4.00	3.00	1.24	Staff salaries paid, procured a distribution truck and double cabin pickup for marketing manager. Procurement of a solid waste disposal truck pending.
	Commitments for FY 2018/19	1,160,816,189	1,160,816,189	100.00	30.00	0.46	Two products ready to drink mango and or-

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
							ange juice certified by UNBS. Procured double cabin pickup for CEO
Tea project	Output: 01 Mabale tea factory	5,043,751,516	800,000,000	2.00	0.10	0.00	Valuation of the company was ongoing to determine the need for the 3rd CTC line.
	Zombo/ Nebbi tea factory	4,000,000,000	-	9.00	0.10	0.00	Procurement of a consultant to undertake feasibility study ongoing.
	Kabale tea	5,000,000,000	883,913,815	2.00	0.10	1.87	Promotion of tea planting in Kisoro and Kabale district
	Project expenses	956,248,484	700,000,000	1.00	0.50	0.86	
	Commitments from FY 2017/18, 2018/19	5,769,270,917	5,769,270,917	13.00	4.00	2.34	Installation of 3rd CTC line and construction of office block for Kayonza tea factory at 99% completion.
Construction of Common Industrial Facilities	Moroto cement factory	6,176,835,614	2,640,835,614	12.00	1.00	1.59	Two reconnaissance studies undertaken in licensed exploration areas (Loyoro and Kabonog)
	Luwero fruit factory	2,781,403,497	2,334,385,497	8.00	0.50	0.27	Acquired lease for 3.4ha for 49 years from Buganda land board.
	Lake Katwe Salt project	2,641,856,800	1,371,856,800	6.00	1.00	1.12	
	Sheet glass project-Masaka	230,004,635	230,004,635	2.00	0.10	0.02	
	Horyal investments	24,037,064,631	24,037,064,631	2.00	2.00	31.71	UDC acquired an additional 8% shares bringing the total shareholding by UDC to 40%.
UDC	Feasibility studies on potential development	934,767,033	934,767,033	11.00	1.10	0.12	Several studies ongoing for different projects

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	Administration expenses and operations	1,385,548,256	824,676,762	100.00	50.00	1.54	UDC staff salaries and utility bills paid.
Rural Industrial Development Project	Capacity building for Jua kali	15,472,000	3,094,400	160.00	15.00	0.01	15 members of Mugabi Apiary Products in Kabale District were trained in value addition, GMP and quality requirements of sorghum and honey processing.
	Industrial Policies, Strategies and Monitoring Services	181,170,000	129,830,400	16.00	8.00	0.17	RIDP meetings and monitoring activities carried out.
	Industrial Information Services	7,796,000	1,559,200	8.00	1.00	0.01	Nine potential enterprises were physically assessed in Kaberamaido, Kaliro, Mityana, Wakiso and Lira districts.
	Promotion of value addition and cluster development	68,415,000	45,729,400	8.00	1.00	0.02	Bubaare Innovation Platform Multipurpose Cooperative Society Ltd in Kabale District received support to have one of their products (honey) certified by UNBS.
	Construction of common industrial facilities	934,910,000	400,000,000	22.00	3.00	0.39	Three groups received equipment from RIDP: Lusaze Modern Agriculture Solution Cooperative Society, Buzaaya Dairy Development Farmers' Cooperative Society and Mbarara Youth Entrepreneur Association
Programme Performance						54.54	Fair performance

Source: IFMS, field findings, RIDP and UDC progress reports

Conclusion

The programme performance was fair at 54.5%. It received 66.5% funds of the annual budget. The UDC performance was poor due to late initiation of procurements for capital investments and feasibility studies. Only three of the planned 22 common industrial facilities were supported under the RIDP.

Challenges

- Lack of secondary waste disposal facilities at Soroti Industrial and Business Park was likely to affect operations of the Soroti Fruit Factory in terms of meeting the environmental requirements.
- Intermittent and expensive power was increasing the cost of production for SOFTE.
- Inadequate operational budgets which do not match with the development project funding; this has deterred the corporation from recruiting staff and enhancing their salaries.
- Lack of MoUs and clear terms between UDC and some of the supported factories/ organisations at the beginning of interventions.
- Delayed initiation of procurements leading to some activities spilling into the next financial year.

Recommendations

- The Government Agencies should strengthen linkages and build synergies in project implementation and execution. The UDC, UIA and NWSC should prioritize the establishment of a waste disposal facility at Soroti Industrial and Business Park to avoid delays in operationalization of the fruit factory and industrial parks.
- The power distribution and transmission companies (UMEME and UETCL) should improve the quality of power to avoid loss of sensitive equipment to industrialists.
- The UDC and RIDP should have collaborative agreements before extending the support to partners.
- The UDC should initiate procurements in time to avoid rollover of funds and unnecessary delays in implementation of outputs.

Standards Development, Promotion and Enforcement Programme

3.4 Uganda National Bureau of Standards

Established by the UNBS Act Cap 327, the Uganda National Bureau of Standards (UNBS) is a statutory body under the Ministry of Trade, Industry and Co-operatives. The UNBS is mandated with formulation and promotion of the use of standards; Enforcing standards in protection of public health and safety and the environment against dangerous and substandard products; Ensuring fairness in trade and precision in industry through reliable measurement systems; and Strengthening the Economy of Uganda by assuring the quality of locally manufactured products to enhance the competitiveness of exports in regional and international markets.

The UNBS acquired 6.9 hectares of land in Bweyogerere Industrial Park for the construction of its office block, laboratories and other support facilities which was to be done in phases. Phase 1 (1A, 1B & 1C-construction of UNBS Headquarters) was successfully completed by end of FY 2015/16. Phase 2 covering construction of UNBS quality laboratories (food safety and testing laboratories) started in FY 2016/17 and implementation is ongoing.

The approved budget for the UNBS FY 2019/20 is Ug shs 68.936billion, of which Ug shs 38.08billion (55.2%) was released and Ug shs 35.84billion (94%) spent by end of Quarter 2. Both release and expenditure were very good.

Performance

The food safety and analytical laboratories, power house and calibration ridge were completed and commissioned on 12th December 2019. The financial progress of the project was rated at 90%. The calibration ridge was functional and the number of trucks handled per day doubled from 4 to 8. Construction of the electrical laboratory was at 60% progress. Procurement of land for construction of regional laboratories was ongoing. The installation of equipment in both food safety and analytical laboratories was behind schedule due to delays by contractors.

The following equipment were procured and installed: mass comparator, optical emission spectrometer, oscilloscope-time counter calibrator, data logger among others. The UNBS procured assorted office and ICT equipment and office and residential furniture.

Under **quality assurance of goods and laboratory testing services**: A total of 652 product/systems certification permits were issued and 3,432 market and factory outlets inspected, 5,445 imported consignments were inspected 4,872 product samples were tested. A total of 318,112 equipment used in trade were verified and 743 industrial equipment were calibrated. The UNBS developed 332 Standards during the period under review. It participated in seven television and 15 radio talkshows in order to increase pollution awareness on the importance of standards.

Table 3.6: Performance of the Standards Development, Promotion and Enforcement Programme by 31st December, 2019

Sub-programme/ project	Out puts	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Project:0253 Support to UNBS	Government Buildings and Administrative Infrastructure	10,700,000,000	7,543,040,660	100.00	50.00	11.00	Food safety laboratories, calibration ridge and power house were completed and commissioned. Construction of the electrical laboratory was at 60% progress. Purchase of land for construction of regional laboratories was ongoing.
	Purchase of Office and ICT Equipment	2,000,000,000	1,207,000,000	227.00	194.00	2.90	A total of 168 laptops, nine I-pads, five boardroom projects, 300 user CAL for the system data centre procured.
	Purchase of specialized machinery and equipment	2,000,000,000	1,617,000,000	7.00	4.00	2.05	Mass comparator, optical emission spectrometer, data logger, viscometer stand, kinematic viscosity certified reference materials procured.
	Purchase of office and residential furniture and fittings	1,052,915,000	510,000,000	100.00	60.00	1.53	A total of 80 conference chairs, 20 tables, 75 boardroom chairs, 57 ergonomic chairs, 32 work stations, 10 metal shelves procured.
Headquarters	Administration	43,841,136,000	2,617,344,100	100.00	100.00	63.55	staff salaries, utilities, Internet services etc paid
	Output: 02 Development of standards	1,039,000,000	519,500,000	400.00	332.00	1.51	A total of 322 Standards developed
	Quality assurance of goods and Lab testing	4,683,200,000	1,976,657,007	214500.00	54401.00	4.08	A total of 652 certification permits issued, 3,432 markets and factory sites inspected, 45,445 import

Sub-programme/ project	Out puts	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
							consignments inspected and 4,872 product samples tested. Most of the MSMES audited could not meet the certification requirements.
	Calibration and verification of equipment	2,416,000,000	1,003,000,001	1330000.00	1004325.00	3.50	A total of 318,112 equipment verified and 743 industrial equipment calibrated.
	Stakeholder engagement and awareness creation	1,000,000,000	499,999,954	108.00	45.00	0.00	Seven TV and 15 radio talk shows participated in, 73 articles published.
	Membership to international organisation	250,000,000	106,250,000	4.00	7.00	0.36	Subscription to five organizations made (ISO, IMEKO, ARSO, LGC, BIPEA).
	Programme Performance					90.48	Very good performance

Source: IFMS, Progress reports, and field findings

Conclusion and challenges

The performance of the Standards Development, Promotion and Enforcement Programme was very good at 90.5%. The programme encountered challenges of inadequate staffing in the technical departments and lack of field vehicles to facilitate surveillance operations. The market surveillance, imports inspection, verification of weights and measures, laboratories, calibration and certification were all understaffed. This hindered implementation of UNBS' mandate of standards enforcement.

Recommendation

- Given the increased MTEF for wage to Ug shs 10billion, the UNBS should recruit additional staff in the technical departments to implement the mandate of standards enforcement.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The Industrialisation Sub-sector performance by half year was fair (65.6%). Industrialization of the Ugandan economy is vital for the attainment of the middle income status by 2025, however the sub-sector is characterized by production of low value goods largely from SMEs.

It is important to note that the development and servicing of industrial parks and free zones, provision of high quality power and other services are vital in promoting industrial growth. This calls for inter-agency collaborations and synergies to ensure timely implementation of shared infrastructure in the industrial and business parks.

Although creation of an enabling environment to promote industrialization is key in achieving the budget theme of Industrialization for job creation, execution of the planned activities across the subs-sector was slow and hampered by: poor infrastructure in the industrial parks especially roads that deteriorated from fair to poor during the period under review.

Other key sector challenges included: poor quality and intermittent power supply that increase the cost of production; delayed evacuation of squatters from the Mbale Industrial and Business Park land affected comprehensive development of the park; lack of clear MoUs between Government agencies and most of supported beneficiaries/partners; delayed initiation of procurements especially under the UDC and UIA; limited support to MSMEs to enable them meet the legal certification requirements for attaining product quality standards; inadequate field vehicles for surveillance activities by the UNBS to curb counterfeits and poor quality products on the market; inadequate staffing at a number of agencies; and underfunding of development activities across the sub-sector.

4.2 Recommendations

- The Ministry of Energy and UETCL should expedite the transmission of high voltage and quality power to major processing zones/industrial parks to improve efficiency in production.
- The UIA should prioritize funding for maintaining infrastructure in the existing industrial parks, especially roads that have deteriorated from fair to poor condition and waste water treatment plants. A holistic approach for maintenance of infrastructure should be sought including partnerships and synergies with other government agencies including Uganda National Roads Authority, Ministry of Works and Transport, UETCL and NWSC.
- The UDC should initiate procurements in time and have precise MoUs with selected partners.
- The MoTIC and UNBS should support MSMEs to acquire quality certification.

- The UIA should prioritize the development budget to enable the servicing of industrial parks across the country and clear the remaining squatters on the Mbale Industrial and Business Park land.

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