INDUSTRIALISATION SUB-SECTOR

ANNUAL BUDGET MONITORING REPORT

FINANCIAL YEAR 2019/20

NOVEMBER 2020

Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
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ABBREVIATIONS AND ACRONYMS

ACE	Area Cooperative Enterprise
AIA	Aid in Appropriation
BMAU	Budget Monitoring and Accountability Unit
CARES	Capital for African Resilience-building and Enterprises Support
CPU	Community Processing Unit
DLG	District Local Government
EARO	East African Research Organization
EDI	Enterprise Development Investment
EEI	Enterprise Expansion Investment
EIA	Environmental Impact Assessment
EOC	Equal Opportunities Commission
FAO	Food and Agricultural Organisation
FAQ	Fair Average Quality (Coffee)
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
KVA	Kilo-volt-amperes
MAAIF	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 and Advisory Centre Institute
NEMA	National Environment Management Authority
OAG	Office of the Accountant General
OWC	Operation Wealth Creation
SOFTE	Soroti Fruit Factory
SPV	Special Purpose Vehicle
RIDP	Rural Industrial Development Programme
SME	Small and Medium Enterprises
TEFCU	Teso Farmers' Cooperative Union
TMEA	Trade Mark East Africa
ToR	Terms of Reference
UFZA	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 Financial Year 2019/20 strategy focused on stimulating import substitution and export promotion, and incentivising private sector development. The government prioritised agriculture and agro-industrialisation, manufacturing, and mineral development to ensure inclusive growth and the creation of jobs, while promoting development of other key primary growth sectors. The economy grew despite the challenges experienced during the year. The wellbeing of Ugandans, and infrastructure necessary for development also improved considerably.

The above achievements notwithstanding, majority of the second National Development Plan (NDPII) outcome indicators were not achieved. This report by the Budget Monitoring and Accountability Unit (BMAU) shows that majority of the sectors monitored posted a fair performance, despite receiving a substantial amount of their budgets.

I encourage all government institutions, the private sector, development partners, and other key players in the development of this country, to harness the strengths coming with Programme Based Budgeting (PBB), and take cognizant of the lessons learnt during the NDPII to improve service delivery during this NDPIII period.

Keith Muhakanizi

Permanent Secretary/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 partly 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 in 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 30th June, 2020.

Overall Performance

The overall performance of the sub-sector was fair at 68.8%. The best performer was the Uganda National Bureau of Standards (88.4%) while the worst was the Uganda Investment Authority (Investment Promotion and Facilitation) at 55.2% that suffered a very poor release of less than 10%.

Financial Performance

The industrialisation sub-sector budget for FY2019/20 was Ug shs 262.035billion (bn). A total of Ug shs131.628bn (50.2% of the approved budget) was released and Ug shs 129.137bn (98.1%) spent by 30th June 2020. The release and expenditure performances were fair and very good respectively.

Highlights of Sector Programmes Performance

Development Policy and Investment Promotion Programme (MFPED)

The overall programme performance during the period under review was fair at 68.8%. The Uganda Free Zones Authority (UFZA) licensed three free zones, and renewed six licenses. The Environment and Social Impact Assessment (ESIA) for the establishment of a free zone at the Entebbe International Airport was concluded, and engineering and architectural designs approved. Civil works were expected to begin in FY2020/21. The UFZA initiated the process for the amendment of the Free Zones Act to include Special Economic Zones. 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 land procured in Buwaya, Ssisa sub-county, Wakiso District for establishing a free zone, had encumbrances that remained unresolved during the period under review.

The United States African Development Foundation (USADF) planned to support 10 cooperatives in the FY2019/20. The eight cooperatives selected and supported are: Biganda Farmers' Cooperative Society Limited in Bukomansimbi District, Pingire-Labori Producers' and Marketing Cooperative Society in Serere District, Kayunga Nile Coffee Farmers' Cooperative Society Limited in Kayunga

District, Namubuka Grain Producers Area Cooperative Enterprise Limited in Bugiri District, Katine Joint Farmers' Cooperative Society Limited in Soroti District, Karangura Peak Modern Coffee Farmers' Cooperative Society Limited in Kabarole District, Bushika Integrated Area Cooperative Enterprise Limited in Bududa District, and Central Coffee Farmers Association in Wakiso District.

Implementation of planned activities was at varying stages with recruitment of key staff undertaken in all selected cooperatives and construction of storage and processing facilities at varying levels of progress. Four beneficiary cooperatives Bufumbo, Pingire, Namubuka and Katine experienced delays in project execution due to land related challenges and this was later worsened by the lock down arising from the outbreak of COVID-19. Overall, the sub-programme exhibited effectiveness in resource utilization and is likely to achieve its objectives.

Investment Promotion and Facilitation Programme

The overall programme performance was fair at 55.2%. The programme performed poorly on achievement of set outcomes at 33%. The UIA budget for FY2019/20 was Ug shs 116.904bn of which, Ug shs 11.513bn (9.8%) was released and Ug shs 11.203bn (97.3% of released) was spent by 30th June 2020.

A commercial contract for the Engineering, Procurement and Construction (EPC) was signed with M/s Lagan in Joint Venture with M/s Dott Services for the infrastructure development of Kampala Industrial and Business Park (KIBP), Namanve. The UIA finalised the clearance of the advance payment guarantee and performance bond from Lagan Group in preparation for commencement of infrastructure and utilities development at KIBP-Namanve. The site was handed over to the contractor during the year under review but no physical works commenced.

The annual e-Biz maintenance and development contract was signed and implementation was ongoing. The UIA licensed 263 new projects worth US$815.8 million and they were projected to create 23,941 jobs. There was a decline in the number of projects licensed from 288 in FY 2018/19 to 263 projects in FY 2019/20. The UIA held one investment forum for the top 100 small and medium enterprises (SMEs). The UIA organised the West Nile Investment Symposium in partnership with Muni University and Operation Wealth Creation (OWC). The development and implementation of a one stop centre contract experienced delays thus maintaining the high cost of doing business. This was attributed to the outbreak of COVID-19 and subsequent lockdown in the country.

Development of the Mbale Industrial and Business Park under the Tian Tang Group was ongoing and four industries were commissioned. Thirty-two squatters still occupied the park land as they had contested and declined the values from the Chief Government Valuer. Opening of roads and extension of the electricity grid to the Kasese Industrial and Development Park was ongoing with financial support from NAADS/OWC. Maintenance of 12.25km roads in Bweyogerere, Soroti and Luzira industrial parks was undertaken. Generally, the road network in the Kampala Industrial and Business Park-Namanve were in fair to poor state owing to the heavy rains during the year, delays to start the civil works under the Ms/Lagan/Dott Services joint venture, and inadequate maintenance budget.

Industrial and Technological Development Programme

The annual monitoring focused on one subvention - Uganda Development Corporation (UDC) and one project - Rural Industrial Development Project (RIDP). The overall programme performance was fair at 62.6%, and the output performance was also fair at 52.5% and the various projects and sub-programmes had varying levels of implementation.

The GoU through UDC acquired an additional 8% (worth Ug shs 24bn) shareholding in Atiak Sugar Factory. The total GoU shareholding is currently at 40% with a total investment of Ug shs 80.3bn.

The Soroti Fruits Limited (SOFTE) started operations for production of mango and orange ready to drink juice as well as pulp (concentrates). Two products (ready to drink mango and orange juice) acquired the UNBS Quality (Q mark) Certification. The process to acquire International Standards Organisation (ISO 22000) certification was ongoing. Procurement of an automated mango line with aseptic filler was ongoing. SOFTE obtained accreditation for alternative procurement and disposal systems from the Public Procurement and Disposal of Public Assets Authority (PPDA).

Installation of a 40,000 Kg tea processing line at Kayonza Growers' Tea Factory was completed and commissioned in February 2020. The UDC invested Ug shs 4.26bn in Mabale Tea as working capital, and the valuation process to acquire shares in the company by UDC was ongoing.

The RIDP under MoTIC planned to procure and deliver equipment to 22 selected groups undertaking value addition enterprises for the FY 2019/20. Twelve enterprises had received assorted value addition equipment, while equipment for two groups awaited delivery. Seventy percent of the groups supported were not utilising the equipment due to higher power requirements (33kva/415 – 240v or three phase) which was not available at their premises.

Standards Development, Promotion, Enforcement Programme

The overall programme performance was good at 88.4%. The UNBS annual budget for FY2019/20 was Ug shs 68.936bn, of which Ug shs 59.710bn (86%) was released and Ug shs 57.911bn (97.1%) spent by 30th June 2020. Construction of the food safety and analytical laboratories, calibration ridge and power house were completed. Equipping the food safety laboratories was ongoing. A total of 2,705 product/systems certification permits were issued, of which 209 and 36 companies were certified for production of hand sanitisers and non-medical face masks respectively, all used in the prevention and control of the spread of COVID-19.

A total of 7,345 market and factory outlets and 153,256 imported consignments were inspected; 19,796 product samples were tested; 1,063,277 equipment used in trade verified, and 3,345 industrial equipment calibrated, and 505 standards were developed. The programme faced challenges of inadequate staffing especially in the Surveillance Department to carryout enforcement operations. The lockdown in third and fourth quarters affected achievement of some planed targets.

Conclusion

Creation of an enabling environment to promote industrialisation is key in achieving the budget theme of *Industrialization for Job Creation*. The overall sub-sector performance was fair at 68.8%. The Standards Development, Promotion, Enforcement Programme under UNBS and USADF project under the MFPED performed better than other programmes on achievement of outputs. Execution of the planned activities across the sub-sector was hampered by the outbreak of the COVID-19 pandemic and subsequent lockdown. The pandemic increased the cost of doing business more especially for MSMEs, caused loss of potential buyers and foreign direct investment.

The generally fair performance of the sub-sector programmes was also due to: poor infrastructure in the industrial parks especially roads that deteriorated from fair to poor, delayed initiation of procurements, limited support to MSMEs to enable them meet the legal certification requirements for attaining quality standards, poor quality and intermittent power supply that increase the cost of production, and inadequate field vehicles for surveillance activities by the UNBS to curb counterfeits and poor quality products on the market affected performance.

Recommendations

- The Ministry of Energy and Mineral Development and Uganda Electricity Transmission company Limited should expedite the transmission of high voltage power to major processing zones/industrial parks
- The UIA and MFPED should prioritise funding for maintaining infrastructure in the existing industrial parks especially roads that have deteriorated.
- The MoTIC, through UNBS should support MSMEs to acquire quality certification not only for export promotion but import substitution.
- The UDC and UFZA should initiate procurements early enough to avoid spill over of activities into the subsequent financial years.

CHAPTER 1: BACKGROUND

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, 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 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 accountability and transparency problems 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)
- Industrialisation
- 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 Industrialisation sub-sector aims to promote sustainable industrialisation, appropriate technology transfer and development[1]. It is a sub-component of the Trade and Industry Sector, and the Accountability Sector It consists of four (4) votes, namely: Vote 015-Ministry of Trade, Industry and Cooperatives (MoTIC); Vote 154-Uganda National Bureau of Standards (UNBS), Vote 513-Uganda Investment

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

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.

CHAPTER 2: METHODOLOGY

2.1 Scope

This report is based on selected programmes in Vote 015: MoTIC; Vote 154: UNBS, Vote 310: UIA, and Vote 008, MFPED by 30th June, 2020 (table 2.1). 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 Q4 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 were 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 FY2019/20

Vote	Programmes and Sub-programmes/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) • Uganda Development Corporation (UDC)
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.

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 system; Quarterly Performance Reports (Performance Form A and B) and bank statements 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 analysed 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 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 and COVID-19 restrictions on travel and holding focused group discussions.
- 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.
- Some financial information was not aligned to outputs which might have affected overall weighted scores and performance.

CHAPTER 3: SUB-SECTOR PERFORMANCE

3.1 Overall Sub-Sector Performance

The overall performance of the sub-sector was fair at 68.8%. Table 3.1 shows the overall performance by programme.

Table 3.1: Industrialisation Sub-Sector Performance by 30th June, 2020

Programme	Output Score (%)	Outcome score (%)	Overall performance (%)
Development Policy and Investment Promotion (United States African Development Foundation USADF) and Uganda Free zones Authority	60.21	85	68.8
Investment Promotion and Facilitation (UIA)	67	33	55.2
Industrial and Technological Development (RIDP and UDC)	52.5	81	62.6
Standards Development, Promotion and Enforcement (UNBS)	87.7	90	88.4
Average performance	66.9	72.3	68.8

Source: Author's Compilation

Financial performance

The industrialisation sub-sector budget for FY 2019/20 is Ug shs 262.034billion (bn) of which, Ug shs 131.628bn (50.2%) was released and Ug shs129.138bn (98.1%) spent by 30th June 2020. The release and expenditure performance were fair and very good respectively as shown in table 3.2.

Table 3.2: Overall Financial Performance of the Industrialisation Sub-sector by 30th June 2020

Institution/Project	Budget (Ug shs)	Release (Ug shs)	Expenditure(Ug shs)	% Release	% Spent
UNBS	68,935,917,349	59,710,346,149	57,923,927,689	86.6	97.0
RIDP	1,207,763,000	890,213,400	889,204,950	73.7	99.9
UDC	62,421,758,000	48,500,334,392	48,107,463,981	77.7	99.2
UFZA	8,964,934,000	7,910,585,561	7,910,585,561	88.2	100.0
USADF	3,600,000,000	3,102,906,134	3,102,906,134	86.2	100.0
UIA	116,904,466,628	11,513,971,752	11,203,901,437	9.8	97.3
TOTAL	262,034,838,977	131,628,357,388	129,137,989,752	50.2	98.1

Source: IFMS, MDAs

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; mobilise 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 annual monitoring (FY2019/20) focused on the Uganda Free Zones Authority (UFZA), and United States African Development Foundation (USADF), project under 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 was Ugshs8,964,934,000 (excluding NTR) of which Ugshs7,910,585,561(88.2% of the annual budget) was released and all spent by 30thJune 2020.

The Uganda Free Zones Authority (UFZA) licensed three free zones and renewed six 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 FY2020/21. Ug shs3,730,762,761 was advanced to National Enterprise Corporation (NEC) for construction of Entebbe Free Zone, bringing the total advance payment to Ug shs10,752,389,907.

The UFZA initiated the process for the amendment of the Free Zone Act to include special economic zones and held consultative meetings with MFPED, UIA and Trademark East Africa (TMEA). The UFZA partnered with TMEA for technical assistance to undertake a feasibility study for the trade and logistics park in Jinja. The inception report for the feasibility study of the Jinja Logistics Hub was approved by the steering committee as well as the master plan and infrastructure report. The UFZA held three interagency meetings with URA and UNBS on 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.

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 (GoU) was established. The MoU was initially for five years but was subsequently renewed in April 2012 for another five 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 were transferred by USADF through grants to individual selected projects/groups, which were developed and approved in accordance with USADF criteria and methodologies, taking into consideration their alignment to the goals and objectives of the MoU.

The overall project objective is to promote development of farmer cooperatives, producer associations, smallholder agricultural producers, small scale agri-business (SSAs), and 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 organisation 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, support 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 US$100,000 per beneficiary organisation over a period of two years.

The EEI grant is intended to enhance 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 organisation should be self-sustaining at the end of the grant.

In FY 2019/20, the USADF project planned to support 10 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 USADF approved budget for FY2019/20 is Ug shs7.20bn, of which Ug shs 3.60bn is GoU contribution. During the period under review, the GoU contributed Ug shs3,102,906,134 and all was spent.

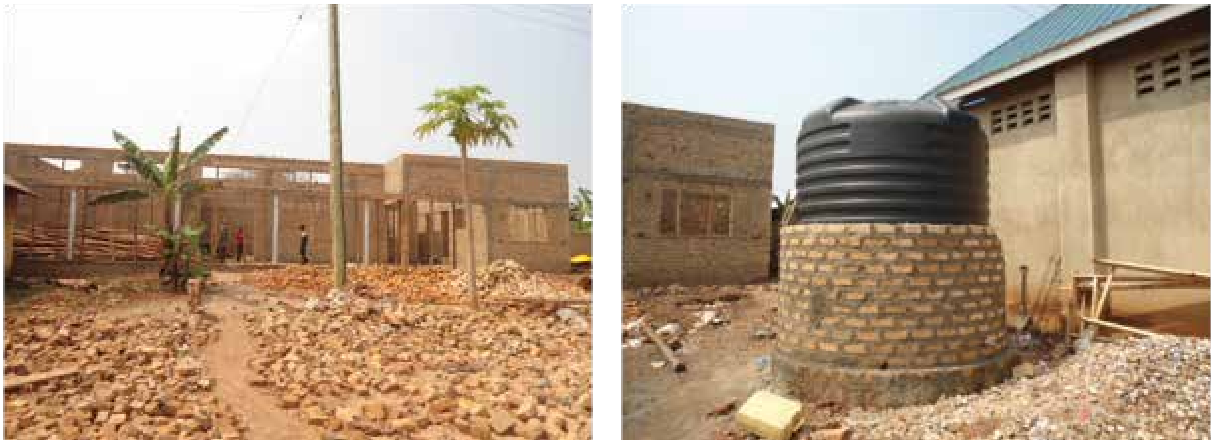
Monitoring for FY2019/20 focused on eight out of nine cooperatives selected for support by USADF. The nine cooperatives included: Biganda Farmers' Cooperative Society Limited in Bukomansimbi District, Pingire-Labori Producers' and Marketing Cooperative Society in Serere District, Namubuka Grain Producers Area Cooperative Enterprise Limited in Bugiri District, Kayunga Nile Coffee Farmers' Cooperative Society Limited in Kayunga District, Katine Joint Farmers' Cooperative Society Limited in Soroti District, Karangura Peak Modern Coffee Farmers' Cooperative Society Limited in Kabarole District, Bushika Integrated Area Cooperative Enterprise Limited in Bududa District, and Central Coffee Farmers Association in Wakiso District.

The eight cooperatives had started implementing their planned activities and were at varying levels of progress. Four other cooperatives supported in the previous financials years and were still receiving financial and technical support from USADF and UDET respectively were monitored. The cooperatives included: Bufumbo Organic Farmers' Association in Mbale District, Taabu Integrated Farmers' Cooperative Society Limited in Bulambuli District, Mt. Rwenzori Farmers' Cooperative Union in Kasese District, Abatahunga Farmers' Cooperative Union Limited in Kazo District, and Kabeywa United Farmers' Cooperative Society Limited in Kapchorwa District. By 30th June 2020, implementation by the different beneficiary groups was at varying levels.

a) **Biganda Farmers' Cooperative Society Limited:** 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 June 2020, the cooperative had received Ug shs3 63,153,170, and Ug shs 301,555,929 was expended. The cooperative had started construction of a 500MT coffee warehouse and the super-structure was completed. The cooperative had procured a 10MT truck, two motorcycles, two desktop computers and office furniture.

The cooperative received Ug shs 80,000,000 as part of Ug shs 159,000,000 for crop finance and it was used to procure 343,583 kg Fair Average Quality (FAQ) coffee. The cooperative traded in coffee worth Ug shs, 1,215, 920,151 in the FY2019/20 registering a gross income of Ug shs 227,321,946. The cooperative carried out training in financial management and monitoring and evaluation for staff, board members and representatives from producer societies. The cooperative recruited eight staff to help in implementation of project activities.

Pending activities included: completion of the warehouse, coffee huller upgrade, establishment of a coffee input shop, procurement of coffee quality equipment and fair-trade certification. The cooperative is experiencing challenges of low coffee prices and limited operating capital. The outbreak of the COVID-19 pandemic and subsequent lockdown derailed the progress on construction of the warehouses in Q4 FY2019/20.



L-R: Warehouse and rain water harvesting tank under construction at Biganda Farmers' Cooperative

b) Pingire Labori Producers' and Marketing Cooperative Society Limited: Located in Serere District, the cooperative deals in bulking, processing and marketing of maize and rice. The cooperative got 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 30th June 2020 the cooperative had received Ug shs121,493,838 and Ug shs111,168,050 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, monitoring and evaluation, and review of manuals. The cooperative had a financial systems upgrade, and a study tour to Manyakabi Area Cooperative in Isingiro District.

Pending activities included construction of storage facility, and installation of a maize milling machine. Securing of a lease letter from Serere DLG delayed construction of the warehouse and processing facility. The floods in the first season of 2020 affected yields and the poor state of feeder roads continue to affect the transportation of produce to the bulking centres.

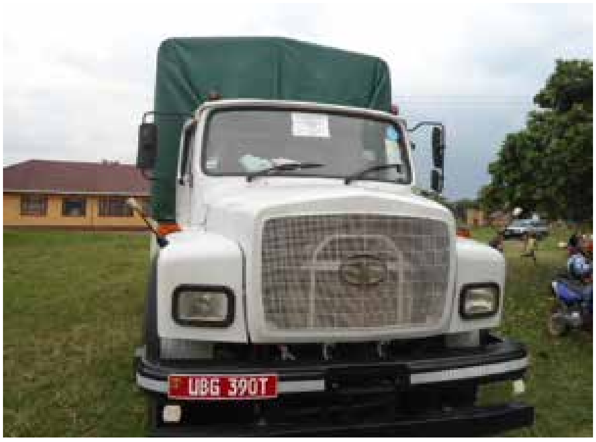
c) Namubuka Grain Producers Area Cooperative Enterprise Limited: The cooperative is located in Namubuka sub-county in Bugiri District. The cooperative deals in maize and groundnuts and has 1,500 members of whom 1,004 are female and 496 male. In August 2019, the cooperative received a grant from USADF worth Ug shs 895,982,302 for construction of a warehouse, purchase of a maize mill, 10MT truck, motorcycles and administrative support. By 30th June 2020, the cooperative had received Ug shs 260,278,574, of which Ug shs 259,778,574 was expended.

The cooperative procured a 10MT truck to ferry produce from collection centres to the warehouse and to the market, postharvest handling equipment (three shellers and platform weighing scale) and office equipment (two desktop computers and one printer). The cooperative using the grant recruited six staff and conducted training in financial management, and M&E. The cooperative experienced delays in securing a land title for the proposed site for the maize mill house due to the COVID-19 lockdown.

d) Kayunga Nile Coffee Farmers' Cooperative Society Limited: Located in Kangulumira sub-county, Kayunga District, and deals in coffee. The cooperative started in 2014 with 120 coffee farmers and was registered in 2017. It got a grant from USADF worth Ug shs 917,737,826 in July 2019 to be implemented in a period of three years. The grant covers construction of a warehouse, equipment purchase (coffee mill, truck, motorcycle, and postharvest and quality improvement equipment), working capital, trainings, and technical assistance and administrative support.

By 30th June 2020, the cooperative had received Ug shs 428,306,651 and Ug shs 356,387,100 was expended. Construction of the warehouse was at super-structure level. Procurement and delivery of a truck (10MT), two motorcycles, and two weighing scales, office equipment (two desktop computers, printer, money safe and filing cabinet) were done. The cooperative recruited six staff (certification officer, project manager, driver, stores manager, accountant, and extension officer), and conducted training in ADF (African Development Fund) financial management, and M&E. It participated in the African Fine Coffee Association (AFCA) conference in Mombasa-Kenya and exhibited green coffee beans to potential buyers.

Pending activities included: establishment of an input shop, fair-trade and organic certification, financial systems upgrade, study tour, cooperative governance training, stores management training and coffee quality marketing training. The COVID-19 lockdown affected activities like group farmer trainings, and the cooperative resorted to door-to-door approach that was expensive.



L-R: 10MT truck for Namubuka Grain Producers Cooperative society and warehouse under construction at Kayunga Nile Coffee Cooperative Society

e) Katine Joint Farmers' Cooperative Society Limited: Located in Katine sub-county, Soroti District. It deals in maize and groundnuts bulking and marketing. The cooperative has 687 members, of whom 223 are female and 464 males. It got a grant from USADF worth Ug shs 886,330,601 for construction of a maize processing facility, equipment purchase, working capital, trainings, technical assistance and administrative support. The cooperative recruited five staff and conducted trainings in ADF financial management, and M&E, and cooperative governance, and management.

By 30th June 2020, the cooperative had received Ug shs 157,933,263 and Ug shs 157,785,925 expended. The cooperative got technical assistance in regards to financial systems upgrade, market development plan and a study tour. It procured three maize shellers and one desktop computer. Construction of a maize processing facility was behind schedule due to delays in securing a land title.

f) Karangura Peak Modern Coffee Farmers' Cooperative Society Limited: Established on 1st July 2013 with an aim of supporting members in promoting coffee farming, bulking and marketing. The cooperative has 513 members, of whom 260 are male and 253 females. The cooperative operates in five sub-counties of Karangura, Katembwa, Nsomba, Kichwamba and Mugusu. In August 2019 the cooperative received a grant worth Ug shs 355,597,212 from USADF for construction of a coffee drying shed, equipment purchase, training, technical assistance and administrative support.

By 30th June, 2020, the cooperative had received Ug shs 266,564,840 and Ug shs 122,873,680 spent on construction of a coffee drying shed, drying yard/slab, extension of piped water, purchase of coffee quality equipment (20 coffee hand pulpers, one moisture meter and two weighing scales), purchase of two motorcycles, project staff salaries and training in ADF financial management and M&E.

L-R: Coffee drying shed and hand pulpers at Karangura Peak Modern Coffee Farmers' Cooperative

g) Bushika Integrated Area Cooperative Enterprise Limited: Established in May 2010 in Bushika sub-county, Bududa District, the cooperative deals in coffee, dairy and passion fruits. It has 1,889 members, of whom 765 are female and 1,124 males. The cooperative got a grant from USADF worth Ug shs 904,971,000 for three years on 3rd October, 2019. The scope of the grant includes construction of a warehouse, equipment purchase (coffee huller, truck, motorcycle, motorized pulper, coffee quality improvement and office equipment), and training, technical, and administrative support.

By 30th June 2020, the cooperative had received Ug shs 180,686,000, of which, Ug shs 173,663,833 was spent. The cooperative procured a truck (10MT), office furniture and equipment (two desktop computers, four desks, two benches, four chairs, filing cabinet and a printer. Construction and remodelling of processing facility and warehouse had not started. The cooperative participated in the AFCA conference in Mombasa, Kenya and exhibited green and roasted coffee beans and interacted with potential financiers (credit institutions).

h) Abatahunga Farmers' Cooperative Union Limited: Located in Kazo 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 Robusta and Catimor coffee. By 30th June 2020, the Union had received Ug shs 612,511,967, of which Ug shs 600,354,869 was spent. The cooperative also received Ug shs 37,268,500 from USADF as COVID-19 relief package that it had not expended. Construction of the coffee processing facility and warehouse (500MT) was at 75% progress. The pending activities were shuttering, plastering and final finishes.

Procurement of the coffee huller was completed, pending delivery, installation and test runs. The activity was behind schedule by 12 months. The union procured one motorcycle, two desktop computers, and a moisture meter. The union got all the money for crop finance and the fund had grown by 204% in the last two years. Trainings in financial management, M&E, stores management, and coffee quality were conducted. Participants in the trainings included staff, board members, and representatives from the primary producer societies.

The incomplete activities included; acquiring fair trade certification, financial systems upgrade, and setting up of a coffee inputs shop. Completion of the warehouse and running of the processing facility was expected in December 2020. The union cited budget shortfalls due to the Uganda shillings gaining value against the US$ during implementation, and COVID-19 lockdown that restricted movement of people and operations of the cooperatives.

i) Mt Rwenzori Coffee Farmers' Corporative Union is located in Kasese District. It got an enterprise expansion investment grant worth US$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 June 2020, the union had received Ug shs616,623,560 and expended Ug shs 613, 671,255.

Construction of the warehouse and processing facility was at 75% completion remaining with shuttering, plastering, and electrical works. Extension of electricity to the facility and installation of a 40 KVA transformer was done. The Union procured coffee postharvest handling equipment; one moisture meter, 10 weighing scales and five motorised coffee pulpers that were distributed to primary producer societies. The Union got Ug shs 81,250,000 out of Ug shs 162,500,000 for crop finance that was used to procure 92MT of coffee in 2019.

The union also procured a 10MT truck and office equipment. It had 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. It got technical assistance to upgrade financial systems, review and develop manuals, and develop a business plan. The union recruited seven staff. Delivery and installation of the coffee huller awaited completion of the processing facility. Using the crop finance funds, they opened up an input shop in Kasese Municipality. It was noted that some of the union members that were advanced money and inputs were side selling their coffee.


L-R: Warehouse and processing facilities under construction at Abatahunga in Kazo District

j) Bufumbo Organic Farmers' Association: Located in Mbale District, Bufumbo sub-county. The association started in 1997 and was registered as Community Based Organisation (CBO) in 1999 dealing in organic farming of coffee. The association has 654 members in Bufumbo, Bubyangu, Bukonde, and Rwaso sub-counties. It got an EEI grant worth US$244,327 (Ug shs 910,774,200) to establish 500MT storage and processing facility, procure a coffee processing and transport equipment. The grant will also provide working capital, capacity building, technical assistance and recruitment of key staff.

By June 2020 the association had received Ug shs 397,964,383, and Ug shs 353,715,962 was expended. It procured a 10MT truck, two motorcycles, 10 manual coffee pulpers, and office equipment. It also established input shop in Bufumbo Trading Centre. The association received money for crop finance to buy coffee from its members, and it conducted training in financial management, and M&E and recruited eight staff. The pending trainings were: coffee quality, stores management, and cooperative governance.

Development and review of manuals and financial systems upgrade were still pending by August 2020, and expected to be executed in Q2, FY2020/21. Fairtrade certification renewal was ongoing and the renewal fees were already paid to the fair trade secretariat. The association acquired the land title for the proposed site in Mbale city for construction of a warehouse and processing facility, and works anticipated to begin in September 2020. Two members participated in the Africa Fine Coffee Association exhibitions in Mombasa in February 2020. The association reported delays by the contracted external auditor to acquire the fair trade certification and registered a net loss of Ug shs 47,555,720.

k) Tabu Integrated Farmers' Cooperative Society Limited: Located in Bulambuli District with 1658 members in Nabbongo, Buyaga, Bukhalu, Buwanyanga, Bunambutye, Buluganya, Bumasabo, Nabugimbi and Bufukhula sub-counties. It deals in maize and soybean. The cooperative objective is to improve livelihoods of its members through increasing production, value addition and collective marketing. The cooperative received an EEI grant worth US$227,458 (Ug shs 837,884,024) in June 2019 for construction of maize processing facility; procure a maize mill; and other processing equipment; provision of various trainings, and technical support. By 30thJune 2020, the cooperative had received Ug shs211,663,916.

The cooperative procured a tractor to plough members' farm land and ferry produce to the warehouse and two motorcycles to be used by the extension workers. The cooperative also procured the following postharvest handling equipment; three threshers, one moisture metre and one weighing scale. The cooperative procured office equipment; two desktop computers, two office chairs, two tables, filing cabinet and a printer.

The cooperative trained its members and staff in financial management and 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 80,000kgs and 10,000kgs of maize and soybean respectively. The cooperative established an input shop in Buyaga Trading Centre, procured 1,000kg maize seed, 5,000kg fertilizer, 100 tarpaulins and protective gear for mill operators. Architectural designs and drawing for the maize processing facility were approved by the district planning board. The prolonged rainy season in the second season of 2019 affected the drying of the produce thus the cooperative registered a loss of Ug shs 10 million.

The USADF CARES FUND

In April 2020, the USADF launched the Capital for African Resilience-building and Enterprises Support (C.A.R.E.S) Program to provide some financial and technical assistance to help enterprises and entrepreneurs re-evaluate how their operations can best benefit their communities as they seek to mitigate and adapt to the effects of COVID-19. The program was to benefit all running projects. The USADF CARES Program has the following objective:

I. To support 100% African local implementing partner organisations as they respond to the challenges of the communities they serve.

II. To strengthen African entrepreneurs' business model so they can continue operating, providing jobs and adapting to be responsive to COVID-19 needs.

III. To empower African enterprises and entrepreneurs to utilise necessary resources like face masks and hand washing stations.

The program is expected to contribute to the following areas: saving jobs and livelihoods, stimulating local economies and building resilience to respond to future shocks.

All the 11 monitored USADF beneficiary cooperatives got USADF CARES funds and the utilisation is provided in the table 3.3.

Table 3.3: Utilisation of the USADF CARES Funds

Cooperative	Grant amount	Expenditure	Remark
Kayunga Nile Coffee Farmers' Cooperative Society ltd	37,268,500	30,950,000	Procured COVID-19 preventative items, two laptops and accessories, coffee (working capital). Procurement of gunny bags was pending soliciting of a reliable supplier.
Namubuka Grain Producers' Area Cooperative Enterprise Ltd	55,902,750	44,951,000	Procured COVID-19 preventative items, two laptops, and accessories, paid for radio airtime for community sensitisation.
Katine Joint Farmers' Cooperative Society Ltd	55,902,750	34,613,400	Procured COVID-19 preventative items, two laptops and accessories, pay staff salaries for six months. The balance will be used for crop finance.
Karangura Peak Modern Coffee Farmers' Cooperative Society Ltd	37,268,500	34,802,680	Procured COVID-19 preventative items, grain pro-bags, gunny bags, radio airtime for community sensitizations and food relief.
Bushika Integrated Area Cooperative Enterprise Ltd	37,268,500	36,712,000	Procured COVID-19 preventative items, two laptops and accessories, coffee (crop finance), food relief, sisal bags.
Pingire Labori Producers' and Marketing Cooperative Society Ltd	37,268,500	10,000,000	Procured COVID-19 preventative items, two laptops and accessories and food relief for cooperative members.
Biganda Farmers' Cooperative Society Limited	55,902,750	55,695,000	Procured COVID-19 preventative items, web cameras and accessories, coffee (crop finance), sisal bags, water tanks and staff salaries for three months.
Tabu Integrated Farmers' Cooperative Society Limited	37,268,500	24,571,000	Procured COVID-19 preventative items and maize, beans and soybeans (crop finance)
Abatahunga Farmers' Cooperative Union Ltd	37,268,500	-	By 30th June 2020 the cooperative had not spent the funds.
Mt Rwenzori Farmers' Cooperative Union	55,902,750	19,183,000	Procured COVID-19 preventative items like facemasks, hand washing stations, pulse seeds for cooperative members, salary arrears for staff, fair trade re-certification, grain pro-bags etc.

Cooperative	Grant amount	Expenditure	Remark
Bufumbo Organic Farmers' Association	37,268,500	26,820,000	Procured COVID-19 preventative items, paid staff salaries for two months, renewal of export license, clear cess fees. Procurement of gunny bags, grain pro bags and two laptops was ongoing.
Kabeywa United Farmers' Cooperative Society Ltd	54,000,000	27,731,500	Procured COVID-19 preventative items, food relief items and paid staff salaries for two months. Procurement of grain pro-bags was pending soliciting of a reliable supplier.

Table 3.4: Performance of the Development Policy and Investment Promotion Programme by 30th June, 2020

Sub-programme	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Project:1003United States African Development Foundation	Infrastructure	1,484,307,112	474,207,662	11.00	3.30	6.73	Five out of the 11 monitored project beneficiaries had started construction and at varying levels of implementation
	Equipment	3,910,617,144	1,454,386,155	51.00	33.00	18.89	All the monitored cooperatives had procured transport equipment (truck, motorcycle), postharvest and quality improvement equipment and office furniture and equipment. Procurement of processing equipment was at varying levels.
	Working capital	1,487,195,000	832,530,800	22.00	6.50	3.79	All the monitored cooperatives got part of the funds either for working capital or input fund with exception of Bushika Integrated Area Cooperative.
	Training	231,821,000	100,070,660	43.00	18.50	1.12	The cooperatives conducted different trainings to build capacity of their staff and members. The trainings included: financial management, M&E, stores management, cooperatives governance, quality management, etc.
	Technical assistance	519,514,847	134,084,230	45.00	15.00	2.51	The cooperatives upgraded the financial systems and reviewed the administrative manuals. Fair-trade certification for most cooperatives was not attained.
	Administrative support	1,108,824,338	621,897,655	44.00	19.50	4.23	All the cooperatives monitored recruited staff, paid their salaries, and maintained office and other equipment.

Sub-programme	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	75,090,192	75,090,192	10.00	10.00	0.36	A business forum and one workshop were held to increase awareness of the planned Entebbe Free Zone.
	Competitive business environment for Free Zones enhanced	33,269,808	33,269,808	2.00	2.00	0.16	Project implementation meetings conducted with the URA and Uganda Electronic Single window Project team to implement a Free Zones licensing and Customs Management module. Profiled of Uganda's Free zones regime for integration in the EAC Investment Guide.
	Environment, Gender and Equity mainstreamed in Free Zones	4,900,000	4,900,000	2.00	1.00	0.01	Environment, social impact assessment (ESIA) for Entebbe free zone and licensees done.
	Free Zones Law amended to a wider Special Economic Zones Scheme	-	-	10.00	1.00	0.00	Meeting conducted with MFPED, UIA and UFZA to justify the amendment of the Law.
	Private Free Zones enterprises retained and facilitated	-	-	12.00	2.00	0.00	Six free zones were monitored and ToRs for the ESIA of Entebbe International Airport Free Zone approved
	Private Free Zones declared and gazetted, Licenses issued, Investment, Employment and Exports generated	3,351,674,000	3,351,674,000	10.00	9.00	14.57	Three free zones declared and six licenses renewed. Six inward and two outward trade and business missions attended. 5 business summits and events attended
	Public Free Zones developed	8,500,000,000	4,445,651,561	100.00	10.00	7.85	Architectural & Structural Designs of Entebbe free zone were approved and 12 contract management committee meetings held.
Programme Performance (Outputs)						60.21	Fair performance

Sub-programme	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Outcome Performance	Outcome Indicator			Annual Target	Achieved	Score (%)	Remark
	Proportion of National development policies under active implementation			100	86	86	
	Proportion of development policies performance reviewed after 10 years of commencement			50	34	68	
	Proportion of Business Climate Reforms conclusively resolved			95	95	100	
	Programme Performance (Outcomes)					85	Good performance
Overall Programme Performance						68.8	Fair performance

Source: Beneficiary Progress Reports, and Field Findings, IFMS

Conclusion

The Development Policy and Investment Promotion Programme performance was fair at 68.8%. The USADF project registered good performance and most of the beneficiaries were on track to achieving the set targets. 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 and the lockdown due to the outbreak of COVID-19. The, USADF project exhibited effectiveness in resource utilisation and is on course to achieving its objectives. On the other hand, the UFZA performance was poor as construction of the Free Zone at the airport did not start in spite of the very good release of development funds and transfers to the contractor. The land for the proposed site for the Buwaaya Free Zone in Kasanje, Wakiso District still had encumbrances that are yet to be resolved.

Investment Promotion and facilitation Programme

3.2.3 The Uganda Investment Authority (UIA)

The Uganda Investment Authority 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 2020. Over the years, UIA 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 approved and attempts to design and build infrastructure (roads, water, electricity) in the parks initiated.

The UIA budget for FY2019/20 was Ug shs116.904bn, of which Ug shs101.457bn was external financing for the development of Kampala Industrial and Business Park–Namanve (KIBP). The total GoU budget was Ug shs 15.447bn, of which Ug shs11.514bn was released representing 74.5% and Ug shs 11.204bn (97.3 %) spent by 30th June 2020. It should be noted however that the GoU component of the UIA budget was over 90% on recurrent activities.

Development of Industrial Parks

A commercial contract for the infrastructure development of Kampala Industrial and Business Park –Namanve (KIBP) was signed with M/s Lagan in Joint Venture with M/s Dott Services. The site was handed over in Q3 FY2019/20. The UIA secured an advance payment guarantee and performance bond for the KIBP and 25% of the total contract sum was advanced to the contractor. The UIA recruited a project manager. By 30th June 2020, the scheduled activities were at preliminary stages as the contractors were reportedly mobilising. However, the status of roads especially in the South Estates of KIBP was poor with potholes and gullies on most sections of the over 40Km network.

Maintenance of roads in Luzira, Bweyogerere and Soroti industrial and business parks was partially done due to inadequate releases in the period under review. 1.1km of the 33kv power line was extended in Kasese Industrial and Business Park. Four (4) km road network in Kasese Industrial Park was opened and water extended with support from National Agricultural Advisory Services (NAADS)/Operation Wealth Creation (OWC). The UIA renovated one workspace in the Mbarara SME Park. Generally, the road networks in all parks were in fair to poor state owing to the inadequate maintenance budget.

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, while three were under construction. Thirty-two squatters were still occupying the park land as they had contested and declined the values from the Chief Government Valuer (CGV). The new factories that opened in the first half of FY2019/20 created a total of 620 direct jobs. Park developers cited a challenge of floods during the heavy rains and the silted Namatala River located on border of the park.

The UIA facilitated 32 inward and five outward missions, and three (3) investment conferences. Thirteen (13) and eight investment profiles were developed for the refugee hosting districts and Rwenzori region respectively. Seven outward missions were held and 259 contacts made.

The UIA licensed 263 new projects, facilitated 520 projects and handled 169 cases under aftercare activities. The contract to develop, support and maintain the e-biz platform was signed. The UIA participated in four radio talk shows to inform the public about the one stop centre, it conducted four business skills trainings in Ishaka, Mbale, Gulu and Kampala; and profiled 3,995 SMEs. Two (2) SMEs were facilitated to enhance competitiveness by getting a Q-mark from UNBS. The UIA procured presentation equipment and assorted furniture.

L-R: Opened road in Kasese IBP, and a deteriorating road at Namanve IBP

Table 3.5: Performance of the Investment Promotion and Facilitation Programme under UIA by 30thJune, 2020

Sub-programme	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Investment promotion	Investment promotion services	296,175,187	269,675,187	35.00	30.00	3.80	A total of 32 inward and seven outward missions were facilitated; three investment conferences held; 13 investment profiles developed for refugee hosting districts; UIA participated in the UNAA convention in Chicago.
Investment facilitation	Investment facilitation services	300,000,000	245,500,000	8.00	6.00	3.75	A total of 263 projects were licensed, 520 projects facilitated and 204 monitored. Two presidential investors round table meetings held.
Industrial park facilitation services	Development and servicing of industrial parks	600,000,000	428,908,312	5.00	2.00	4.58	Partial maintenance of roads in Luzira, Soroti, and Bweyogerere industrial parks done. One work space renovated at the Mbarara SME park. Partial renovation of KIBP done.
One stop centre	Supervision of one stop centre	4,489,239,620	1,951,486,731	5.00	1.50	42.26	A business process re-engineering interagency workshop (UIA- NEMA) was held; e-biz platform development, support and maintenance contract signed; annual investment abstract produced; procured assorted ICT equipment and participated in four radio talk shows. A total of 50,000 transactions were handled by the one stop centre.
Small and medium size enterprises (SMEs)	SME facilitation services	540,000,000	310,000,000	100.00	40.00	5.13	Sixty SMEs were profiled and trained; four investment forums held, and 435 SMEs sensitised; two SMEs facilitated to acquire a UNBS Q-Mark; five regional investment forums held; 100 SMEs introduced to PE financing; two value addition clusters formed in silk worms and apiary in Kasese and Lira districts respectively.
Development of Industrial parks	Acquisition of other capital assets	1,105,859,000	445,383,600	10.00	2.00	7.49	Procured contractor for infrastructure development in KIBP and site handed over. 25% advance payment to the KIBP contractor made. 33kv power line extended to Kasese industrial park. Procured assorted ICT and office equipment. Roads partially maintained in Bweyogerere, Luzira and Soroti parks
Programme Performance (Outputs)						67.01	Fair performance

Sub-programme	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Outcome Performance	Outcome Indicator			Annual Target	Achieved	Score (%)	Remark
	% growth in jobs generated			20	0	0	
	% growth in FDI			20	0	0	
	No. of facilitated and provided aftercare services			350	689	100	
	Number of fully serviced parks			1	0	0	
	Programme Performance (Outcomes)					33	Poor performance
Overall Programme Performance						55.2	Fair performance

Source: IFMS, Progress reports, and field findings.

Challenges

- Inadequate releases and funding for development of industrial parks affected the servicing of parks with the required utilities and infrastructure.
- Delayed evacuation of squatters from the Mbale Industrial and Business Park affected development of the park by the developer.
- Delayed implementation of the infrastructure development project at KIBP-Namanve.
- The nationwide lockdown due to the COVID-19 outbreak in the country led to halting of some planned activities. This further complicated foreign direct investment.

Conclusion

The performance of Investment Promotion and Facilitation Programme was rated fair (55.2 %). The programme performance on outcome indicators was poor at 33%. The road network in KIBP was in a poor state thus affecting movement of industrial supplies especially in the rainy season. The contract for infrastructure development in the KIBP was awarded to M/s Lagan and site handed over, however, civil works had not started by 30th June 2020. Serviced industrial parks are a key incentive to attracting investors however; the continued underfunding of the project has hindered occupation of allocated land by potential investors.

The UIA recorded arrears arising from unpaid rent to a tune of Ug shs 1.3bn. The lockdown due to COVID-19 reduced the inflow of foreign investors and this is evidenced by the reduction of licensed projects from 82 in Q3 to 30 in Q4 FY2019.20. The MFPED and UIA should therefore consider provisioning adequate resources for servicing the parks to ensure the intended industrialisation for job creation is achieved.

Recommendations

- The MFPED and UIA should prioritise funding for servicing industrial parks and fully conclude the compensation of squatters in Mbale IBP.
- The UIA should engage the KIBP contractor to quicken the mobilisation process and ensure that civil works begin without further delays.

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 FY2019/20was Ug shs136.541bn, of which Ug shs108.237bn (79.3%) was released and Ug shs105.172bn (97.2%) spent by June 2020.

The Industrial and Technological Development Programme budget for FY2019/20 was Ug shs 64.53bn, of which Ug shs 50.393bn (78.1%) was released and Ug shs50.326bn (99.9% of the released funds) spent by 30th June, 2020. Overall, the release and expenditure performances were good and very good respectively.

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. Under the programme, the annual monitoring for FY 2019/20 focused on the Rural Industrial Development Project (RIDP) and implementation of projects under Uganda Development Corporation (UDC).

3.3.1 The Rural Industrial Development Project (RIDP)

The RIDP formally, One Village One Product (OVOP) started in FY2017/18 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 will 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

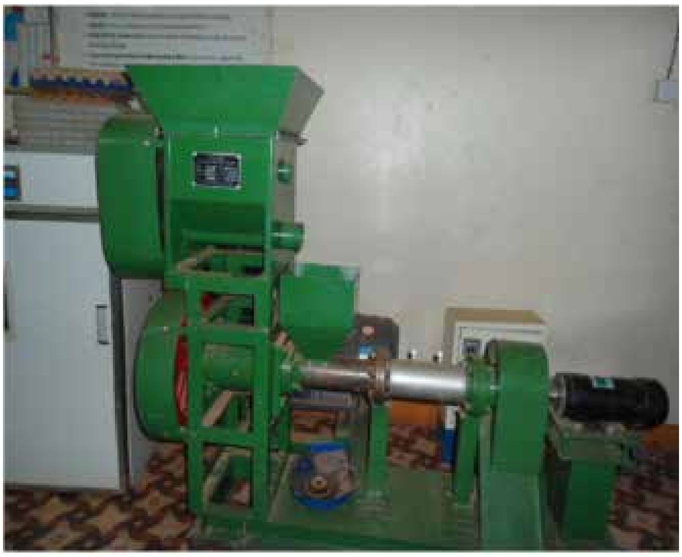
The approved budget for the RIDP, FY2019/20 was Ug shs 1,207,763,000, of which Ug shs 899,213,400 (74%) was released and Ug shs 889,204,950 (99.9%) expended by 30th June 2020. Although release was good, expenditure was very good.

The RIDP procured and delivered various processing equipment to different beneficiaries. The project planned to establish 22 functional processing facilities across the country in FY2019/20, 12 groups received equipment but utilisation was at varying levels amongst the beneficiaries.

Purchase of Specialised Machinery and Equipment

a) **Lusaze Modern Agriculture Solution Cooperative Society** received an electric feed machine with milling capacity of 150kg/hour and a baking oven. 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 has 326 fish farmers in Wakiso and Kampala districts and the farmers are charged a milling fee to cater for electricity bills. The baking oven will be used to extend the shelf life of the rabbit meat. By July 2020 both equipment was not operational as the cooperative had not extended three phase electricity to the premises.

b) **Mbarara Youth Entrepreneurs Association**: located in Mbarara District the association has 35 members and was registered as a CBO in January 2018. In November 2019, the association received a concrete block making machine for making concrete blocks, pavers and other products. By July 2020, the machine was operational but lacked a mould for pavers.



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

c) **Buzaaya Dairy Development Farmers' Cooperative Society** is located in Buzaaya county, Kamuli District and deals in dairy and poultry products. In November 2019, the cooperative received an incubator and hatchery machine with a capacity of 10,000 eggs per month. Three members from the cooperative were attached to Butenga Farmers in Kira-Wakiso to be trained in operation and maintenance of the machine. The cooperative cited challenges of unreliable power in the area that is likely to increase the cost of operation and inadequate extension staff.

d) **Agribusiness and Real Estate Investments:** Located in Mbarara SME Park, the enterprise 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 received vats are not jacketed to lengthen the cooling time for milk. The enterprise had started on the process of acquiring quality certification from UNBS. Delivery of the deep freezers (2) and cream separator (1) had not been done by July 2020.

e) **Atiak Sugarcane Plantation Out-Growers Cooperative:** located in Gulu District the cooperative deals in peanut and sesame bulking and processing. It got a sesame oil extractor. By August 2020, the oil extractor had not been installed and was housed at the chairperson's home in Gulu District.

f) **Lira Garments Designers:** Located in Lira Municipality the cooperative started in 2016. It has 243 members (120 females and 123 male). The cooperative deals in textile designing and training in tailoring. By July 2020, it had 57 learners. During the FY2019/20 the cooperative received the following equipment from the RIDP secretariat: two industrial overlock sewing machines, one industrial baby-lock machine, 11 industrial sewing machines, four industrial knitting machines, and one button hole machine. All the machines were in use except the industrial knitting machines. The cooperative was in the process of acquiring a UNBS quality certification for face masks. The cooperative cited challenges of limited cash flows and lack of training equipment and textile materials as the major bottlenecks in achieving targets.


L-R: Sesame oil extractor at Atiak Sugarcane Plantation Outgrowers Cooperative Society and some of the tailoring equipment at Lira Garments Designers' Cooperative Society

g) **Nampante Dairy Cooperative Limited:** Located in Mukono District, the cooperative deals in bulking and marketing of milk produced by its members and provision of extension services. The cooperative has 690 members (440 males and 250 female). The average monthly raw milk collection is 30,000 litres which is vended as raw milk in the towns of Mukono and Kiira Municipality. The cooperative received a raw milk cooler (250 litres) and boiling tank to be used in processing yoghurt. By August 2020, the equipment was not in use due to lack of high voltage electricity (3-phase) to run the equipment.

h) **Nawaikoke Dairy Cooperative Society:** Located in Kaliro District, Nawaikoke Town Council, the cooperative deals in bulking, marketing and value addition to milk. The cooperative has 612 members (412 males and 200 female). The cooperative has a 3,000 litre tank for bulking raw milk. They received a raw milk holding tank and two milk boilers (batch) with 250 Litre capacity each, although they lacked three phase electricity to run the equipment, so it was not in used, awaiting repair of the three-phase generator. In Q4 of FY2019/20, farmers were not able to deliver milk to the cooperative collection centres, due to the COVID-19 lockdown.

i) **Bukawa Area Cooperative Enterprise Limited:** Located in Nakigo sub-county, Iganga District, the cooperative has 1,066 members (716 are male and 350 females). The cooperative deals in maize and coffee. They received a coffee milling machine with a capacity of 1000kg/h capacity. This is expected to increase the cooperative's earnings through coffee value addition to produce Fair Average Quality

(FAQ) coffee. The coffee huller was installed but not operational due to lack of high voltage power at the facility (3-phase). The cooperative was mobilising resources to extend electricity to the facility.

L-R: Coffee huller at Bukawa Area Cooperative in Iganga District, and milk boiler at Nawaikoke Area Cooperative in Kaliro District

Delivery of equipment to Saemul Udong Cooperative Society Ltd in Kibaale District and Agri-Business and Real Estates Investments in Mbarara District was differed to Q1 FY2020/21.

Capacity Building for Jua Kali and Private Sector

The RIDP planned to train 80 members from selected enterprises in value 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 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.

Twenty members of Malubanga Oyobu Cooperative Society in Amuru District, and 40 members of Lira Garment Designers Cooperative Society in Lira District were trained in principles of cooperative movement, business management and group dynamics.

Promotion of Value Addition and Cluster Development

The RIDP planned to have eight products from potential enterprises certified across the country during the period under review. Bubaare Innovation Platform Multipurpose Cooperative Society Ltd in Kabale District received support to have two of their products (honey and *bushera*) certified by UNBS. The UNBS conducted the first audit and recommended that the construction of the processing facility be completed first. The cooperative lacks equipment for honey processing and needs training in Good Manufacturing Practice (GMP), and value addition to honey and *bushera*. Therefore, certification of the *bushera* and honey was not achieved during the period under review.

Challenges

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

Conclusion: It was observed that promotion of value addition and cluster development component through product certification and provision of technical support performed poorly. 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. 70% of the groups supported were not utilising the equipment due to higher power requirements (three phase) which was not available at their premises.

Recommendations

- The UEDCL, UETCL and MEMD should improve the quality of electricity in the country. This will reduce on losses incurred during power surges.
- The MoTIC and MFPED should prioritise and adequately fund the project if it is to achieve the intended outcomes.
- The MoTIC/RIDP secretariat should focus interventions in line with the objectives of the programme.

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 GoU. 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 FY2019/20 was Ug shs 62.421bn of which Ug shs 48.5bn (77.7%) was released. The UDC had funds brought forward from FY2018/19 amounting to Ug shs 12.636bn bringing the total funds available during FY2019/20 to Ug shs 61.137bn, of which Ug shs 48.107bn was spent by 30th June, 2020.

3.3.2.1 Soroti Fruit Factory

The Soroti Fruit Factory (SOFTE) is a 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 sub-region. In 2012, the Government of Korea through its development arm; the Korean International Cooperation Agency (KOICA) provided a turnkey project worth US$7.4 million 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, a double cabin pickup, and construction of a sewerage treatment plant. The approved budget for SOFTE for FY2019/20 was Ug shs 14.482bn, of which Ug shs10.014bn was released and Ug shs7.096bn spent by 30th June, 2020. The SOFTE had balance brought forward from the previous financial year amounting Ug shs 1.161b. This brings the total funds available to SOFTE during the period under review to Ug shs11.175bn.

By July 2020, the factory was operational and processed 2500MT of oranges and mangoes in the period under review. Two products: mango and orange juice all ready to drink were certified by UNBS. SOFTE had initiated the process of acquiring ISO 22000 Certification under the UNBS framework. The company also obtained accreditation for alternative procurement and disposal systems from PPDA.

SOFTE procured a truck for the distribution of finished products with a volume capacity of 3,400 cartoons. In addition, a double cabin pickup and a waste disposal truck were procured. The secondary package for the finished ready to drink juices was rebranded to make it more appealing and less space consuming. The company aired visual and audio adverts on two national television and 15 radio stations respectively to promote the product to the wider public. Procurement of a mango juice line was ongoing at bid evaluation. Terms of reference for the secondary effluent treatment plant were developed.

During the year under review, the company hired a mobile mango juice processing line from the School of Food Science, Makerere University to bridge the capacity gap in mango juice processing. The mobile plant could do automated peeling, destoning and pulping. Pasteurisation 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. Research on alternative packaging for ready to drink juice using PET and gable top packs was ongoing. The COVID-19 outbreak and subsequent lockdown negatively impacted the shopping priorities of consumers causing expiry of the finished products on shelves of distributors and retailers across the country. The heavy rains in the first season of 2020 that caused flooding in the major production areas made the roads impassable. The factory also experienced gaps in cold chain storage to support the marketing of concentrates that require such facilities. This implies that small scale manufacturers are not able to purchase concentrates, thus the need to acquire an aseptic filling line.

L-R: Products distribution truck being loaded at SOFTE and primary sewage treatment plant the needs repair

3.3.2.2 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 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.

The UDC was to undertake establishment of 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 cold storage and transportation facilities in Isingiro. 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

i) Kayonza Tea Factory

During the period under review, the installation of a 40,000kg CTC line was completed and was operational. Construction of the office block and paving of the compound was also completed.

Kayonza Tea Factory had submitted a request to UDC for 23 trucks with hooks to maintain leaf quality and ensure aeration during transportation from collection centres to the factory. The factory cited low prices for teas at the auction market in Mombasa during the second half of the FY which greatly affected their cash flow. There was a reduction in export of black teas by approximately 50% due to: reduced demand, clearance delays at the customs points, lack of packaging materials and containers arising out of the lockdown.

There was no MoU between UDC and Kayonza Tea Factory, the factory considered the support a grant from government as opposed to equity shareholding proposed by UDC. The UDC was still engaging the factory management on the best legally acceptable option such as debt finance instead of equity financing.


L-R: New 40MT CTC line installed and office block constructed at Kayonza Tea Factory, Kanungu

ii) Support to Mabale Tea Factory, Kabarole District

The UDC undertook a valuation study to inform the investment decision in Mabale Tea Factory. In FY2019/20, the UDC invested Ug shs 7.62bn into Mabale Tea Factory to prevent its sale by Kenya Commercial Bank (KCB) and clear other creditors. The UDC recruited an interim general manager to manage the recovery period. The valuation report will also be used to inform the need to procure and install the third CTC line.

iii) Zombo Tea Factory:

Procurement of a consultant to undertake the feasibility study of the proposed Nebbi/Zombo Tea factory was ongoing.

iv) Kigezi Highland Tea Factories

The UDC supplied 2.4million tea seedlings to Kabale and Kisoro districts as strategic intervention to increase the amount and quality of leaf for the two tea factories. However, the verification exercise carried out by UDC established 2.1million seedlings survived, while 332,016 seedlings (13.5%) were lost due to drought and poor field management operations. Expenditure details on the Ug shs 1.8bn on this intervention were not readily available for review.

3.3.2.3 UDC Capitation Projects

i. **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 80.3bn. A total of Ug shs 8,516,147,200 was loaned to the company during the financial year.

ii. **Establishment of a cement, lime and marble factory in Karamoja**: Land (221 acres) for setting up a factory was acquired in Nadunget sub-county through Moroto Local Government 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. The UDC hired an in-house consultant on mineral beneficiation. Detailed geological mapping and sampling of marble prospects at the licensed exploration area was completed. The contract for fencing off the factory land was cleared by the Office of the Solicitor General, and civil works were expected to begin in FY 2020/21.

iii. **Luweero Fruit Factory**: In 2018, the UDC acquired a lease for 49 years for 3.4ha land at Bulemezi, Block 652, Plot 984 from Buganda Land Board. The bids for 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 completed. Expenditure details for Ug shs 500 million on this project FY2019/20 were not readily available for review.

3.3.2.4 Pipeline Initiatives

i. Mutuma Commercial Agencies Ltd: The company processes cotton to produce surgical cotton, cotton lint, cotton seed cake, and oil. The company has cash flow challenges. Valuation of the company was done by the CGV and awaiting the valuation report.

ii. Budadiri Arabica Coffee: Located in Mbale District, adds value to Arabica coffee green beans before export. The company requires Ug shs 6bn to cater for an outstanding loan and working capital. The CGV valued the enterprise and UDC awaits the final report.

iii. Yumbe Fruit Processing Factory: Established in partnership with NAADS and the private sector (FONUS), the factory will add value to the abundantly grown mangoes in the region to produce ready to drink mango juice and concentrate. The factory's anticipated production capacity is 5MT/hr and civil works for the processing facility were at 90% completion and processing equipment were installed. Commercial operations of the factory are anticipated in the second quarter of FY2020/21. NAADS' contribution 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.

iv. 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.

v. Brentec Investment Limited: Due diligence was ongoing for the possibility of a joint venture project to manufacture livestock vaccines by Alfassan (U) Ltd and Brentec Investment Limited.

vi. 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).

vii. Kiruhura Coffee Grading: The UDC intends to partner with KaaroAgric Producers Ltd to set up a 8,250 MT/yr specialty coffee plant in Kiruhura District. Due diligence and appraisal of the venture was ongoing.

viii. 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.

ix. Tondeka Metro Mass Transit-Bus System: The project is intended to transform the urban public transport system for greater Kampala. 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.

x. UDC Construction Company Limited: UDC intends to start a construction company to promote local content in the construction industry.

Table 3.6: Performance of the Industrial and Technological Development Programme by 30th June 2020

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 constructed	2,000,000,000	2,000,000,000	2.00	0.40	0.53	Procurement process ongoing at evaluation of bids level. Terms of reference for the secondary effluent treatment plant were 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 procured 2,500 MT of fruits from farmers and farmer groups.
	Working capital	10,000,000,000	5,531,594,680	1.00	0.40	9.54	Operational expenses for the factory cleared. The company is running product advertisements on local media stations.
	Administration expenses	1,751,000,000	1,751,000,000	4.00	3.00	1.73	Staff salaries paid, procured a distribution truck, waste disposal truck and double cabin pickup for marketing manager.
	Commitment for FY2017/18, 2018/19	1,160,816,189	1,160,816,189	100.00	100.00	1.53	Two products ready to drink mango and orange juice certified by UNBS. Procured double cabin pickup for CEO.
Tea project	Mabale Tea Factory	6,000,000,000	5,000,000,000	2.00	1.00	0.00	Valuation of the company was ongoing. Ug shs 7.62bn was invested as equity shareholding by UDC.
	Zombo/Nebbi Tea Factory	4,000,000,000	-	9.00	0.10	0.00	Procurement of a consultant to undertake a feasibility study was ongoing.
	Kabale Tea Factory	5,000,000,000	5,000,000,000	10.00	1.00	0.66	Monitored survival of the 2.4 million tea planting materials distributed in Kisoro and Kabale districts.
	Commitments from FY 2017/18, 2018/19	5,769,264,917	5,769,264,917	13.00	4.00	2.34	Installation of 3rd CTC line and construction of office block for Kayonza Tea Factory were completed and in use. Procured a vehicle for Zombo tea. Invested Ug shs 7.62bn in Mabale Tea Factory.

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Construction of Common Industrial Facilities	Moroto Cement Factory	6,176,835,614	3,290,835,614	12.00	1.00	1.27	Geological mapping and sampling of the exploration area done. Contract for constructing a perimeter wall was awarded but works had not begun.
	Luwero Fruit Factory	2,781,403,497	2,334,385,497	8.00	0.00	0.00	No outputs were reported.
	Lake Katwe Salt Project	2,641,856,800	1,523,074,800	6.00	0.30	0.30	Renovated staff quarters.
	Sheet Glass Project-Masaka	230,004,635	230,004,635	2.00	0.10	0.02	Monitoring of the project site was done.
	Horyal Investments (Atiak Sugar)	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%. Trial runs for the machinery were ongoing.
UDC	Feasibility studies on potential development	934,767,033	934,767,033	11.00	3.00	0.34	Several studies ongoing for different projects.
	Administration expenses and operations	1,385,548,256	1,842,154,342	100.00	100.00	1.37	UDC staff salaries and utility bills paid. Human resource manual for the corporation completed. Recruited four staff.
Rural Industrial Development Project	Capacity building for Jua kali	15,472,000	3,094,400	80.00	75.00	0.02	A total of 75 members from the following enterprises were trained: Mugabi Apiary Products in Kabale District (15), Malubanga Oyobu Cooperative Society in Amuru District (20), and Lira Garment Designers in Lira District (40)
	Industrial Policies, Strategies and Monitoring Services	181,170,000	139,830,400	12.00	8.00	0.21	Monitoring of 11 RIDP beneficiaries was carried. The COVID-19 lockdown situation impacted on the carrying out of the activity
	Industrial Information Services	7,796,000	1,559,200	8.00	1.00	0.01	A total of 26 potential enterprises were physically assessed in Kaberamaido, Kaliro, Mityana, Wakiso, Lira, Mbale, Nebbi, Kagadi, Kibaale, Kapchorwa, Kabale, Buyende, Soroti, Kalungu, Lwengo and Kayunga districts.

Sub-programmes	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	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 got support to have two of their products (honey and bushera) certified by UNBS.
	Construction of common industrial facilities	934,910,000	700,000,000	22.00	12.00	0.90	A total of 12 groups received value addition and processing equipment.
Programme Performance (Outputs)						52.49	Fair performance
Outcome Performance	Outcome Indicator			Annual Target	Achieved	Score (%)	Remark
	% of manufacturing Industries meeting Standard Operating Requirements			70	46	66	
	% contribution of manufacturing to GDP			6	9	100	
	Proportion of industries adopting new technologies in manufacturing			10	12	100	
	Proportion of population employed in the manufacturing industry			15	9	60	
	Programme Performance (Outcomes)					81	Good performance
Overall Programme Performance						62.6	Fair performance

Source: IFMS, field findings, RIDP and UDC Progress Reports

Conclusion

The overall programme performance was fair at 62.6%. The programme output performance was fair at 52.5%, whereas the outcome performance was good at 81%. The RIDP supplied value addition equipment to 12 groups against the targeted 22. Equipment for five beneficiary groups were not in use due to lack of three phase power at the premises. In order to achieve the project objectives, the RIDP secretariat should conduct a thorough assessment of the beneficiaries for equipment to ensure effective utilisation. Project performance on the objectives of: enhanced market access through establishment of collective marketing infrastructure and establishment of incubation facilities and access to business services like product development, branding, packaging and certification, was poor.

The projects under implementation at UDC have potential to create more jobs, enhance technology transfer as well as improve the household incomes of Ugandans. However, late initiation of procurements for capital investments, delays in finalising feasibility studies compelled with the lockdown arising from the outbreak of COVID-19 affected the overall performance of the corporation. It was also observed that the expenditure by the agency did not tally with the achieved outputs, and in some cases the UDC could not provide detailed expenditure on projects such as Luweero Fruit Factory and Kigezi Highland Tea. The agency continues to rollover funds released from one financial year to another which points to poor planning.

Challenges

- Lack of secondary waste disposal facilities at Soroti Fruit Factory is likely to affect its operations.
- Intermittent and expensive power is likely to increase the cost of production for SOFTE.
- Lack of cold storage facilities for concentrates at the distributor's premises and competition from imported concentrates.
- Lack of MoUs between UDC and some of the supported factories/groups.
- Delayed initiation of procurements leading to some activities spilling into the next FY.

Recommendations

- The Government Agencies should strengthen linkages and build synergies in project implementation and execution. 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 should acquire an aseptic filling line for concentrates at Soroti Fruit Factory.
- The UDC and RIDP should have legally binding collaborative agreements with beneficiaries before extending support.
- The UDC should initiate procurements in time to avoid spill over of activities.
- The MFPED/Auditor General should audit the UDC projects to ensure value for money.

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 sub-standard 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 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 the end of FY2015/16. Phase 2 covering construction of UNBS Quality Laboratories (food safety and testing laboratories) started in FY 2016/17 and was completed in FY2019/20.

Performance

The financial performance of the UNBS during the period under review is provided in table 3.7.

Table 3.7: Financial Performance of the UNBS as at 30th June, 2020 (Ug shs billions)

	Budget	Release	Spent	%budget release	%release spent
Wage	21.356	21.356	21.356	100	100
Non-Wage	31.827	25.866	25.673	81.3	99.3
Development	15.753	12.489	10.895	79.3	87.2
Total	68.936	59.711	57.924	86.6	97

Source: UNBS, IFMS

The food safety and analytical laboratories, power house and calibration ridge were completed and commissioned on 12th December 2019. The calibration ridge was functional and the number of trucks handled per day doubled from four to eight. Construction of the electrical laboratory was at 60% progress. Construction of the national metrology laboratory did not commence in the period under review due to inadequate funds. Installation of equipment in both food safety and analytical laboratories was ongoing but 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, electronic balance class II, roller weights, fractional weights among others.

The UNBS acquired a three-acre piece of land in the Mbarara SME Park from UIA for construction of the Mbarara Regional Laboratory and offices. The UNBS rented office and laboratory space for Gulu Regional Offices and procurement and delivery of equipment was ongoing by August 2020.

Under quality assurance of goods and laboratory testing services, a total of 2,705product/systems certification permits were issued. During the period under review, 209 companies were certified to produce hand sanitisers. Inspected a total of 7,345 market and factory outlets, and 153,256 imported consignments; and tested 19,796 product samples.

Table 3.8: Performance of the Standards Development, Promotion and Enforcement Programme by 30th June, 2020

Sub-programme/ project	Output	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	8,023,040,660	3.00	1.00	6.70	Food safety laboratories, calibration ridge and power house were completed and commissioned. Construction of the electrical laboratory was at 60% progress. The UNBS got three acres of land at Mbarara SME park from UIA for construction of Mbarara regional offices and laboratory. Construction of the NML was stayed due to limited funds.
	Purchase of motor vehicles	2,000,000,000	-	10.00	0.00	0.00	
	Purchase of Office and ICT Equipment	2,000,000,000	1,946,000,000	230.00	198.00	2.49	A total of 168 laptops, nine Ipads, five boardroom projectors, 300 user CAL for the system data centre procured.
	Puchase of specialized machinery and equipment	2,000,000,000	2,000,000,000	7.00	6.00	2.42	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	520,000,000	100.00	60.00	1.48	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	40,618,048,474	100.00	100.00	61.76	Staff salaries, utilities, Internet services, gratuity and allowances were paid
	Development of standards	1,039,000,000	791,750,000	400.00	505.00	1.46	505 Standards developed

Sub-programme/ project	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	Quality assurance of goods and Lab testing	4,683,200,000	3,307,405,381	214500.00	183102.00	6.60	A total of 2,705 certification permits issued, 7,345 market and factory sites inspected, 153,256 import consignments inspected and 19,796 product samples tested. Most of the MSMES audited could not meet the certification requirements.
	Calibration and verification of equipment	2,416,000,000	1,609,101,613	1330000.00	1066631.00	3.40	A total of 1,063,277 equipment verified, and 3,354 industrial equipment calibrated.
	Stakeholder engagement and awareness creation	1,000,000,000	745,000,016	108.00	58.00	1.02	Participated in 12 TV and 17 radio talkshows, 329 articles published in print media and 25 stakeholder engagements to increase awareness on the importance of standards.
	Membership to international organisation	250,000,000	150,000,000	4.00	8.00	0.35	Subscription to five organisations made (ISO, IMEKO, ARSO, LGC standards, BIPEA, Botswana bureau of standards, specpro analytical.
Programme Performance (Outputs)						87.69	Good performance
Outcome Performance	Outcome Indicator			Annual Target	Achieved	Score (%)	Remark
	Level of prevalence of substandard imported and locally produced products on the market			50	50	100	No new study conducted during the year.
	Number of certified Ugandan products accessing regional international markets			3500	2776	79	
	Programme Performance (Outcomes)					90	Very good performance
Overall Programme Performance						88.4	Good performance

Source: IFMS, Progress reports, and field findings.

Conclusion and challenges

The overall performance of the Standards Development, Promotion and Enforcement Programme was good at 88.4%. The programme outcome performance was very good (90%) this was premised on the reduction of substandard goods on the market from 54% in FY2018/19 to 50% in FY2019/20. However, performance on number of certified products accessing regional markets was below target. The key challenges included: inadequate staff 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 understaffed. This has hindered standards enforcement.

Recommendation

- Given the increased medium term expenditure framework (MTEF) for wage to Ug shs 10 billion, the UNBS should recruit additional staff in the technical departments to enforce standards and conduct regular surveillance.

3.5 Overall Sector Performance

The industrialisation sub-sector performance was fair at 68.8%. Achievement of sector outcomes was good at 72.3%, although this was not in correlation with the output performance at 66.9%.

Achievement of the NDPII sector outcomes was fair as shown in table 3.9. Good performance was exhibited under the share of manufactured exports to total exports from 6% in FY2012/13 to 25.75% in FY2019/20. It was observed that some of the NDP II outcome indicator targets were revised by implementing sectors through the sector Investment plans.

Table 3.9: Achievement of NDPII Industrial Sector Outcomes

Indicator	Baseline FY2012/13	Target FY2019/20	Achievement FY2019/20	Performance (%)
Sectoral contribution of GDP (%)	20.72	27.9	24.5	87.8
Share of manufacturing exports to total exports (%)	6	19	25.75	100.0
Share of manufacturing to GPD (%)	8	14	9	64.3
Share of manufacturing jobs to total formal jobs (%)	16.4	20	9	45.0

Source: NDPII, Q4 reports, background to the budget FY2020/21

During the period under review, the Standards Development, Promotion and Enforcement (UNBS) Programme and USADF Project performed better than Investment Promotion and Facilitation Programme under UIA, and the Industrial and Technological Programme under MoTIC.

The UNBS and USADF physical and financial performance was good (development and recurrent sub-programmes) and demonstrated efficiency in resource utilisation. Development projects under UFZA were not carried out which negatively affected the sub-programme's performance.

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. The UDC under the Industrial and Technological Development Programme acquired another 8% shares in Atiak Sugar Factory, while Soroti Fruit Factory had started production. However, the UDC had a spill over of activities from the previous FY that were still pending. The rather average performance of some of the sub-programmes was due to delays in initiation of procurements, poor planning, inadequate staffing compelled with the outbreak of COVID-19.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusion

Industrialisation of the Ugandan economy is vital for the attainment of middle income status by 2030, however the country is faced with low productivity and low job creation leading to production of low value goods largely from small and medium size enterprises (SMEs). Improving the stock and quality of trade infrastructure, promotion of formation and growth of cooperatives and SMEs among others are expected to spur industrial growth in the country. However, the performance of agencies involved in trade and industry infrastructure was fair due to late initiation of procurements, low prioritisation of development activities and inadequate funding.

Development and servicing of industrial parks and free zones, provision of quality power and other services are vital in promoting industrial growth. The outbreak of COVID-19 and subsequent border closures by different countries affected the industrial sub-sector that is reliant on imported supplies (packaging material, raw materials). Other industrialists reported reduced demand and clearance delays at the customs points in order to observe the instituted SOPs to prevent the spread of COVID-19. There is need for inter-agency collaborations and synergies to ensure timely implementation of shared industrial and trade infrastructure.

Some of the key sector challenges included: Poor quality and intermittent power supply, that increase the cost of production; poor infrastructure in industrial parks; lack of MoUs between government agencies and most supported beneficiaries for the UDC interventions, delayed initiation of procurements by entities like the UDC; limited support to MSMEs to enable them meet the legal certification requirements for attaining quality standards; and delays in cargo movement due to observance of COVID-19 SOPs and border closures.

4.2 Recommendations

- The Ministry of Energy and Mineral Development and UETCL should expedite the transmission of high voltage power to major processing zones/industrial parks
- The UIA should prioritise 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.
- The UDC should initiate procurements in time and have MoUs with beneficiaries specifying the terms and conditions of investment and obligations of each partner.
- The MoTIC, through UNBS should support MSMEs to acquire quality certification.
- The UIA should prioritise the development budget to enable servicing of industrial parks and fully compensate the squatters in Mbale BIP.
- The GoU through the Ministry of Works and Transport should revive the railway transport for efficient cargo movement across the borders.

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