Industrialization Sub-Sector

Semi-Annual Budget Monitoring Report

Financial Year 2018/19

April 2019

Ministry of Finance, Planning and Economic Development
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ABBREVIATIONS AND ACRONYMS

ACE	Area Cooperative Enterprise
AIA	Aid in Appropriation
CPU	Community Processing Unit
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
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
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
SOFTE	Soroti Fruit Factory
SPV	Special Purpose Vehicle
RIDP	Rural Industrial Development Programme
SME	Small and Medium Enterprises
TEFCU	Teso Farmers' Cooperative Union
ToR	Terms of Reference
UDC	Uganda Development Corporation
UNBS	Uganda National Bureau of Standards
US$	United States Dollar
USADF	United States African Development Foundation

FOREWORD

Over the years, the Government has implemented a number of interventions that have led to substantial progress in economic growth and national development which is now projected at 6.3% this Financial Year 2018/19 up from 6.1% attained last Financial Year 2017/18. As Government continues to pursue strategies for sustained growth and development, we should step up efforts in monitoring government programs and projects, to ensure that they are implemented in time and cost and any obstacles identified and addressed.

This report from the Budget Monitoring and Accountability Unit points to fair performance among the sectors monitored. It shows that most sectors achieved between 60%-79% of their planned semi-annual output targets. The fair performance points to the need for proper planning and commencement of procurement processes in time. This has resulted in slow absorption of funds and ultimately inadequate service delivery.

The sectors now have a quarter of the financial year to make good the promises made in terms of output and outcome targets. This is to urge all sectors to review the report and take necessary corrective actions to ensure effectiveness by end of the financial year.

Patrick Ocailap
For Permanent Secretary/ Secretary to the Treasury

EXECUTIVE SUMMARY

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

Programmes selected for monitoring were based on planned annual outputs; regional representation; level of capital investment; and value of releases during half year, Financial Year 2018/19. The methodology adopted for monitoring included literature review of annual progress and performance reports; interviews with the respective responsible officers or representatives; and observations or physical verification of reported outputs. Physical performance was rated using weighted achievement of the set output targets by 31st December, 2018.

Overall performance

The Industrialization Sub-Sector budget for FY2018/19 is Ug shs135.990 billion, of which Ug shs 88.171 billion (64.8%) was released, and Ug shs 86.168 billion (97.7%) spent by 31st December 2018. Releases and expenditures were good.

The sub-sector average performance by half year was good (75.9%). Standards Development, Promotion and Enforcement Programme under Uganda National Bureau of Standards (UNBS), and Development Policy and Investment Promotion (United States African Development Foundation-USADF) under Ministry of Finance, Planning and Economic Development (MFPED) had good performance above 80%. The Investment Promotion and Facilitation programme under Uganda Investment Authority (UIA), and Industrial and Technological Development under Ministry of Trade, Industry and Cooperatives (MoTIC), and Uganda Development Corporation (UDC) exhibited fair performance

Highlights of Vote Performance by Programmee

Development Policy and Investment Promotion programme (United States African Development Foundation) Value addition: The USADF identified eight (8) beneficiary groups/cooperatives for support through either capacity building (enterprise development) or enterprise expansion for FY 2018/19. The selected cooperatives were in the early stages of implementing value addition enterprises in coffee, rice, maize, peanut and beans.

The program performance was good (86.4%). Out of the nine beneficiary groups selected by USADF for support in FY2018/19, the semi-annual monitoring exercise focused on seven that had started implementation. Kweyo Farmers' Cooperative had completed and occupied its infrastructure, while Kabeywa Cooperative was constructing the sub-structure for the plant and stores. All the beneficiary groups were doing well on the component of administrative support and training. All the groups had received at least two trainings and some working capital except Mt. Elgon Coffee Farmers' Cooperative. Kweyo Farmers' Cooperative received all the equipment while procurement of equipment was at various levels for the different groups. Two cooperatives (Kweyo and Mt. Elgon) out of the seven monitored entities had expended on technical assistance. Overall, the project exhibited effectiveness in resource utilization and is on course to achieving its objectives.

Development of Industrial Parks and Investment Promotion and Facilitation under UIA: Programme performance was fair at 61.2%. The recurrent sub-programmes performed better than the development component. The UIA was tasked to develop 22 industrial parks across the country by the year 2020. Land was acquired for eight industrial and business parks in Luzira, Bweyogerere, Mbarara, Moroto, Kasese, Soroti, Mbale and Namanve. However, during FY 2018/19, the budget for development of industrial parks was reduced owing to wage and non-wage demands at UIA. Also, the activities related to maintenance and opening of roads in all parks did not take off due to inadequate allocations. In terms of investment promotion, a total of 120 projects were licensed, round table conferences and after care services with investors were organized. Compensation of the remaining 61 squatters at Mbale Industrial and Business Park was ongoing, with 15 of the claimants paid. However, the resources allocated were not adequate to cover all the claimants.

Kampala Industrial and Business Park: The UIA initiated a procurement for the Engineering, Procurement and Construction (EPC) for the infrastructure development of Kampala Industrial and Business Park –Namanve. By December 2018, a commercial contract had been signed with M/s Lagan from the United Kingdom to undertake the works. Thirty-seven (37) industries are currently in operation within the Kampala Industrial and Business Park directly employing 15,000 Ugandans within the park; 99 projects have commenced construction creating an additional 17,000 indirect/short term/contract/technical jobs during this period, while 140 companies were still in the pre-start stages (surveying, processing deed plans and titles, environmental impact assessment certificates, architectural designs, geotechnical and hydrological studies).

Industrial and Technological Development Programme: Performance was fair at 68.9%. The various projects and sub-programmes had varying levels of implementation. The Rural Industrial Development Project (RIDP) under MoTIC was in the process of procuring and supplying equipment to eight (8) selected enterprises by 31st December 2018. Three enterprises whose procurement of equipment was concluded in the previous FY received the supplies and were in use. They included MBK Enterprises in Kaliro District, Kijjukizo Carpentry hub in Butambala District, and Nakirebe Farmers' Cooperatives in Mpigi District. Construction of the Kiln for Zigoti Clays in Mityana District was ongoing at a rather slow progress. It was observed that implementation is behind schedule. In addition, the quality of supplies is below the expectations of the recipients. The project does not exhibit value for money.

Notably, the programmes and sub-programmes under UDC varied in levels of progress. The Government of Uganda acquired all allocated shares from Horyal Investments (owners of Atiak Sugar Factory) after paying an additional Ug shs 45 billion. The government owns 32% shares in the company worth Ug shs 64.8 billion.

Soroti Fruit Factory: Construction and installation of equipment at the factory was completed. The previously identified defects were addressed except for the pending primary waste treatment lagoon. The floor in the production area was upgraded to food grade polyurethane standard. Recruitment of staff, office partitioning, establishment of a management structure, purchase of pouches, two fork lifters, and borehole drilling were completed. However, staff training was awaiting the arrival of the Korean experts. The factory was scheduled to undertake test runs prior to official commissioning. It was observed that construction of the secondary effluent waste disposal, which is an obligation by GoU under the UIA was still pending.

Establishment of Zonal Agro-Processing Facilities' Project: The Kigezi Highland Tea factories in Kabale and Kisoro districts were commissioned. The factory in Kisoro is currently not operational due to insufficient and poor quality leaf obtained, while the Kabale Tea Factory operates at least three days a week. Procurement of the 40,000kg processing equipment for Kayonza Tea Factory in Kanungu District was ongoing and the equipment was expected to be delivered starting April 2019. The progress of civil works for the structure to house the production line was estimated at 30% and was expected to be completed in May 2019. An inception report for the proposed Nebbi/Zombo tea factory was prepared. The UDC undertook farmer training in good agronomic practices in Zombo District and supported the formation and registration of Zombo Tea Farmers' Cooperative.

Other planned projects such as sheet glass in Masaka District, Luwero Fruit Factory, Mabale Tea Factory, Moroto Cement and Lime Plant, and Lake Katwe Chemical Industries were still in early stages of either exploration, or master planning.

Standards Development, Promotion, Enforcement, and Support to UNBS programmes: Performance was good at 87.1%. The civil works for the construction of the food safety laboratory blocks (microbiology, petroleum and chemistry) including reception, analysis, and storage rooms was at 55%. The ongoing works included electrical installation, floor works, and final finishes. As part of quality assurance and control, the UNBS opened up an SME desk to ensure quality of products for the small and medium manufacturers (cottage industries). The agency opened and furnished three regional offices in Mbale, Gulu and Mbarara districts to take services nearer to the people. Two station wagons, two double cabin pickup trucks, and three motorcycles were procured to facilitate operations of the agency.

Challenges

- Weak linkages and synergies by government agencies which delays project implementation and in some instances duplication of outputs.
- Intermittent, poor quality and expensive power to run the factories has led to loss of equipment and increased the cost of production.
- Management and governance gaps at the helm of the key sub-sector implementing agencies (UDC and UIA).
- Inadequate operational budgets which do not match with the development project funding, for example under UDC there is a staffing gap to implement project activities. The UDC for example has one engineer to oversee/supervise all projects.

- Poor quality equipment supplied under RIDP and misalignment of interventions to programme objective.
- Low absorption of funds at UDC some of which are transferred funds from the previous financial year.
- Expensive credit.

Recommendations

i) Government agencies should strengthen linkages and build synergies in project implementation and execution. The UDC, UIA and National Water and Sewerage Corporation (NWSC) should prioritize the establishment of a waste disposal facility at Soroti Industrial and Business Park to avoid delays in operationalization of the fruit factory and industrial parks.

ii) The power distribution and transmission companies (UMEME and Uganda Electrivity Transmission Company Limited (UETCL) should improve the quality of power to avoid loss of sensitive equipment by industrialists.

iii) The GoU should ensure capitalisation of the UDC and Uganda Development Bank to not only allow incubation of transformative manufacturing, but avail affordable credit to manufacturers.

iv) The MoTIC through the RIDP should improve the quality of equipment supplied and align the project interventions to its objectives.

v) The UDC should fast-track implementation of planned activities in order to absorb the funds disbursed.

vi) The MoTIC and MFPED should urgently address the governance and management challenges at both UDC and UIA as they directly impact on the entities' performance.

CHAPTER 1: BACKGROUND

1.1 Introduction

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, 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)
- Industrialization
- Information and Communication Technology
- Social services (Education, Health, and Water and Environment)
- Public Sector Management; and
- Science, Technology and Innovation

1.2 Sub-Sector Mandate

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

1.3 Sub- Sector Objectives

The industrialisation sub-sector objectives are;

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

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

CHAPTER 2: METHODOLOGY

2.1 Scope

This report is based on selected programmes in the following votes: Vote 015: Ministry of Trade, Industry and Cooperatives (MoTIC); Vote 154: Uganda National Bureau of Standards (UNBS), Vote 310: Uganda Investment Authority (UIA), and partly Vote 008, Ministry of Finance, Planning and Economic Development (MFPED). Annex 1 shows the monitored programmes and sub programmes.

Selection of areas to monitor was based on a number of criteria:

- Significance of the budget allocations to the votes within the sector budgets, with focus being on large expenditure programmes. Preference is given to development expenditure. The programmes that had submitted Q2 progress reports for FY2018/19 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.

2.2 Methodology

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

2.2.1 Sampling

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

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

2.2.2 Data Collection

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

- Review of secondary data sources including: Ministerial Policy Statements for FY2018/19; 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 analyzed using both qualitative and quantitative approaches. Comparative analysis was done using the relative importance of the outputs and the overall weighted scores.

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

The performance was rated on the basis of the criterion in Table 2.1.

Table 2.1: Assessment guide to measure performance of projects monitored in FY2018/19

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

CHAPTER 3: SUB SECTOR PERFORMANCE

3.1 Overall Sub-Sector Performance

The overall performance of the sub-sector was good at 75.9% with recurrent sub-programmes and outputs performing better than development sub-programmes expect for USADF and UNBS. The USADF and Standards Development, Promotion and Enforcement (UNBS) Programmess performed better than Investment Promotion and Facilitation under UIA, and Industrial and Technological Development under MoTIC and UDC.

The UNBS and USADF physical and financial performance was good (development and recurrent sub-programmes). The projects demonstrated efficiency in resource utilization contrary to RIDP which presented deficiency in value for money.

The UDC and UIA exhibited good performance on the recurrent outputs however; progress on the development outputs was poor. None of the industrial parks were serviced as planned, similarly the UDC projects were behind schedule and in some instances activities haphazardly executed. Table 3.1 shows the overall performance by programme.

Table 3.1: Industrialization Sub-Sector Performance by 31st December 2018

Programme	Score (%)
Development Policy and Investment Promotion (USADF)	86.4
Industrial and Technological Development (RIDP and UDC)	68.9
Standards Development, Promotion and Enforcement Program (UNBS)	87.1
General Administration and Support Services, and Investment Promotion and Facilitation.	61.2
Average performance	**75.9**

Source: Author's Compilation

Financial performance

During FY 2018/19, the industrialization sub-sector budget was Ug shs135.990 billion of which, Ug shs 88.171 billion (64.8%) was released and Ug shs 86.168 billion (97.7%) was spent by 31st December 2018. The release and expenditure were very good as shown in Table 3.2.

Table 3.2: Overall Financial Performance of the Industrialization Sub-Sector by 31st December 2018

Institution	Budget	Release	Expenditure	% Release	% Spent
UNBS	47,841,000,000	26,818,000,000	24,688,000,000	56.1	92.1
RIDP	488,076,000	149,671,000	149,671,000	30.7	100.0
UDC	70,421,758,000	52,165,878,153	52,515,273,067	74.1	100.0
USADF	5,745,343,008	2,530,486,157	2,396,019,418	44.0	94.7
UIA	11,494,000,000	6,507,000,000	6,420,000,000	56.6	98.7
TOTAL	**135,990,177,008**	**88,171,035,310**	**86,168,963,485**	**64.8**	**97.7**

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; mobilize local and external financial resources for public expenditure; regulate financial management, and ensure efficiency in public expenditure; oversee national planning and strategic development initiatives for economic growth.

The semi-annual monitoring (FY2018/19) focused on the United States African Development Foundation (USADF) sub-programme under development policy and investment promotion program.

Development Policy and Investment Promotion Programme

3.2.1 United States African Development Foundation (USADF)

Background

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

Overall project objectives

- To promote the 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 increase the participation of small scale agricultural groups and SMEs in investment relationships with US and other trading partners.

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

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

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

In FY 2018/19, the USADF project planned to construct storage facilities, provide agro-processing equipment and facilities, and working capital, technical assistance, and administrative support to selected beneficiary groups countrywide.

Performance of the USADF Sub-Programme

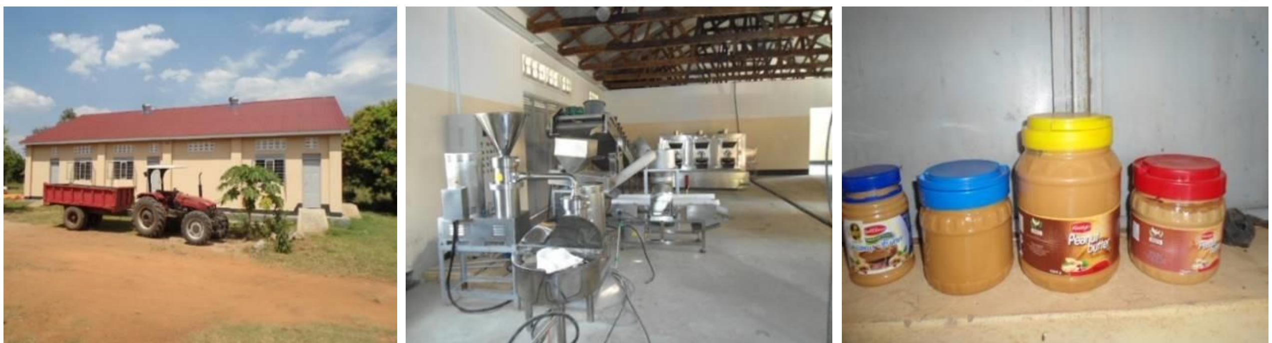
The approved budget for USADF for FY2018/19 is Ug shs5,745,343,008 of which Ug shs2,530,486,157 (44%) was released and Ug shs2,396,019,418 (94.7%) spent by 31st December 2018. Release and expenditure performance by half year were good and very good respectively.

Out of the nine beneficiary groups selected by USADF for support in FY2018/19, the semi-annual monitoring focused on seven[2] that had started implementation. By 31st December 2018, implementation by the different beneficiary groups was at varying levels.

[2]Zirobwe Agaliawamu Agri-business Traininng Association in Luwero, Kabeywa United Coffee Farmers Cooperative Society Ltd in Kapchorwa, Manafwa Basin Rice Farmers Cooperative Society Ltd in Butaleja, Elgon Cooperative Union Ltd in Bududa, Mount Rwenzori Coffee Farmers Cooperative Union in Kasese, Abatahunga Coffee Farmers Cooperative Union in Kiruhura, and Kweyo Growers Cooperative in Omoro District

Kweyo Growers' Cooperative Society in Omoro District: In 2017, an enterprise expansion grant (US$ 250,000) was awarded to the group to establish a peanut processing facility and procure equipment among others. Performance of the grant averaged at 80% with a number of outputs achieved. The peanut processing equipment was installed on 7th November 2018 and test runs conducted. The cooperative was producing creamy and crunchy peanut products and marketing them in Gulu and Kampala. Members are given premium prices for raw products.

By January 2019, the cooperative was in advanced stages of obtaining a UNBS Q-mark and recruiting a marketing officer. The crop finance funds had grown from Ug shs 22 million at the end of FY 2017/18 to Ug shs 36 million. The pending activities included training of farmers and procurement of improved groundnut seeds.



L-R: Completed peanut factory, installed equipment and some of the products made by Kweyo Growers' Cooperative in Omoro District funded under USADF

In Bududa District, Mt Elgon Coffee Farmers' Cooperative obtained a capacity building grant worth US$ 100,000 in June 2018. The grant was to improve production and processing of Arabica Coffee. Using this grant, the cooperative recruited staff, procured two motorcycles, received training in financial and stores management, cooperative governance, development of manuals, and; monitoring and evaluation. It procured office supplies and equipment such as furniture, computers, money safe and filing cabinets which are pending delivery. Implementation was therefore in the early stages.

Manafwa Basin Rice Growers' Cooperative is located in Butaleja District in Eastern Uganda. The organisation received an enterprise expansion grant (US$250,000) in June 2018 to cater for rice milling equipment, transport equipment, storage facility, crop finance, product certification and training among others. By January 2019, the cooperative had procured a 100kva transformer, a motorcycle, and received two trainings in financial management, monitoring and evaluation, good agronomic practices and systems upgrade. The milling equipment, storage facility and product certification were expected to be implemented in 2019. The remaining trainings were awaiting completion of rehabilitation of Doho II Irrigation Scheme and construction of the factory.

Installed 100 kva transformer in Butaleja District

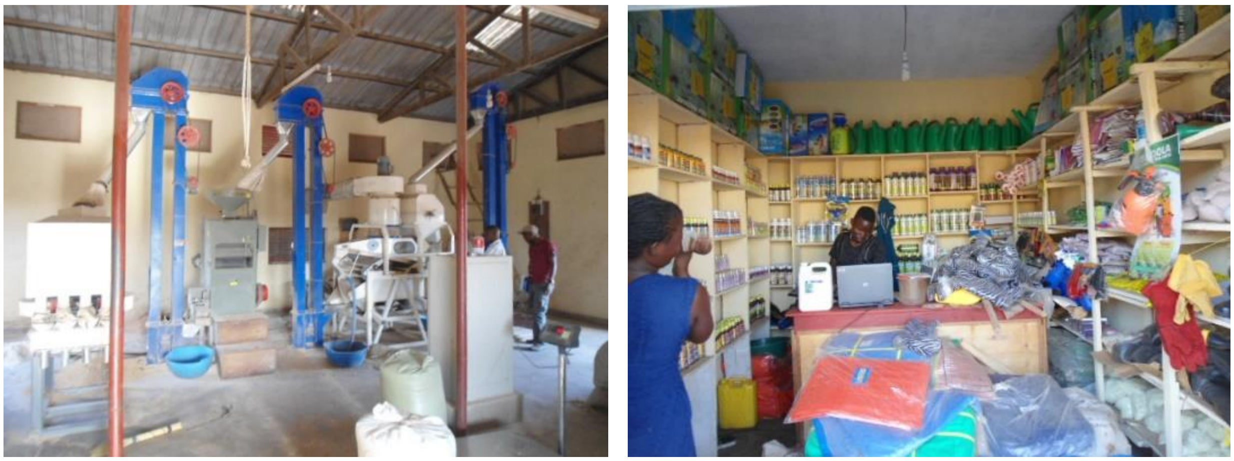
Abatahunga Coffee Farmers' Cooperative is located in Kiruhura district and deals in coffee trade and processing. It received a capacity building grant worth US$ 100, 000 in June 2018 for crop finance, purchase of equipment, capacity building, and administrative support. By January 2019, training in financial management, monitoring and evaluation and two desktop computers had been delivered. The cooperative also received funds under crop finance to purchase 16 tonnes of coffee. The land for construction of a processing plant had been demarcated awaiting grading and the safe-box, filing cabinet and motorcycle were pending delivery.

Mt Rwenzori Coffee Farmers' Corporative Union is located in Kasese district. It received an enterprise development grant for construction of a processing facility, a warehouse, purchase of a coffee hurler, truck, post-harvest handling equipment, office equipment and conduct trainings in Financial Management, and M&E. The 10 Metric Tonne (MT) truck was procured. Release of funds for construction of a warehouse, processing facility and purchase of coffee hauler were pending a lease letter for a 3 acre piece of land from Uganda Investment Authority (UIA) in the Kasese Industrial and Business Park. Trainings in coffee quality, marketing, stores management and obtaining a fair trade re-certificate were pending.

10MT truck acquired by Mt. Rwenzori Coffee Cooperative

Zirobwe Agaliawamu Agri-business Institute is located in Zirobwe Town Council, Luweero District. It is composed of 4,620 farmers organized in 161 groups spread in four districts of Luweero, Nakaseke, Nakasongola and Mukono. The organization deals in five main crops namely: maize, rice, soya bean, beans and coffee. In April 2018, the group received an enterprise expansion grant of US$250,000 for value addition to rice and maize enterprises. By January 2019, the group had received capacity building in M&E and financial management. The input store was stocked. A rice mill (complete line from destoning, hulling, polishing and grading), 2 maize shellers, a 10(MT) truck and two motorcycles, two weighing scales (Digital and analogue) were also delivered and in use.

The pending activities included product certification, completion of housing for the maize mill, and a multi-purpose grain cleaner. The organisation is able to process 10 Metric tonnes of rice per day compared to 2 metric tonnes before the intervention. Overall execution of the grant was estimated at 70% against a time progress of 35%.



Installed rice mill and stocked input shop in Zirobwe, funded by USADF grant

Kabeywa Coffee Farmers' Cooperatives Society was registered in 2016 with a total of 646 members. It was selected for an enterprise expansion grant from USADF after successfully implementing an enterprise development grant in 2017. The scope of the grant covers construction of a 500MT store, procurement of wet coffee hurling equipment, crop finance, 10MT truck and support for organic coffee certification. By January 2019, the civil works for the office block and a 500 metric ton store in Bulambuli were at foundation level.

The motorcycle and a 10 metric ton truck were delivered. The pending activities included procurement and delivery of the hauling machine for wet coffee processing, office equipment, organic certification and capacity building.

Substructure under construction in Bulambuli and some of the stocked coffee at Kabeywa Cooperative in Kapchorwa District

Table 3.3: Performance of United States African Development Fund by 31st December, 2018

Subprogram/ project	Output	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
United States African Development Foundation (USADF)	Infrastructure	820,382,868	286,902,700	5	1.5	12.25	Kweyo had completed and occupied its infrastructure. Kabeywa was at foundation level, while other beneficiaries were at different levels of either procurement or construction.
	Equipment	2,676,514,693	1,436,933,018	21	10	41.32	Kweyo procured all the equipment and ZAABTA was yet to receive the maize mill. For Abatahunga, the equipment were purchased but yet to be delivered. For Mt. Rwenzori, the office equipment, motorcycle and truck were delivered. The coffee hauling machines were awaiting construction of the structure.
	Working capital	913,305,000	518,549,550	8	4.3	15.05	All the monitored beneficiary groups had received some working capital except Mt. Elgon. Kabeywa and ZAABTA had exhausted their budgets on this item.
	Training	110,943,000	47,149,626	19	11	1.93	All the beneficiary groups had carried out at least two training (financial management and monitoring and evaluation). Other trainings were dependent on complementary activities.
	Technical assistance	356,102,351	27,130,000	16	0.25	1.27	Two (Kweyo and Mt. Elgon) out of the seven monitored entities had expended on technical assistance. This was mainly in product certification and financial systems upgrade).
	Administrative support	868,095,096	213,821,263	21	5	14.61	All the groups were able to recruit staff, pay salaries and maintain office equipment
	Programme Performance (Outputs)					**86.43**	**Performance was good**

Source: Beneficiary progress reports, and field findings

Challenges

- Delayed handover of land from UIA has affected the timely implementation of construction activities by Mt. Rwenzori Coffee Farmers' Corporative Union.
- The uncertain and prolonged dry weather period affected crop production and slowed down the construction of the office block and warehouse for Kabeywa Coffee Farmers Cooperative in Kapchorwa.
- The United States of America Government shut down of December 2018-January 2019 led to delayed disbursement of funds for some of the beneficiaries.

Conclusion

The project registered good performance at 86.43%. Specifically, all the beneficiary groups were doing well on the component of administrative support and training. This is because; all the groups had received at least two trainings. Procurement of equipment was at various levels for the different groups. Thus, the project exhibited effectiveness in resource utilization and is on course of achieving its objectives.

Recommendations

- The UIA should speed up the processing of the lease for the 3 acre piece of land in the Kasese Industrial Park to enable construction to commence.
- The USADF should disburse funds in a timely manner to the beneficiaries who are prepared to start implementation.

3.2.2 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 the year 2020. Over the years, UIA has acquired land for nine industrial and business parks in Luzira, Bweyogerere, Mbarara, Moroto, Kasese, Soroti, Mbale, Jinja and Namanve. The master plans for all parks were made and attempts to design and build infrastructure (roads, water, electricity) in the parks made.

Beginning FY2018/19, the UIA obtained a vote status with one sub-programme 1412; General Administration and Support Services and one project 0994: Development of Industrial Parks. The monitoring focused on Development of Industrial Parks.

Performance of the Investment Promotion and Facilitation

The revised budget for the UIA FY2018/19 including a supplementary of Ug shs 510 million (for compensation of squatters in Mbale) was Ug shs11.494 billion, of which Ug shs 6.507billion (56.6%) was released and Ug shs 6.420billion (98%) expended by 31st December 2018. Both release and expenditure performances were good. Most of the expenditures were on recurrent activities.

Development of Industrial Parks

The semi-annual monitoring focused on Development Policy and Investment Promotion Programme with specific attention to Development of Industrial Parks project.

During FY 2018/19, the budget for Development of Industrial Parks was reduced owing to wage and non-wage demands at UIA. The activities related to maintenance and opening of roads in all parks did not take off due to inadequate allocation.

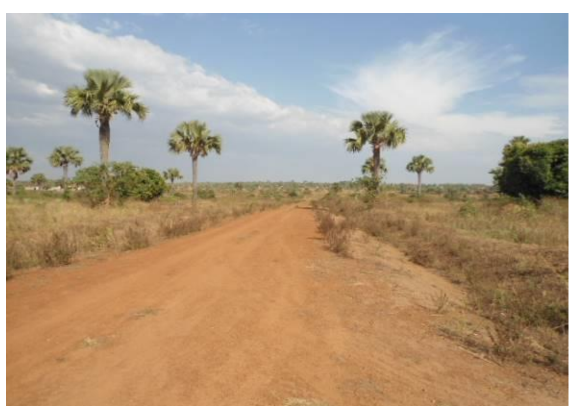
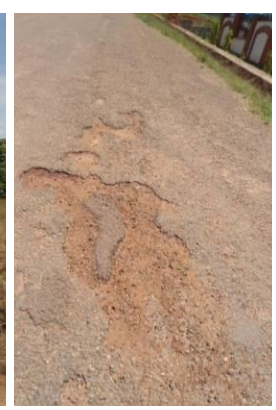
Table 3.3: Performance of the Development Policy and Investment Promotion Programme under UIA by 31st December, 2018

Sub-program/ project	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Investment Promotion	Investment Promotion Services	120,000,000	70,000,000	30038	7029	0.42	A total of 19 inward and six outward missions were facilitated. Three investment conferences were organized. 200 copies of Bankable Projects were procured and distributed to potential investors.
Investment Facilitation	Investment Facilitation Services	120,000,000	70,000,000	1297	560	0.77	128 projects were licensed, 237 facilitation related activities, and 82 projects were provided with aftercare services.
	Development and Servicing of Industrial Parks	670,000,000	430,000,000	3.00	0.5	1.51	
One Stop Centre	Supervision of the One Stop Centre Agencies	460,000,000	290,000,000	4	2	3.17	The One Stop Centre was supervised, 1 additional voice circuit purchased, redundant power bank (8 KVA), and additional storage server.
Small and Medium Size Enterprises	SME Facilitation Services	550,000,000	350,000,000	3018	3046	4.78	A total of 760 entrepreneurs were trained, 650 SMEs sensitized, 544 exhibitors participated in the various exhibitions in Uganda, and 5 DICs meetings were held in Wakiso District.

Sub-program/ project	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Administration and Support Services	Office of the Executive Director	230,000,000	150,000,000	121	60.25	1.53	A contract was signed with Lagan Group (UK) for the proposed infrastructural development of Kampala Industrial and business Park.
	Finance and Administration	8,840,000,000	4,620,000,000	6	2	49.03	Salaries, utilities and rent were paid, while performance reports were prepared and submitted.
Development of Industrial Parks	Acquisition of Land by Government and Finance and administration	510,000,000	510,000,000	73	17	1.03	A total of 15 out of the 61 affected persons in the Mbale Industrial and Business park were compensated. Extension of water and electricity to at least 60% of the KBIP was not done subject to availability of funds.
	Program Performance (Outputs)					**61.21**	**Fair Performance**

Source: IFMS, Progress reports, and field findings

Roads in the industrial parks located in Soroti, and Kasese were neither opened nor serviced. In Bweyogerere IBP, a number of roads were turning from fair to poor state due to heavy traffic. The few kilometers of all-weather roads in parks were developing potholes.

L-R: Unmaintained road in South A Estate of KIBP-Namanve & Soroti IBP

Jinja Industrial and Business Park: The evaluation of a consultant for the feasibility study of Jinja Industrial and Business Park was finalized with support from Trademark East Africa. Kiira Motors Corporation owning over 80% of the park land had started site clearance for the establishment of a car assembly plant and office buildings.

Mbale Industrial and Business Park: During FY 2018/19, an additional Ug shs 510 million was provided for compensation of the remaining squatters. The activity was ongoing with 15 of the 61 claimants paid. However, the resources were not adequate to cover all the claimants. Further still, some of the claimants had disputed the valuation prices from the Chief Government Valuer.

Kampala Industrial and Business Park: The UIA initiated procurement for the Engineering, Procurement, and Construction (EPC) for the infrastructure development of Kampala Industrial and Business Park –Namanve. By December 2018, a commercial contract was signed with M/s Lagan from the United Kingdom to undertake the works under a Public Private Partnership arrangement.

Six factories within Namanve Industrial Park were commissioned. These are: Orion Transformers, Interior Technologies, Alfasan Uganda, Steel and Tube Industries, Luuka Plastics and Toyota Uganda. Thirty-seven (37) industries were in operation within the park directly employing 15,000 Ugandans. A total of 99 projects had commenced construction, creating an additional 17,000 indirect/short term/contract/technical jobs during this period, while 140 companies were still in the pre-start stages (surveying, processing deed plans and titles, environmental impact assessment certificates, architectural designs, geotechnical and hydrological studies).

Investment promotion; A total of 128 projects were licensed, round table conferences and after care services were provided to 82 investors. A total of 19 inward and six outward missions were facilitated.

The UIA organized two investment conferences in collaboration with partners such as Uganda-China symposium, operation wealth creation and UG-CHINA economic and trade cooperation forum.

Challenge

- Inadequate allocation and funding for the development of industrial parks that affected the servicing of the parks with the required utilities and compensation of squatters.

Conclusion

The performance of Investment Promotion and Facilitation Programme was rated as fair (61.21%). Most of the re-current sub-programmes were implemented, while the development component performed poorly. This is attributed to the fact that the biggest percentage of the budget (82%) was allocated to recurrent activities. Serviced industrial parks are a key incentive to attracting investors however; the continued underfunding of the project has hindered attraction and occupation by potential investors. The GoU and UIA should therefore consider provisioning adequate resources for servicing the parks in order to realize the intended objectives.

Recommendations

- The UIA should prioritize the development budget to enable the servicing of industrial parks and fully compensate the squatters in Mbale.
- The board should seek for alternative sources of funding for servicing industrial parks.

3.3 Ministry of Trade, Industry and Cooperatives

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 of Trade, Industry and Cooperatives (MoTIC) 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 FY2018/19 is Ug shs 112.366billion, of which Ug shs 84.754billion (75.4%) was released and Ug shs 79.790billion (94.1%) spent by 31st December 2018. Good release performance was exhibited by UDC, while the Rural Industrial Development Project (RIDP) had poor release performance. Overall release and expenditure performances were good.

Industrial and technological development Programme

The overall objective of the programme is to ensure policy formulation, planning and coordination; and promoting the expansion, diversification and competitiveness of the industrial sector. The programme outcome is industrial facilitation, promotion and cluster competitiveness. This contributes to the sector outcome of a strong industrial base and increased employment in the manufacturing sector. Under the program, the semi-annual monitoring FY 2018/19 focused on the RIDP project and implementations under Uganda Development Corporation (UDC).

3.3.1 The Rural Industrial Development Project

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

Performance of the RIDP

The approved budget for the RIDP, FY2018/19 was Ug shs 488,076,000, of which Ug shs 149, 671,000 (30.7%) was released and all expended by 31st December 2018. Although releases were poor, expenditure was good.

The RIDP was in the process of procuring and supplying equipment to eight (8) selected enterprises. Three enterprises whose equipment procurement was concluded in FY2017/18 received the supplies in the first quarter and were in use. They included MBK Enterprises in Kaliro (A manual hydraulic bending machine), Kijjukizo Carpentry hub in Butambala (a wood drilling and mortise machine), and Nakirebe Farmer's Cooperatives in Mpigi District (a feed mill transferred from another group in Mpigi). Construction of the Kiln for heat treating clay products for Zigoti Clays in Mityana District, was ongoing at a rather slow progress much as all the funds were reportedly transferred to the contractor.

A manual bending machine for MBK Enterprises-Kaliro and a seemingly abandoned site at Zigoti-Mityana

Feed mill delivered to Nakirebe Cooperative

By January 2019, an automated vacuum chamber sealing machine for Lusaze Modern Agriculture Solution Cooperative Society and a manual honey press and settling tank for Tropical Honey Cooperative Society in Amuru District had not been delivered.

Activities relating to commissioning of completed facilities, and physical assessment of selected new beneficiary groups in Ntoroko, Mitooma, Mbarara, Kiruhura, Butambala, Gomba, Mpigi, Namutumba, Butebo, Iganga, Sironko, Lira, Kitgum, and Otuke districts were deferred to Q3.

It was observed that implementation was behind schedule and a number of beneficiaries raised concern on the quality of the supplies. Some equipment had defects like the motor for the wood drilling and mortise machine in Butambala District had to be replaced, while the feed mill in Nakirebe had broken down. Some of the equipment supplied such as the metal bending machine, and a Kiln for heat treating clay products were not in tandem with the project objective of promoting value addition to agricultural products. To this extent, the project does not exhibit value for money.

Challenges

- Unstable and intermittent power which destroys some parts of the equipment (Kijjukizo Carpentry hub in Butambala), and lack of training on how to operate the equipment which makes it difficult to execute the tasks (MBK Enterprises in Kaliro).
- Transport constraints: The project lack a vehicle to ease transportation of some equipment to the beneficiaries and carryout assessment, monitoring and evaluation of project beneficiaries and activities. The funds invested in hired transport can support a few more groups in a year.
- Inadequate funding: This has constrained the project's ability to implement most of the planned activities and achieve the objectives.

Recommendations

- The Uganda Electricity Distribution Company Limited and Uganda Transmission Company Limited should ensure quality and stable supply of electricity in the country. This will reduce on losses incurred during power surges.
- The RIDP through the MoTIC should budget for a vehicle to ease mobility of equipment and staff while implementing project activities. This will reduce expenditure on hiring vehicles for delivery of equipment, monitoring and assessment.
- The MoTIC and MFPED should prioritize and adequately fund the project if it is to achieve the intended outcomes.

3.3.2 Uganda Development Corporation

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 FY 2018/19 was Ug shs 70.421billion. It was noted that UDC had finances brought forward from FY2017/18 amounting to Ug shs 13.3 billion. By 31st

December 2018, the total release and balance brought forward was Ug shs 65.49 billion, of which Ug shs 52.5 billion was spent. Release and expenditure were good.

The overall physical progress for UDC's was however fair, as number of outputs were not achieved. The programmes and sub-programmes under UDC varied in levels of progress.

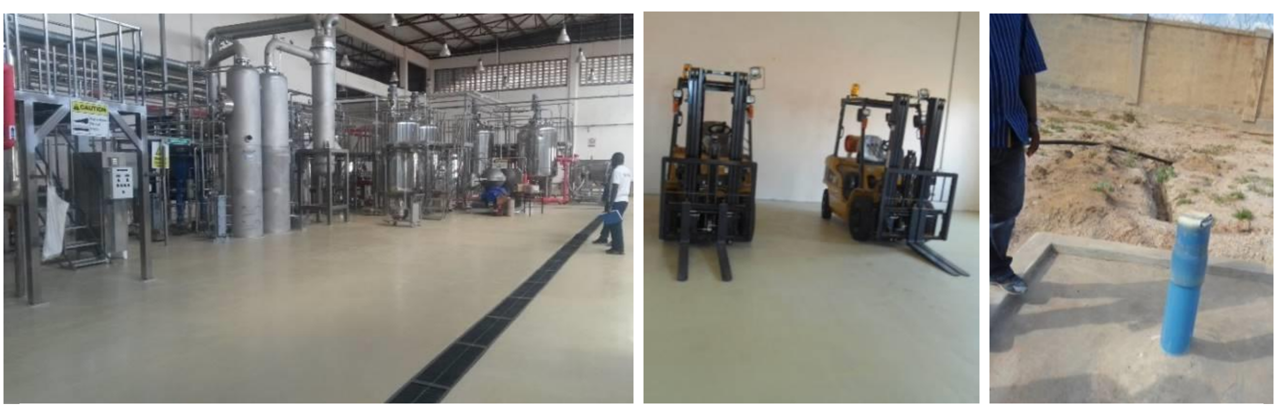
Acquisition of shares in Atiak Sugar Factory: The Government of Uganda acquired all allocated shares from Horyal Investments (co-owners of Atiak Sugar Factory) after paying an additional Ug shs 25 billion. The total GoU shareholding is currently at 32% with a total investment of Ug shs 64.8 billion.

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

Construction and installation of equipment at the fruit factory was completed in FY 2017/18. During FY 2018/19, the identified snags were addressed except the primary waste treatment lagoon and buffer tanks that were lacking level sensors and side sight glass tubes for quantity observation. The floor in the production area was upgraded to food grade polyurethane standard.

Recruitment of staff, training of farmers, office partitioning, establishment of a management structure, purchase of pouches, two fork lifters, and borehole drilling were completed. Training of staff was awaiting the arrival of the Korean experts.

The factory was scheduled to undertake test runs prior to official commissioning. However, it was observed that construction of the secondary effluent waste disposal, an obligation by GoU under the UIA was still pending, and not in the work plans of either agencies in FY2018/19.



L-R: Installed equipment, two folk lifters and a drilled borehole at Soroti Fruit Factory

The solid waste treatment plant in Gweri sub-county (approximately 10km from the factory) was fenced but not developed and the road to the site was not opened. The manuals for the factory equipment and spare parts were not supplied while the circuit breakers installed were not compatible and not of the same load as the motors they are connected to.

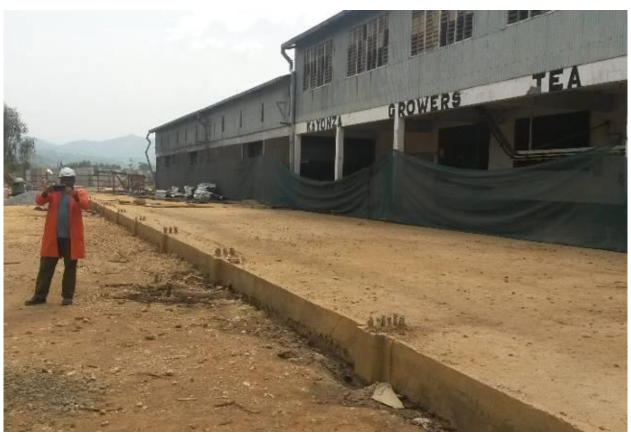
Execution of this project is over two years behind schedule. The project is characterised by poor absorption of funds, poor communication between UDC and KOICA, governance and skills gaps in project management, and lack of a critical path in project execution.

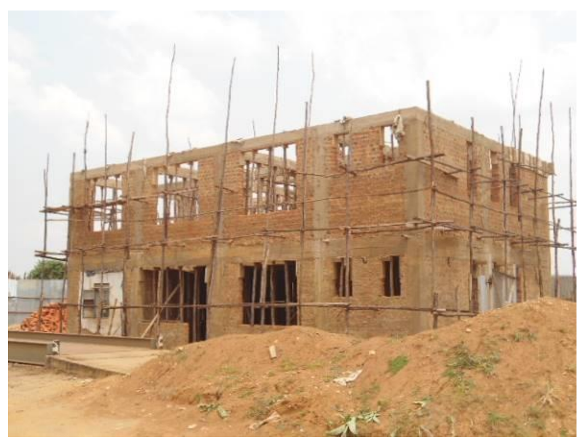
Establishment of Zonal Agro-processing facilities: Under this project, the **Kigezi Highland Tea factories** in Kabale and Kisoro were commissioned. The factory in Kisoro was not operational due to insufficient and very poor quality green leaf, while the Kabale Tea Factory operates at least three days a week.

Procurement of the 40,000kg **processing equipment for Kayonza Tea Factory** in Kanungu District was ongoing and the equipment was expected to be delivered with effect from April 2019. The civil works for the structure to house the production line was estimated at 30% physical progress (substructure completed), and was scheduled to be completed in May 2019.

Support to Mabale Tea Factory: The UDC was assessing the viability of the third line, and draw an investment plan and path for Mabale Tea Factory.

Zombo Tea Factory: An inception report for the proposed Nebbi/Zombo Tea Factory was prepared. The UDC under took farmer training in good agronomic practices in Zombo and supported the formation and registration of Zombo Tea Farmers' Cooperative, while the planted acreage increased from 200 acres in 2017 to 700 acres by December 2018.





Completed substructure and administration block awaiting roofing at Kayonza Tea Factory

Establishment of a cement, lime and marble factory in Karamoja: Land for setting up a factory (250 acres) was acquired in Nadunget sub-county. The UDC under Savana Mines (Special Purpose Vehicle) acquired a new exploration license to carry out geological and geo-technical surveys.

Lake Katwe Chemical Industries: The UDC was in the process of revamping the Lake Katwe Salt project into a chemical plant to produce sodium chloride, pharmaceuticals, leather tanning and textiles. A land title for 3 plots on which the old plant and staff quarters are built was secured, while the titles for the plots with encumbrances were not secured. A prospecting license for Lake Katwe Chemical Industries was secured from the Directorate of Geological Surveys and Mines to aid the mapping of raw material deposit area.

Other planned projects were still in the early stages of either exploration, development or implementation. For example, the acquisition of a prospecting and exploration license for S**heet Glass in Masaka** from the Directorate of Geological Survey and Mines under a special purpose vehicle (Lake Victoria Glass Works) was in progress.

Luweero Fruit Factory: The draft terms of reference for the development of a master plan and geo-technical survey for the factory were developed. Table 3.5 shows the performance of the programme by 31st December 2018.

Table 3.5: Performance of the Industrial and Technological Development Programme by 31st December, 2018

Subprog rams/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Soroti Fruit Factory	Working capital for factory provided. (wages, utilities, raw materials, cleaning services provided and mobilization of fruit farmers).	4,482,787,000	2,000,000,000	11	2.5	2.75	Conducted 4 farmer training in Kumi, Bukedea, Ngora and Sororti on good agronomic practices. A contract with Teso Fruit Farmers' Cooperative Union (TEFCU) as suppliers of fruit to the factory was concluded and forwarded to the Solicitor General for approval and obtained a suitability occupation permit from Soroti Local Government.
	Commitments for FY2017/18. Supply and install of voice and data networks, internet, fence off diesel tank,	369,958,628	369,958,628	8	4	0.22	Some of the pending activities from FY2017/18 were completed such as supply and installation of voice and data networks, internet, office partitioning,

Subprograms/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	borehole drilling, raw materials, recruitment of staff and packaging materials.						recruitment of staff, procurement of 2 fork lifts, establishment of governance structure, upgrade of the factory floor to polyurethane, and procuring factory consumables.
Tea Project	Procure, install and commission CTC tea processing machinery and equipment for Kayonza Tea Factory	3,000,000,000	2,300,000,000	3	0.3	0.79	Civil works were at 30%, while the equipment was expected by April 2019.
	Procure, install and commission CTC tea processing machinery and equipment for Mabale Tea Factory	2,900,000,000	-	3	0	0	Activity not implemented due to funding and unconcluded studies on viability.
	Project administrative expenses	100,000,000	100,000,000	1	0.7	0.08	Salaries and other administrative expenses were paid.
	Commitments from FY2017/18	4,326,675,142	4,326,675,142	3	1	1.74	Activities were ongoing.
Kiira Motors Corporation	Activities carried forward from FY2017/18	1,783,874,275	1,783,874,275	11	0.1	0.02	These are resources that UDC is supposed to transfer to KMC upon conclusion of the necessary stock transfer documentation.
Sheet Glass Project	Feasibility and exploration study	261,780,325	261,780,325	1	0	0.00	The UDC is pursuing the acquisition of a prospecting and exploration license from the Department of Geological Survey and Mines under a special purpose vehicle (Lake Victoria Sheet Glass

Subprograms/ projects	**Out put**	**Annual Budget (Ugshs)**	**Cum. Receipt (Ugshs)**	**Annual Target**	**Cum. Achieved Quantity**	**Physical performance Score (%)**	**Remark**
							Company).
Feasibility studies on potential investments undertaken	Agriculture	500,000,000	200,000,000	1	0	0.00	The contracts were yet to be signed as the board was yet to decide on which investment to fund pending development of an investment policy.
	minerals	500,000,000	200,000,000	1	0	0.00	
	Pharmaceutical	500,000,000	50,000,000	1	0	0.00	
	Others	500,000,000	50,000,000	1	0	0.00	
Zombo/Nebbi Tea Project	Procure 5 acres of land to house the factory, Undertake EIA, geotechnical studies and develop a master plan, Engineering designs developed and service the land with water and electricity, Design and build the factory, Supply, install and commission the CTC tea factory and stakeholder engagement	4,000,000,000	100,000,000	7	0.1	2.75	The expenditure in FY 2018/19 was mostly on training farmers and stakeholder engagements. An inception report for the business plan was prepared, submitted and reviewed.
	Conduct due diligence, procure consultant for feasibility and business plan studies, staff capacity building, M&E and training	594,206,500	594,206,500	4	0.5	0.09	Conducted trainings of farmers. Covering a total of 1,224 prospective farmers.

Subprograms/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	(Commitments for FY 2017/18)						
Capitalisation (Commitments from FY2017/18)	Procure packaging materials (Pouches) for the ready to drink juice.	1,534,000,000	1,534,000,000	100	0	0.00	The first batch of the pouches was delivered.
	Upgrade the existing concrete floor to polyurethane treated floor in the factory production area	490,000,000	490,000,000	1	1	0.59	The concrete floor was upgraded to polyurethane standard recommended for a food processing industry.
	Procure two fork lifts	320,000,000	320,000,000	2	2	0.39	Two fork lifts were delivered but they lacked registration number plates.
	Set up governance structure of SOFTE	2,000,000	2,000,000	1	0	0.00	The SOFTE governance structure was set up and inaugurated on September 20, 2018.
	Insure the fruit factory and personnel	185,200,000	185,200,000	1	0	0.00	
	Procure diesel for the factory	144,800,000	144,800,000	100	0	0.00	Not undertaken.
	Submersible pump for the borehole	119,502,700	119,502,700	1	0	0.00	Not procured.
	Procure a 60,000 litres cold pressed water reservoir tank for the borehole water inclusive of the pile work	107,153,300	107,153,300	1	0	0.00	Activity is pending.
	Construct a sick bay for the	10,000,000	10,000,000	1	0	0.00	Not done.

Subprograms/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	factory personnel						
	Microsoft server software and licenses	20,950,000	20,950,000	1	1	0.03	Procured.
	procurement of additives	230,000,000	230,000,000	100	100	0.28	Procured.
	carry out hydrological survey and drilling of borehole	36,394,000	36,394,000	1	0	0.5	Borehole drilled and yielding 16 cubic meters.
	Procure 60 tons of white industrial sugar	210,000,000	210,000,000	60	0	0.00	Not procured
	Lab reagents and lab items	50,000,000	50,000,000	100	100	0.06	Procured
	Procure and install a firewall that can handle up to 50 users including 1 year's subscription one for SOFTE	12,000,000	12,000,000	1	1	0.01	The activity was ongoing.
	Undertake feasibility studies on potential projects	50,000,000	50,000,000	6	2	0.02	The activity was in the early stages pending a board decision on which project to fund.
	Development of the Cement plant-exploration	767,511,339	767,511,339	1	0.5	0.46	A new piece of land was identified in Nanduget sub-county, acquired a new exploration license and working in conjunction with Savannah Mines Company.
	Undertake due diligence, project appraisal project valuation on potential	418,060,835	418,060,835	6	2	0.17	The activity is ongoing.

Subprograms/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	investments						
	Administrative expenses (BOD allowances, rent, vehicle maintenance and medical	1,232,758,004	1,232,758,004	1	0.1	0.15	Allowances, rent and vehicle maintenance done.
Luwero Fruit factory	Undertake geotechnical survey, develop master plan, undertake ESIA study, develop technical designs and BOQs for utilities and access roads, service project site with water and electricity, construct access roads, design and build fruit factory, conduct monitoring and evaluation, and administration costs	1,760,018,000	100,000,000	9	1.4	2.12	Draft terms of reference for the development of a master plan and geo-technical survey. The Environmental and Social Impact Assessment (ESIA) study was developed and was to be executed in Q3.
Moroto cement factory	Undertake geological technical survey of the leased mining area, Undertake geotechnical survey, Undertake ESIA, develop technical designs and BOQs for utilities and	4,000,000,000	934,916,903	10	1	2.06	A new piece of land was indentified in Nanduget sub-county, acquired a new exploration license and working in conjunction with Savannah Mines Company.

Subprograms/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
	access roads, service the project site with water and electricity, Design and build the perimeter wall and cement plant, and carry out field visits and stakeholder consultation on the project						
Lake Katwe salt project	Carry out prospecting activities, Undertake Environmental impact assessment, Design and fence off the factory site and staff quarters, Renovate the staff quarters and salt factory, and Monitoring and evaluation of the project and administration costs.	2,000,000,000	700,000,000	6	1	1.15	The UDC acquired the land titles for 3 plots on which the old plant and staff quarters are built. The titles for the plots with encumbrances was not secured. Expenditure was on monitoring and evaluation component and administrative costs.
Horyal Investments	Acquisition of shares	45,000,000,000	45,000,000,000	1	1	54.17	The GoU acquired all the shares with an additional Ug shs 25 billion.
	Administrative costs on balance brought forward from FY2017/18	60,843,231	60,843,231	100	1.7	0.00	
Rural Industrial	Capacity Building for *Jua*	15,472,000	-	160	0	0.00	No funds were released for this activity

Subprog rams/ projects	Out put	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Development project	*Kali* and Private Sector						
	Promotion of Value Addition and Cluster Development	170,236,000	170,236,000	31	13	0.09	Three monitoring visits to beneficiary enterprises in Central, Western and Karamoja Region were conducted while most of the monitoring and beneficiary assessment activities were differed to Q3.
	Facilitating establishment of value addition Facilities	302,368,000	108,872,750	18	5	0.28	Three out of eight enterprises were supported with value addition equipment.
		83,068,549,279	**65,351,693,932**			**68.90**	**Fair performance**

Source: Authors compilation, field findings, RIDP progress reports, and UDC progress report

Challenges

- Lack of secondary waste disposal facilities at Soroti Fruit Factory was likely to affect operationalization of the factory.
- Intermittent and expensive power to run the factories has led to loss of equipment and increased the cost of production.
- Inadequate operational budgets which do not match with the development project funding; this has deterred the corporation from recruiting staff to implement project activities. The UDC has one engineer to oversee/supervise all projects.
- Unreliable market for agricultural inputs such as fertilizers has affected the quality of green leaf for Kisoro tea factory.
- Management gaps at UDC: the agency has not filled the vacant positions including that of the chief executive officer since it was created.

Conclusion

The programme performance was fair (68.9%). Most of the planned activities under the UDC sub-programmes were in their preliminary stages of implementation. It was observed that the recurrent outputs performed better than the development outputs. Apart from GoU's acquisition of shares from Horyal Investments, the rest of the sub-programmes registered poor to fair physical and financial performance as exhibited by low funds absorption. The UDC should fast-track implementation of planned outputs to avoid spillovers into subsequent FYs and efficiently achieve the programme objectives.

Recommendations

- The Government Agencies should strengthen linkages and build synergies in project implementation and execution. For example, the UDC, UIA and NWSC should prioritize the establishment of a waste disposal facility at Soroti Industrial and Business Park to avoid delays in operationalization of the fruit factory and industrial parks.
- The power distribution and transmission companies (UMEME and UETCL) should improve the quality of power to avoid loss of sensitive equipment to industrialists.
- The MFPED should adequately fund the UDC to enable it deliver on its mandate of driving the industrialization of Uganda.
- The government through the Minsitry of Agriculture, Animal Industry and Fisheries (MAAIF) and UNBS should ensure the quality of agricultural input to reduce the losses resulting from counterfeits that affect the volumes of raw materials.

3.4 Quality Assurance and Standards Development Programme

3.4.1 Uganda National Bureau of Standards

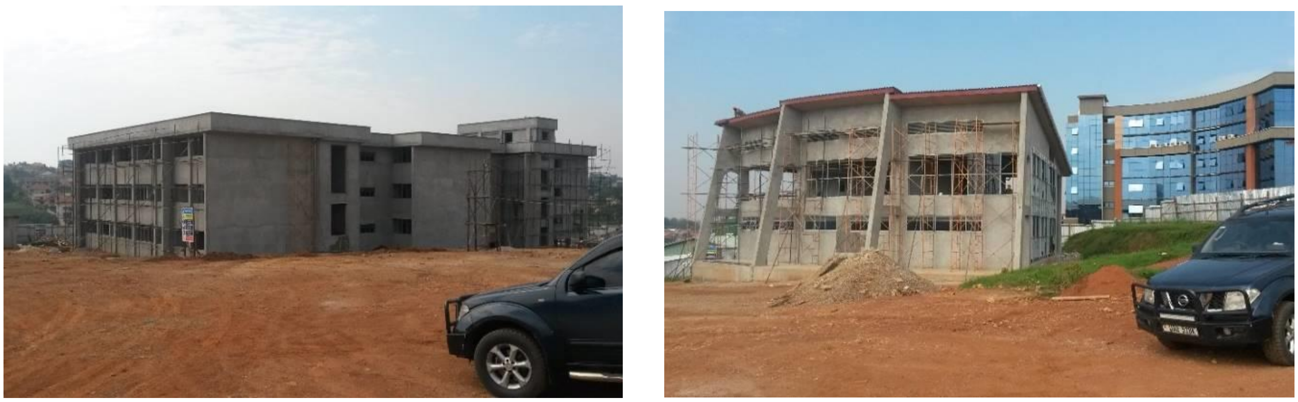
Established by the UNBS Act Cap 327, The Uganda National Bureau of Standards (UNBS) is a statutory body under the Ministry of Trade, Industry and Co-operatives. The UNBS is mandated with formulation and promotion of the use of standards; Enforcing standards in protection of public health and safety and 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 the construction of its office block, laboratories and other support facilities which was to be done in phases. Phase 1 (1A, 1B & 1C-construction of UNBS Headquarters) was successfully completed by end of FY 2015/16. Phase 2 covering construction of UNBS quality laboratories (food safety and testing laboratories) started in FY 2016/17 and implementation is ongoing.

The approved budget for UNBS FY2018/19 is Ug shs47.841billion, of which Ug shs 26.818 billion (56.1%) was released and Ug shs 24.688(92.1%) billion spent by 31st December 2018. Both release and expenditure were very good.

Performance of the Strengthening UNBS Programme

Programme performance was good at 87.1 % with UNBS posting good performance on both the development and recurrent components. In 2017, M/s Ambitious Construction Limited was awarded the contract for the construction of the laboratory block (microbiology, petroleum and chemistry) for a period of 18 months at a contract sum of Ug shs 17 billion. M/s Jowada Consult is the supervising consultant at a sum of Ug shs 700 million. The civil works for the construction of the laboratory blocks including reception, analysis, and storage rooms were at 55% by 31st December 2018. The ongoing works included electrical installation, floor works, and final finishes. The re-development of the calibration rig commenced and physical progress was estimated at 28%.



Completed superstructures for the Laboratory block and reception block at UNBS headquarters in Bweyogerere

The UNBS opened up an SME desk to ensure quality of products for the small and medium manufacturers (cottage industries). The agency opened and furnished three regional offices in Mbale, Gulu and Mbarara with office furniture, filing cabinets, office desks, chairs and computers. They procured two station wagons, two double cabin pickup trucks and three motorcycles to facilitate the operations.

Under Quality Assurance, 60,342 import consignments were inspected, 1,948 market outlets were inspected, 8,184 product samples were tested, and 509 certification permits were issued. A total of 186 standards were developed, pending approval by National Standards Council. A total of 1,715 and 513,930 equipments were calibrated and verified respectively. Table 3.6 shows the performance by 31st December 2018.

Table 3.6: UNBS Performance by 31st December, 2018

Subprogram/project	Output	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Support to UNBS	Government Buildings and Administrative Infrastructure	5,470,000,000	4,020,000,000	100	55	19.04	Construction of laboratories was ongoing was at 55% completion. Redevelopment of the Rig commenced and was at 28% completion.
	Purchase of Motor Vehicles and Other Transport Equipment	1,400,000,000	1,400,000,000	8	7	5.7	3 station wagons and 2 filed vehicles and 2 motor cycles were procured.
	Purchase of Office and ICT Equipment, including Software	1,000,000,000	0	75	0	0.00	Procurement was ongoing and to be completed in Q3.
	Purchase of Specialized Machinery & Equipment	1,500,000,000	1,500,000,000	16	16	6.98	Procurement of laboratory equipment and assorted items was ongoing.
	Purchase of Office and Residential Furniture and Fittings	209,748,400	209,748,400	6	6	0.98	Procurement of assorted furniture and fittings was ongoing.
Headquarters	Administration	9,880,000,000	5,060,000,000	100	50	44.86	Statistical Abstract, Final accounts, BFP, Budget, Performance Report, and Annual Report were published. Payrolls, salaries were processed.
	Development of Standards	330,000,000	90,000,000	400	186	1.53	A total of 204 standards were developed awaiting approval by National Standards Council.
	Quality Assurance of goods & Lab Testing	1,180,000,000	450,000,000	159,000	70,983	5.49	The variation in import consignments inspected was due to inadequate staffing levels while variation in samples

Subprogram/project	Output	Annual Budget (Ugshs)	Cum. Receipt (Ugshs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
							tested was due to increase in distinctive mark applicants and increased surveillance samples.
	Calibration and verification of equipment	200,000,000	90,000,000	803,000	515,645	0.93	A total of 1,715 equipment were calibrated, while 513,930 equipment were verified.
	Stakeholder engagements to create awareness on Quality & Standards	30,000,000	20,000,000	100	50	0.10	Participated in radio and TV talk shows. Drafted press releases, made publications in print and electronic media, and held media briefings.
	Membership to International Organisations (ISO, ARSO, OIML, SADCMET)	300,000,000	50,000,000	4	3	1.40	Subscriptions to international organizations were executed.
Programme Performance (Outputs)						**87.1**	**Good performance**

Source: IFMS, Progress reports, and field findings

Challenges

- Inadequate staff in the technical departments. The market surveillance, imports inspection, verification of weights and measures, laboratories, calibration and certification departments are understaffed. This has hindered the implementation of UNBS' mandate of standards enforcement.
- Inadequate ICT infrastructure support to enable automation of all the UNBS core processes and services to make them simple, faster and transparent so that they can effectively support improved service delivery to the various stakeholders.

Recommendations

- Given the increased MTEF for wage to Ug shs 10 billion, the UNBS should recruit additional staff in the technical departments to implement the mandate of standards enforcement.
- The UNBS should work with NITA-U and priorities the procurement of ICT infrastructure to enable automation of all core processes and services.

3.5 Gender and Equity Compliance

It was observed that most of the beneficiaries under this sub-sector were from the central and western regions. Most of the groups/cooperatives had fewer women (averagely 30%) compared to the men except for Kweyo Growers Cooperative whose membership was 306 female out of a 432 members. The cooperative boards had a fair male to female representation of 5:4. It was observed that the sub-sector pays limited attention to gender and equity requirements inspite of securing the certificate at budgeting stage.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Although the sub-sector is vital in Uganda's development agenda, it is being driven by simple processing and construction activities. The transformative manufacturing sub-sector has lagged behind and it is characterized by production of low value goods largely from small and medium size enterprises (SMEs). Manufacturing employs only about 5.7 percent of the total labour force with a declining share in employment. The agro-industries depend on subsistence suppliers using rudimentary production techniques and pay limited attention to quality of raw materials.

The sub-sector is associated with poor planning, governance gaps, lack of synergies amongst partners, expensive credit, inadequate funding, poor prioritization and poor standards enforcement among others.

There is therefore need to capitalize UDC and UDB, create synergies among implementing agencies to reduce costs and ease implementation. The sub-sector should also ensure implementation of programmes as planned to achieve the sector NDP II objective of industrialization, value addition, and job creation.

Other inhibitors to sub-sector performance include; intermittent, poor quality and expensive power to run the factories, and staffing gaps.

4.2 Recommendations

i. Government agencies should strengthen linkages and build synergies in project implementation and execution. The UDC, UIA and NWSC should prioritize the establishment of a waste disposal facility at Soroti Industrial and Business Park to avoid delays in operationalization of the fruit factory and industrial parks.

ii. The power distribution and transmission companies (UMEME and UETCL) should improve the quality of power to avoid loss of sensitive equipment by industrialists.

iii. The GoU should ensure capitalisation of the UDC and Uganda Development Bank to not only allow incubation of transformative manufacturing, but avail affordable credit to manufacturers.

iv. The MoTIC through the RIDP should improve the quality of equipment supplied and align the project interventions to its objectives.

v. The UDC should fast-track implementation of planned activities in order to absorb the funds disbursed.

vi. The MoTIC and MFPED should urgently address the governance and management challenges at both UDC and UIA as they directly impact on the entities' performance.

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Annex

Annex 1: Programmes and Sub-programmes monitored under the Industrialization sub-sector for Semi-Annual FY2018/19

Vote	Programmes and Sub-programme/Projects
Vote 008: Ministry of Finance, Planning and Economic development (MFPED)	Development Policy and Investment Promotion Programme United States African Development Foundation (USADF)
Vote 015 Ministry of Trade, Industry and Cooperatives (MoTIC)	Industrial and technological development program Rural Industrial Development Project (RIDP) Value Addition to Tea (VAT) Soroti Fruit Factory (SFF) Establishment of Zonal Agro-processing Facilities.
Vote 154 Uganda National Bureau of Standards (UNBS)	Standards development, promotion and enforcement program Construction of UNBS headquarters Phase two
Vote 313: UIA	General Administration and Support Services. Investment Promotion and facilitation. Development of industrial parks

Source: Authors' Compilation