THE REPUBLIC OF UGANDA

Semi-Annual Budget Monitoring Report

Financial Year 2014/15

Industrialisation Sector

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Ministry of Finance, Planning and Economic Development
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ABBREVIATIONS AND ACRONYMS

DDA	Dairy Development Agency
DICOSS	District Commercial Services Support Project
EDI	Enterprise Development Investment
EEI	Enterprise Expansion Investment
FY	Financial Year
GoU	Government of Uganda
IFMS	Intergrated Financial Management System
KIBP	Kampala Industrial and Business Park- Namanve
KIS	Kalangala Infrastructure Services
KTC	Kalangala Town Council
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MFPED	Ministry of Finance, Planning and Economic Development
MoPs	Ministry of Public Service
MoTIC	Ministry of Trade, Industry and Cooperatives
MoU	Memorandum of Understanding
NEMA	National Environment Management Authority
OVOP	One Village One Product
PIBID	Presidential Initiative on Banana Industrial Development
UDC	Uganda Development Corporation
UDET	Uganda Development Trust
Ug shs	Uganda Shillings
UIA	Uganda Investment Authority
UNBS	Uganda National Bureau of Standards
USADF	United States African Development Foundation
US $	United States Dollars
VAT	Value Added Tax

FOREWORD

The government has increasingly channeled resources into implementation of public programmes aimed at enhanced service delivery. Effective implementation of these programmes is critical and this calls for monitoring and evaluation.

The Budget Monitoring and Accountability Unit in the Ministry of Finance, Planning and Economic Development makes semi-annual performance assessments on the progress of implementation for selected programmes. This report reviews the half year performance in the priority areas of: Agriculture, Education, Energy, Health, ICT, Industralization, Public Sector Management, Roads, and Water and Environment for FY 2014/15.

The findings therein should inform implementation decisions in the last half of the year. I urge all institutions to follow up on the related implementation issues that have been identified. The implementation challenges and recommendations made will guide the relevant sectors to ensure enhanced effectiveness of programme implementation.

Patrick Ocailap

Deputy Secretary to the Treasury

EXECUTIVE SUMMARY

BACKGROUND

The overall report reviews selected key vote functions and programmes within the sectors, based on approved plans and significance of budget allocations to the votes. The focus is on nine sectors, including: agriculture, education, energy, health, industrialization, ICT, public sector management, roads; and water and environment. Attention is on large expenditure programmes with preference given to development expenditures, except in the cases of education, health, ICT, public sector management and roads where some recurrent costs are tracked.

Projects selected for monitoring were based on regional sampling, level of capital investment, planned quarterly output, and value of releases by the second quarter of FY 2014/15. The methodology adopted for monitoring included literature review of quarterly progress and performance reports; interviews with the respective responsible officers or representatives of programmes; and observations at site.

FINDINGS

Introduction

Industrialization Sector

Under the Ministry of Finance, Planning and Economic Development (MFPED), the following projects were assessed: United States African Development Fundation (USADF), Presidential Initiative on Banana Industrial Development (PIBID), Value Addition Tea-Buhweju Tea Factory, and Development of Industrial Parks.

The projects of: One Village One Product (OVOP), District Commercial Services Support (DICOSS), were monitored under the Ministry of Trade, Industry and Cooperatives (MoTIC), while three projects namely: Soroti Fruit Factory, Value Addition- Luweero Fruit Drying and Kalangala Infrastructure Services were monitored under Uganda Development Corporation.

Physical performance

The Overall sector performance was rated at 62% which was good. While some projects registered progress on their respective targets and project objectives for example USADF, DICOSS and UDC, projects such as OVOP, PIBID and UIA were faced with challenges such as; lack of extensive needs assessments for beneficiaries, delay in procurement processes and lack of business plans which affected implementation.

United States African Development Fundation (USADF): In all the projects sampled, key outputs such as construction of stores, acquisition of equipment were either completed or substantially complete (80%). The estimated physical progress across all projects monitored was 70%.

Presidential Initiative on Banana Industrial Development (PIBID): The water works and construction of the banana processing factory were substantially complete (90%). However, formation of community processing units in the districts of Rubirizi, Shema and Mitooma did not take off.

Value Addition Tea: The key deliverables under this project for FY2014/15 were erection of a 1Km fence around the factory site and rehabilitation/replacement of the factory floor. Materials for erecting the fence had been delivered and preparatory works (digging of pole holes) was in progress.The new designs for floor works had been approved and the contractor was awaiting approval of works schedule to commence. The physical progress was estimated at 10%.

Development of Industrial Parks: Overall performance of the project was below average.

Routine maintenance under the already operational parks was ongoing. Works included; opening of new roads and maintaining existing road networks in Bweyogerere, Luzira, KIBP-Namanve and Soroti, and installation of boarder markers and signage for Karamoja Industrial and Business Park.

One Village One Product: Overall performance was below average at 25%. From the enterprises sampled, only Eco-friendly Innovations was effectively utilizing the received equipment. Bulamogi Community Development Foundation, Lagoro Shea Nut group, and Nyakigufu Fruit Driers were not using the equipment due to lack of equipment shelter, lack of raw materials and defective delivery respectively..

District Commercial Services Support Project: The overall project performance was very good at 75%. The core project deliverables; renovation of office buildings, equipping of offices and building capacity of DCOs were all fully implemented. However, there was limited progress on the implementation of the work plans developed due to inadequate release of the US$10,000 grant to each of the districts for the two financial years. The project was behind schedule.

Uganda Development Corporation

Soroti Fruit Factory: The preliminary works for the main project; construction of roads, construction of a perimeter wall (fence), and installation of a water reservoir were all substantially complete (90%).

The GoU had therefore fulfilled most of its obligations to the construction of the factory. It was expected that KOICA (the development partner) would commence construction of the factory in February 2015. The overall physical performance for works under GoU was excellent (85%).However part of the constructed roads had developed significant defects on the pavement layer.

Value Addition - Luweero: The major outputs for the half year were procurement of a consultant to conduct the Environmental Impact Assessment (EIA), and building capacity of the fruit farmers in the project area (Luweero). The overall performance by 31st December 2015 was below average (30%). This was largely attributed to inadequate funds to engage a consultant to conduct an EIA.

Kalangala Infrastructure Services: The water works for Kalangala Town Council and parts of Bumangi sub-county were ongoing with physical progress estimated at 60%. The components of power and delivery of the second ferry were substantially complete (98%). The second ferry – MV Ssese was delivered, inspected, and trial runs undertaken in February-March 2015. KIS was awaiting the Transport Licensing Board to issue the new ferry a license. The upgrading of the 66Km road was however behind schedule with 70% of the works completed against a time progress of 180%. A 10 km section was sub-contracted to increase on works progress.

Challenges

- Lack of an approved business and strategic plans to operationalize PIBID led to suspension of funding in the second quarter. All construction works had slowed down as the contractor had unpaid certificates.
- Lack of a policy in the tea sector to enforce internationally accepted standards/guidelines throughout the entire tea value chain was affecting the quality of green leaf from Uganda.
- Sustainability of activities in the DICOSS supported districts is in doubt as most Local Governments monitored did not have sustainability plans.
- Lack of feasibility studies and extensive needs assessments for OVOP beneficiaries contributed to procurement and delivery of inappropriate technology.

Recommendations

- The Ministry of Public Service (MoPS), MoTIC, and MFPED should finalize discussions on upgrading commercial services sector in LGs to a full department with a grant to undertake planned activities.
- The PIBID secretariat and MFPED should expedite the development of the business and strategic plans. Government should review the recommendation of suspending funding to the entity as there are outstanding contract obligations that shall lead to additional project costs if not attended to in time.
- The MAAIF and Ministry of Trade Industry and Cooperatives should develop tea policy and regulatory authorities to govern operations of the tea sector.
- The Ministry of Trade should undertake comprehensive feasibility studies and conduct needs assessments for OVOP project beneficiaries.

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.

Although significant 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 sanitation, 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.

Although there are several institutions in the accountability sector mandated to monitor and audit public resources, they have not provided comprehensive information for removing key implementation bottlenecks to enhance transparency and accountability and consequently improve service delivery. It is against this background that the Budget Monitoring and Accountability Unit (BMAU) was established in FY 2008/09 in the Ministry of Finance, Planning and Economic Development, under the Budget Directorate, to address this challenge.

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. This is achieved through regular 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 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 intermediate outcomes in the following areas:

- Agriculture
- Infrastructure (Energy and Roads)
- Industrialization
- Information and Communication Technologies
- Social services (Education, Health, and Water and Environment)
- Microfinance; and
- Public Sector Management

CHAPTER 2: METHODOLOGY

2.1 Process

This report is based on selected programmes from the sectors mentioned in chapter one apart from microfinance. The selection was based on a number of criteria;

- Programmes that submitted progress reports by the end of quarter two, FY 2014/15 were followed up for verification as they had specified output achievements.
- Priority expenditure areas in the budget strategy and ministerial policy statements for FY 2014/15 with focus being on large expenditure programmes.
- Regional representation to ensure that coverage of programmes is from varying parts of the country
- Programmes/projects with previously identified critical implementation problems.

2.2 Methodology

The key variables monitored were targets of inputs and outputs; implementation processes and achievement of intermediate outcomes and beneficiary satisfaction where feasible.

2.2.1 Data Collection

Data was collected through a combination of approaches;

- Review of secondary data sources including: Ministerial Policy Statements for FY 2014/15; National and Sector Budget Framework Papers; Sector project documents and performance reports in the Output Budgeting Tool (OBT), MFPED Budget Documents, Budget Speech, District Performance Reports; Q1 and Q2 Sector Quarterly Progress Reports, Work plans, and Public Investment Plans.

- Review and analysis of data in the Integrated Financial Management System (IFMS) and legacy system; progress reports (Performance Form A and B) and bank statements from 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 involving observations and discussions with beneficiaries. Photography was a key data collection tool during the monitoring exercise. In some cases call-backs were done to triangulate information.

2.2.2 Sampling

The projects/programmes monitored were purposively selected from information provided in the FY 2014/15 Ministerial Policy Statement and Quarterly Performance Reports for Q1 and Q2. Priority was given to outputs that were physically verifiable especially those categorized under GoU development expenditure.

Districts in different regions were selected so that as many regions of Uganda as possible are sampled throughout the year. Emphasis was also placed on programmes not monitored in previous quarters. For completed projects, monitoring focused on utilization, quality and beneficiary satisfaction.

2.2.3 Data Analysis

This was mainly simple descriptive statistics of comparing set targets and observed levels of achievement. Physical performance of projects and outputs was assessed through comparing a range of indicators and linking the progress to reported expenditure. The actual physical achievement was determined basing on (weighted) number of activities accomplished for a given output.

2.3 Limitations of the report

- Overstated absorption of some projects due to transfers to subventions being reflected as payments on the Integrated Financial Management System (IFMS).
- Assumption that warrants on IFMS are equal to the release. This also provides misleading information on financial performance.
- Difficulty in ascertaining financial performance of some donor projects due to unavailability of information from project managers. It was also equally difficult to ascertain financial performance of projects off the IFMS.
- Lack of clear indicators, in some programmes, hence difficulty in rating overall performance.
- Unavailability of some critical information. For example, a number of project recipients had limited information on scope of civil works, costs and contract period.
- Sampling of some projects/programmes was affected by misleading information from ministries. Some projects that were reported as implemented in FY 2014/15 had been done in FY 2013/14.

2.4 Assessment Criteria

For purposes of this report, the guide below is used to assess and rate performance.

Physical and financial performance was rated in percentages according to achievement of the planned set targets and the overall utilization of funds for multi-year projects. Table 2.1 shows the assessment criteria for measuring the achieved targets and expenditures.

Table 2.1: Assessment criteria for measuring achieved targets

SCORE	***COMMENT***
80% and above	*Excellent (All set targets achieved and funds well utilized)*
70% - 79%	*Very good (Most of the set targets achieved and funds absorption is 70% and above)*
60% - 69%	*Good (Some core set targets achieved and funds absorbed to 60%)*
50% - 59%	*Fair (Few targets achieved and funds absorption is average-50%)*
Less than 50%	*Below average (No targets achieved and funds absorption is less than 50%)*

Source: BMAU

CHAPTER 10: INDUSTRIALISATION

10.1 Introduction

The industrial sector is an integral part of the government`s overall development strategy outlined in the Vision 2040. Industrialization is one of the strategic sectors of the economy. Government committed to creating an attractive and enabling environment for the private sector as an engine of growth. The sector offers greater prospects for increased employment, more export earnings, wider tax base, increased purchasing power, greater efficiency and better productivity throughout the entire economy.

10.1.1 Sector Objectives

The sector objectives are to:

- Promote development of industries that add value to farm produce.
- Increase competitiveness of local industries through development and promotion of Small and Medium Enterprises (SMEs).
- Improve productivity of the informal manufacturing sub-sector, for example, *Jua Kali* artisans, through training and skills building.
- Strengthen research and technology developments in industrial application.

10.1.2 Scope

The report reviews financial and physical progress of selected development projects under the: Ministry of Finance, Planning and Economic Development (MFPED); Uganda Investment Authority (UIA); Ministry of Trade, Industry and Cooperatives (MTIC); and Uganda Development Corporation (UDC) for the FY2014/15. Specifically, it aims at ascertaining whether; planned outputs as outlined in the selected Ministries, Departments, and Agencies (MDAs) work plans for FY 2014/15 were being achieved and establish if financial expenditure was commensurate with physical progress.

Under the MFPED, focus was on the Presidential Initiative on Banana Industrial Development (PIBID), United States African Development Foundation (USADF) Value Addition Tea (Buhweju Tea Factory) and Development of Industrial Parks in Soroti, Bweyogerere, Luzira, Mbale, Kabarole and Namanve among others.

Under the MTIC, monitoring covered: One Village One Product (OVOP), District Commercial Services Support (DICOSS), and Uganda Development Corporation projects including Soroti Fruit Factory, Luweero Fruit Factory and Kalangala Infrastructure Services.

10.2: Ministry of Finance, Planning and Economic Development (Vote 008)

The Mission of the Ministry of Finance, Planning and Economic Development (MFPED) 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"*

The Ministry's mandate is:

- To formulate policies that enhances economic stability and development.
- To mobilize local and external financial resources for public expenditure.
- To regulate financial management and ensure efficiency in public expenditure; and
- To oversee national planning and strategic development initiatives for economic growth.

The Ministry's activities are executed through several vote functions namely: macroeconomic policy and management, Budget preparation, execution and monitoring; public financial management; Development policy research and monitoring, Investment and private sector promotion: Micro Finance; and Policy, Planning and Support Services.

Industrial related projects of: United States African Development Foundation (USADF), Presidential Initiative on Banana Industrial Development (PIBID), Development of Industrial Parks and Value Addition Tea were monitored in the first half of the FY 2014/15.

10.2.1: United States African Development Foundation (USADF): Project 1003

Background

The strategic partnership between the African Development Foundation (ADF) and the Government of Uganda (GoU) was established in November 2006 through a Memorandum of Understanding (MOU).

The MOU was initially for five years but was subsequently renewed in April 2012 for another five years (Until 2017). According to the MOU, the ADF and GoU each make equal contributions (co-fund) of up to US$ 1,000,000 per annum towards grants to target groups and Small and Medium Enterprises (SMEs). The grants made to individual projects, are developed and approved in accordance with USADF criteria and methodologies and with the goals and objectives of the MOU.

Project objectives

To promote the development of farmer cooperatives, producer associations, smallholder agricultural producers, small scale agri-business (SSAs) and small and medium sized enterprises 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 the United States (US) and other trading partners.

Selection criteria

All projects presented to USADF for funding are initially scrutinized by the project coordination office for their ability to meet two major priorities:

Applications must originate from a community group or organization that represents its own development priorities, and includes the participation of the poor in setting project objectives.

Applications must represent projects with maximum benefits to an underserved and marginalized group.

The applications are evaluated on the basis of potential benefits to the community, job creation, income improvements, long term profitability, and improvement in quality of life, managerial strengths and capabilities.

To qualify for selection, the organization must be 100% African-owned and managed, legally registered according to Ugandan laws. They must demonstrate team work and potential to utilize development funds productively. The ownership and management must agree on the problem to be addressed and must have basic functional management and controls to use and account for funds from USADF.

The projects that meet the criteria are sent to Washington DC for further assessment. Due diligence and technical backstopping is provided by a local partner, the Uganda Development Trust (UDET), an organization contracted to help selected projects with development of business plans, training, monitoring and evaluation, among others.

Support under this project is extended under two grants; Enterprise Development Investment (EDI) where funding does not exceed US$100,000 per project over a period of two years.

The purpose of this grant is to strengthen the capacities of the beneficiaries (managerial, technical and financial). Beneficiaries who successfully implement this grant are eligible for funding under the Enterprise Expansion Investment Fund (EEI).

The Enterprise Expansion Investment Fund has a maximum funding of US$250,000 per project and it’s intended to enhance the business development of the beneficiaries in order to enhance their competitiveness.

Planned Outputs FY 2014/15

- Storage facilities constructed for selected groups
- Agro processing equipment purchased for beneficiary groups
- Working capital funds provided to groups
- Technical assistance provided to groups (statutory obligations achieved, monitoring and evaluation, trainings in financial management, trainings in agronomic practices)
- Administrative support provided to groups (salaries, office equipment)
- Projects with potential to receive funding under the program identified.
- Applicants engaged in a participatory manner to develop full project proposals and funded.
- Projects funded to a total of Ug Shs 6.0.
    - Grantees engaged to ensure successful implementation of the projects and achievement of set targets as spelt out in the individual grant agreements.

Financial Performance

The approved GoU budget for USADF project, FY 2014/15 is Ug shs 3.6 billion of which Ug shs 1.8 billion (50%) was released and all funds (100%) expended. Financial performance was therefore excellent.

Physical Performance

Since 2006, the project has supported a total of 40 ventures and currently has 23 running projects. The projects funded from 2014 and still ongoing include: Ibanda Growers Cooperative, Wadelai Rice Growers Cooperative, Kweyo Growers Cooperative, Kamushoko Growers Cooperative, Bukonzo Organic Coffee, Eyekaliriza Businsizigo Growers Cooperative, Rubanga Cooperative Society, Buhimba SACCO, Gulu Community Dairy Cooperative and Aluga Cooperative Society.

In FY 2014/15, the following projects were monitored; Eyekaliriza Businzigo Growers Cooperative Society Limited in Mityana district, Gulu Community Dairy Farmers Cooperative Society Limited and Kweyo Growers Cooperative Society Limited in Gulu District, Kamushoko Mixed Farmers Group in Mbarara district, Mer Ber Cooperative Society in Nebbi district and NUMA Feeds Limited in Shema District.

Field Findings

A) Eyekaliriza Businzigo Growers Cooperative Society Limited

Background

Eyekaliriza Businzigo Growers Cooperative Society Limited is located in Mityana Town Council. The Cooperative was established in 1968 as one of the primary cooperatives under Wamala Growers Cooperative Union to promote sustainable farming for smallholder farmers. However its activities ceased due to the political turmoil that characterized Uganda over the years and only revived in 2011.

The cooperative currently has 255 members comprising of 65 females and 190 males. The members grow maize, bean, potatoes but their main source of income is Robusta Specialty Coffee. The members are based in the sub-counties of Busimbi, Bulera, Namungo, Sekanyonyi and Mityana Town council.

Under the USADF project the Cooperative was a beneficiary of the Enterprise Development Fund (EDI) for capacity building. This support is expected to run for three years commencing 2014 up to 2016. Implementation was in first six months of the project duration.

Financial Performance

The cooperative was allocated Ug shs 238,224,938 and by December 2014 Ug Shs 112,066,678 (50%) had been released and Ug Shs 90,482,580 (80%) expended. Expenditure was therefore excellent as indicated in Table 10.1

Table 10.1: Financial performance of Eyekaliriza Businzigo Growers Cooperative as per December 2014

Item	Budget	Expenditure	Un spent balance
Infrastructure			
Construction of storage facility	72,432,746	41,191,220	31,244,526
Equipment purchases			
Motorcycle	10,956,438	-	10,956,438
Office and quality control	12,262,000	10,380,000	1,882,000
Working capital			
Crop finance	13,300,000	1,670,000	11,630,000
Input fund	7,585,000	-	7,875,000
Establishment of coffee mother garden	24,994,000	23,191,560	1,802,440
Technical assistance			
Financial and monitoring and evaluation training	4,150,000	3,579,300	570,700
Corporate governance and management training	3,500,000	-	3,500,000
Agronomic and postharvest training	4,300,000	-	4,300,000
Financial systems upgrade	10,968,581	-	10,968,581
Study tour	3,000,000	-	3,000,000
Fair trade certification	19,496,173	-	19,496,173
Business development plan	5,200,000	-	5,200,000
Administrative support			
Project staff	27,900,000	8,850,000	
Motorcycle fuel and maintenance	3,600,000	-	3,600,000
Sales and marketing	3,600,000	-	3,600,000
General office expenses	9,980,000	595,000	9,384,000
Adf project planning	1,000,000	995,500	4,500
Total	**238,224,938**	**90,482,580**	**82,549,604**

Source:* *Eyekaliriza Businzigo Growers Cooperative

Physical Performance

Infrastructure: The store is located in Wakintudu village, North Ward Parish, Mityana Town Council. By 13th January 2015, construction of the storage facility was ongoing and the facility was at roofing level. The fencing, extension of water, construction of a VIP pit latrine, erection of signage and nursery shed, had all been completed.

Equipment and furniture: The cooperative procured computers, chairs for the offices, moisture meters for quality control, Salter and platform weighing scales, and a motor cycle for extension outreach services.

Working Capital: Under the component of crop finance, the cooperative was facilitated to purchase coffee from farmers at competitive prices. A Kilogram of unshelled (*Kiboko)* coffee was at Ug shs 2,500 and shelled coffee was at Ug shs 4,700. The cooperative had conducted this activity for two months. The berries collected are sent to Wamala Growers Cooperative for processing and then marketed to local and regional outlets.

Establishment of coffee Mother Garden; Key ongoing activities included hardening of coffee seedlings and preparation of the mother/demonstration garden.

Technical assistance: The activity conducted under this component was trainings in financial management and monitoring and evaluation. Other activities under this component had not commenced. Funds had been earmarked for the certification in fair trade and once attained; the cooperative would be able to compete internationally.

Administrative support: Salaried technical staff such as a project manager, accountant and extension officer were hired for a period of 18 months. Three officers had been recruited and the board oriented in best practices in corporate governance.

Under general office expenses, improving the office facility in Mityana Town to act as a retail outlet for the coffee was ongoing. By January 2015, coffee processing was outsourced from Wamala Union due to lack of a coffee huller.

Under planning, baseline data collection was ongoing focusing on acreage of each member, status of crops and outturn per season.

The major civil works under the project; construction of a storage facility and establishment of a coffee mother garden were substantially complete and estimated at 80%. Time progress was at 16% hence on schedule. It was anticipated that the project would successfully implement the pending activities such as provision of technical assistance and acquisition of fair trade certification over the course of project life.

Left: Cooperative's offices Centre: Seedlings in the nursery bed. Right: Storage facility under construction at Wakitundu

Benefits

- Increased productivity due to provision of extension services to members.
- Farmers were getting true value of their produce upon elimination of middlemen.

Challenges

- Inadequate funds for bulk purchases hence limited quantities of coffee procured.
- Transporting coffee from farmers to collection centres and from collection centre to the cooperative was expensive since the cooperative relies on hired trucks.
- Competition from other coffee buyers who do not mind the quality escalates the farm gate prices which affect profitability.
- Fluctuation in coffee prices makes the business risky.
- Delayed release of funds especially the 50% GoU component to the project affects implementation of planned activities.
- Inflation in prices of construction materials escalated the project costs; for example, the bills of quantities priced cement at Ug shs 28,000 and iron sheets at Ug shs 32,000 which increased to Ug shs 30,000 and Ug shs 37,000 respectively.

Recommendations

- Farmers/members should be encouraged to contribute to the cost of transporting produce until such a time when the cooperative is able to own a truck.
- The cooperative should link up with financial institutions to improve cash flow for crop financing.
- The MFPED should release the 50% GoU contribution to the project on time to avoid delays in implementation.

A) Gulu Community Dairy Farmers Cooperative Society Limited

Background

The society is comprised of 201 members of whom 23 are male and 178 female. It provides extension services and marketing assistance to dairy farmers located in Gulu and Amuru districts. USADF provided support to streamline, acquire modern storage and improve on the sale of dairy products.

The cooperative has been a beneficiary of both the Enterprise Development Fund for capacity building as well as the Enterprise Expansion Investment Fund that promotes business growth under USADF.

Past performance

Enterprise Development Fund

The project was allocated Ug shs 552,918,167 under this grant for a period of 3 years (2011 to 2014) of which Ug shs 534,531,779 (97%) was released and all expended. This phase was successfully completed and the major outputs under this phase were increased milk production, establishment of milk collection centres, milk truck, motor cycle, transformer and generator acquired improved capacity of staff and board members through management, marketing, accounting and board trainings.

Milk collection truck procured by the cooperative

Infrastructure: A milk collection centre which served as a bulking centre for the members' milk was constructed in Padek Division Gulu Municipality. This increased the shelf life of members' milk and therefore the members were no longer at the mercy of milk traders.

The cooperative set up milk collecting zones in; Koro Sub county (3 centres), Bobi Sub county, Alero zone in Amuru District, Aywee and Badege in Pece Division and Unyama Sub county. Milk is collected from the zones to the bulking centre.

Working Capital: Under this component, the cooperative procured in-calf heifers for its members to serve as seed capital. The first batch had 52 in-calf heifers; however 8 heifers in this lot died. A second batch of 22 heifers was distributed to members. On giving birth, recipients were supposed to give the first female calf born to another member. By 31st December 2014, 28 calves had been distributed to members under the revolving scheme arrangement.

The cooperative also purchased inputs such as 10 sets of overalls, 10 pairs of gumboots and 10 sets of hair caps which it provided to members at subsidized prices. An Input shop was opened by the society where the members are able to access quality livestock inputs at better terms.

Technical assistance: Technical backstopping was provided by UDET. Trainings covered corporate governance to ensure that the cooperative adopted the best practices in corporate governance, financial and accounting, installation of PASTEL accounting software.

Administrative Support: Technical staffs in line with the principles of corporate governance and adherence to quality standards were hired. These were; project manager, accountant, field extension officer, quality assurance officer and sales manager.

USADF paid salaries and rent for a period of one year. The number of staff increased to ten. They include; milk distributor, cashier, milk receiver and two milk sellers. The cooperative is able to pay its current rent and sustain the staff salaries.

This phase was implemented successfully and the cooperative was considered eligible for the Enterprise Expansion Investment Fund.



Left: proposed shelter for milk processing, Centre: Input store for the cooperative, Right: one of the in-calf heifers at a beneficiary's residence in Gulu

Enterprise Expansion Investment Fund (EEI).

The phase commenced in September 2014 and expected to run for three years (until August 2017).

Planned outputs FY 2014/15 -2016/17

- Milk processing equipment for value addition acquired
- Statutory obligations such as National Environment Management Authority (NEMA), Uganda National Bureau of Standards (UNBS) and Diary Development Authority (DDA) met.

Financial Performance

The budget for this phase is Ug shs 642,327,042 of which Ug shs 5,960,000 (0.9%) was released and spent on maintenance of a milk truck. Release was low because the project started in September 2014 and most of the activities were still at procurement stage. Table 10.2 shows the detailed financial performance.

Table 10.2: Financial Performance of Gulu Community Dairy Farmers Cooperative Society limited under EEI as of 31st December 2014

Item	Budget	Release	Expenditure
Equipment			
Milk processing equipment	534,224,524		-
Laboratory equipment	6,340,000		-

Technical assistance			
Environmental impact assessment	15,860,000		-
Milk processing and quality control	6,000,000		-
UNBS quality control and certification	6,920,000		-
Development of dairy manuals	2,512,500		-
Administrative support	40,800,000		
Plant and vehicle maintenance	7,920,000	5,960,000	5,960,000
Sales and marketing	10,900,000		-
General office	7,560,000		-
Total	**642,327,042**		

Source: Gulu Community Dairy Farmers Cooperative Society Limited

Physical Performance

Milk processing equipment: The cooperative opted to venture in pasteurized milk, however the DDA discouraged the group from this idea citing poor road network and intermittent electricity supply in the district. They advised the group to consider procurement of extended shelf life milk processing equipment.

By January 2015, the project was in the process of sourcing suitable equipment suppliers. However, it was more expensive than what had been budgeted. The cooperative had secured land and a structure for milk processing, adjacent to Gulu Air field and modifications to suit regulatory requirements were ongoing.

Technical assistance: Activities under this output had not yet started.

Benefits

- Improved milk prices from Ug shs 300 per litre in 2011 to Ug shs 1,000 in 2014 due to bulking. This was facilitated by the provision of equipment under the project.
- Increased revenue earned from milk sales from Ug shs 127,450,000 in 2012 to 198,992401 in 2013.
- Employment generation at both cooperative offices and at the farm level. These include herdsmen, milk transporters and farmer members supplying milk increased from 135 in 2012 to 212 in 2013.
- The cooperative had started processing yoghurt and marketing it with in Gulu and neighboring districts.
- Increased consumption of milk in the area of operation due to the increased volumes from 10,300 litres per month in 2012 to 130,559 litres per month in 2013.
- The livelihood of farmers using bio gas had improved because they spent less time and resources on energy (firewood and lighting).

- The cooperative has also been exposed. In 2012, the group received the Golden Award from the East African Dairy Development Project and another Golden Award from DDA in FY 2012/13.
- The cooperative has a full time extension worker who is available to the farmers. This has improved the agronomic practices of the farmers.

Challenges

- Loss of heifers due to inexperience by the members affected the project expected growth.
- Limited milk cooling capacity.
- Expensive long shelf life milk equipment.
- Frequent power outages in the area increases operational costs as the cooperative has to use a generator to preserve the milk.

Recommendations

- The cooperative should continue providing extension services to members to minimize in-calf mortality.
- The USADF coordination office should link the cooperative to financial institutions or other government programs like Agricultural Credit Facility (ACF) to enable the group secure the right equipment for milk processing.

B) Kamushoko Mixed Farmers Savings and Credit Cooperative Society

Background

The society is a farmer based a registered limited company, by guarantee. It is located in Rwambabana Cell, Kamushoko parish, Bubaare sub-county, Kashari County, Mbarara district. The Cooperative was established in 2008 with the objective of promoting social economic development within the community through the increased production of staple foods. Crops grown include; millet, maize, soybeans, banana and groundnuts. Currently it has 87 members comprising of 64 Females and 23 males and was registered as a cooperative in 2014.

The USADF support to the Cooperative is for a period of two years commencing 2014 to 2016. The Cooperative was allocated Ug Shs 237,000,000 for the entire period. The grant is under the Enterprise Development Fund for capacity building.

Financial Performance

The project budget is Ug Shs 237,000,000 of which Ug Shs 146,340,586 (61%) had been released, and Ug shs 91,362,586 (62%) expended by 31st December 2014. Expenditures were mainly made on construction of a storage facility. Release for the first year was excellent and expenditure was good. Table 10.3 shows the financial performance by item.

Table 10.3: Financial performance of Kamushoko Farmers' Group by December 2014 (Ug shs)

ITEM	Release	Expenditure	Balance
Construction of a storage facility	72,870,886	36,705,386	22,919,608
Office furniture and equipment	7,994,000	624,200	7,320,000
Crop Finance and Input Fund	24,076,000	18,326,000	5,750,000
ADF Financial and M and E Training	3,540,000	1,090,000	2,450,000
Project staff (Salaries)	22,500,000	20,090,000	2,410,000
General Office Expenses	15,360,000	14,527,000	833,000
TOTAL	**146,362,586**	**91,362,586**	**41,682,608**

Source: Kamushoko Mixed Farmers' Group

Physical Performance

Construction of a storage facility: The six months contract was awarded to M/s Mutaara Works Enterprises on 12th August 2014 at a contract sum of Ug shs 72,000,000. The scope of works covered: a 10,000 MT storage facility with two offices, one input store, a 10,000 litre tank, and a two stance pit latrine.

The construction works were in the final stages, with the substructure, super structure, roofing, and installation of water tank completed. The pending works were final finishes; completion of splash aprons and painting. Actual physical progress was estimated at 80%. The contractor was expected to handover the site to the client on 12th March 2015. It was observed that the storage facility did not have adequate ventilation.

Office furniture and equipment: The cooperative acquired; a safe, two computers, a motorcycle, filing cabinet, weighing scale, and four chairs. Pending was procurement of a moisture meter for quality control purposes.

Crop Finance: Inputs such as 50 pieces of tarpaulins, 20 pieces of spray pumps and 20 sets of protective gear (gumboots, gloves and masks) were procured for members. The Cooperative procured produce from its members and sold it to a food processing plant in Sheema District (NUMA Feeds).

ADF Financial and M&E Training: The cooperative, as stipulated by the implementing modalities of the project was to receive technical backstopping from UDET. A total of nine disciplines were identified for the cooperative and these were; financial management, Monitoring and Evaluation, Agronomic and post-harvest handling, cooperative governance and management, Business Plan Development, Savings, Credit and Business Management, Stores Management and a Study tour. By 2nd February 2015, two trainings in financial management, and monitoring and evaluation had been conducted. The rest were to be conducted in the subsequent quarters.

Project staff: Technical personnel such as; project manager and accountant were hired to manage the operations of the cooperative. The founding members were to play an advisory role on the board. Funds were extended to support salaries for these staff for a period of 18 months.

General Office Expenses: Rent office space for a period of 18 months was paid.



Left: produce in current store Centre: substantially complete new storage facility, Right: Project staff and office equipment provided by the USADF project

Benefits

- Increased grain production due to availability of a ready market (NUMA Feeds).
- Increased access to extension services since the project had recruited a full time extension worker and facilitated him with a motorcycle.
- Farming had become more profitable due to elimination of middlemen.
- The quality of produce from the group improved. Prior to the project, farmers were drying millet on the ground leading to contamination with sand and presently, there are very limited impurities in the millet from the members.

Challenges

- Lack of market for some of the commodities produced specifically for banana, cassava and soya bean.
- The high prevalence of Banana Bacterial Wilt (BBW) disease in the region had reduced banana production.
- Lack of transport for collection and transferring the produce from different centres to the stores and the markets.

Recommendations

- The cooperative should engage its members to mobilize resources and finance acquisition of transport unit to improve movement of produce.
- The cooperative should liaise with Commercial banks participating in the provision of Agriculture Credit for possible financing.
- The cooperative should develop a marketing strategy for its produce and plan to undertake value addition to increase on profitability and product shelf life.
- The cooperative should liaise with the district production department on management and control of BBW.

D) Kweyo Growers Cooperative Society Limited

Background

Kweyo Growers Cooperative Society limited is located in Pida-Loro Village, Ongako Sub County, Gulu district. It is composed of 330 members comprising of 225 females and105 males. It was established in 1968 but collapsed due to insurgency in the region. The cooperative was revived in 2008 and earmarked for support under USADF. The financing agreement was signed in March 2014 under the Enterprise Development Fund for a period of two years (2014-2016). The main crops grown are; maize, beans, and groundnuts.

Financial Progress

The Cooperative was allocated a budget of Ug Shs 238,143,522 of which Ug shs 135,097,813 (57%) had been released and Ug Shs 90,099,044 (67%) expended by 31st December 2014. Expenditures were mainly made on crop finance, procurement of office equipment, payment of salaries and store construction as indicated in Table 10.4. The release of funds by half year was excellent and expenditure was good.

Table 10.4: Expenditures of Kweyo Growers Cooperative Society as of 31st Dec 2014

ITEM	Expenditure
ADF Trainings (Financial Management)	569,000
ADF Trainings (Monitoring and Evaluation)	1,393,300
Solar system (485W) + Accessories	5,022,000
Salaries	13,050,000
Casual labourers	450,000
Crop finance (Produce)	15,466,500
Crop finance (Produce Bags)	3,235,000
Truck and Lorry Hire	2,660,000
Office equipment	10,728,750
Bicycles and Motor cycle purchase	11,625,000
Equipment purchase	7,230,000
Repairs and Maintenance	800,000
Store construction	17,785,244
Bank charges	38,250
TOTAL	**90,053,044**

Source: Kweyo Growers Cooperative Society

Physical Performance

Infrastructure: The construction of the 10,000 MT storage was near completion pending: floor works, fixing windows, vents, fixing pallets, painting and fixing input shop shelves. The solar power system was procured and installed in offices and store. A 10,000 litre tank was installed on the store for rain water harvesting.

Office furniture: A safe, two computers, filing cabinet, two benches, two office desks and four chairs were procured.

Equipment: two weighing scales, one platform scale and a moisture meter were procured. The equipment was to be mainly used in quality control and assurance.

Two motorcycles were acquired for the extension worker and a project manager, seven bicycles were procured for the lead farmers who had been identified and selected by the cooperative to act as resident extension workers in the seven zones in which the cooperative operates.

Crop finance: Improved varieties in maize, seeds and ground nuts had also been purchased by the cooperative for its members. The seeds were to be distributed amongst the members on a revolving fund basis.

Training: The trainings provided to the cooperative by UDET were in financial management and monitoring and evaluation. Other trainings such as agronomic and post-harvest practices were to be scheduled in the subsequent quarters of the project.

Project staff: technical personnel such as; project manager, an accountant an extension worker were hired to manage the operations of the cooperative. The founding members play an advisory role on the board. Funds were extended to support salaries for these staff for a period of 18 months.

Benefits

- The members of the cooperative were able to acquire farm inputs on credit.
- Availability of storage for members produce.
- Improved quality of produce due to adherence to standards such as moisture content.
- Better and fair prices for members' produce.



Left: Front view of the reconstructed storage facility. Centre: Interior of store, Right: Weighing scales procured by Kweyo cooperative

Challenges

- The members' attitudes to quality are still poor hence low bulking volumes.

- Competition from middlemen.

Recommendation

- The cooperative should sensitize its members on the benefits of bulking high quality produce.

E) Mer Ber Cooperative Society Limited -Nebbi

Background

Mer Ber ‘A’ Cooperative society is located in Patek-Pakucur village, Kalwang parish, Nebbi Sub County, Nebbi district. It started as a Village Savings and Loan Association (VSLA) in 2008, with support from West Nile Private Sector Development Promotion Centre. In April 2011 Mer Ber formed a Cooperative society comprising of 50 members and registered with Ministry of Trade, Industry and Cooperatives.

By January 2015, the Cooperative had a total of 163 members (98 Female, 65 Male). Mer Ber has been receiving financial and technical support from United States African Development Foundation.

The cooperative is deals in producing, processing and marketing rice products. The organization is focused on producing, collective bulking, processing and marketing of NERICA and SUPARICA rice varieties.

Under the USADF project, the cooperative was a beneficiary of both the Enterprise Development Fund (2011-2012) and the Enterprise Expansion Investment Fund (2013-2016).

Past performance

Enterprise Development Fund (EDF)

Support under the EDF commenced in 2011 for a period of 12 months with the objective of building capacity of the cooperative through; improving the cooperative’s corporate governance structure, to ensure that management is independent of the board, improving financial systems at the cooperative, and trainings in agronomic and post-harvest handling; food safety, certification and business management. A total of Ug Shs 217,674,500 was disbursed under this phase and all funds were absorbed.

The following outputs were achieved under the first phase:

Equipment: A rice mill was delivered to the project and it enabled the group to engage in rice milling and processing thus fetching higher prices for their produce. Two computers, printer and a solar system were also delivered. This eased the operations of the cooperative.

Crop finance: This enabled the cooperative to provide to its members with agricultural inputs such as improved seeds that boosted yields and productivity.

Technical Assistance: Activities such as training in corporate governance ensured that proper corporate management structures were developed with qualified staff hired. Software was installed with the funds under financial systems upgrade.

Administrative expenses: Rent and staff salaries for the project manager, accountant and extension worker were paid for a period of 18 months.

This phase was successfully implemented and the group was considered eligible for the Enterprise Expansion Investment Fund.

Enterprise Expansion Investment Fund (EEI)

The activities under this phase are aimed at enhancing the capacity of the project to ensure growth in the business of the cooperative. This grant is scheduled for a period of three years commencing 9th September 2013 to 30th September 2016.

Financial Performance

The approved budget for EEI is Ug shs 539,497,754 of which Ug shs 437,505,841 (81%) had been released and Ug shs 424,244,379 (97%) spent. Expenditures were mainly on construction of a storage facility, procurement of a tractor, crop financing among others as indicated as Table 10.5. The release and absorption of project funds were excellent.

Table 10.5: Financial Performance under EEI as of 31st December 2014

Item	Budget	Expenditure	Balance
Infrastructure			
Construction of a storage facility	101,725,000	95,973,750	5,751,250
Equipment			
Rice milling equipment	94,743,556	88,210,000	6,533,556
Tractor	138,834,000	77,648,100	61, 185, 900
Office and quality control equipment	5,392,000	2,500,000	2,892,000
Motorcycles	21,962,000	18,824,560	3,138,038
Working capital inputs			
Crop finance	49,000,000	48,998,900	1,100,000
Input fund	14,980,000	13,480,000	1,500,000
Technical assistance			
ADF monitoring and evaluation	1,820,000	1,735,000	85,000
Cooperative principles and governance	5,100,000	5,100,000	
Stores management training	2,050,000	1,940,000	110,000
Agronomic and post-harvest handling training	7,670,000	7,270,000	400,000
Financial systems upgrade and training		9,415,000	9,415,000
Performance management	2,990,000	2,345,000	555,000

Item	Budget	Expenditure	Balance
training			
Business plan review		5,285,000	5,285,000
Administrative support			
Project staff	24,600,000	24,600,000	
Vehicle and mill maintenance	24,000,000	18.912,000	5,088,000
Sales and marketing	13,100,000	11,750,000	1,350,000
General office expenses	16,920,000	15,375,069	1,562,931
Total	**539,497,754**	**424,244,379**	**115,253,375**

Source: Mer Ber 'A' Cooperative

Physical performance

Infrastructure: The storage facility had been constructed and already functional. The facility houses the offices of the project manager and accountant.

Equipment: The new rice milling equipment had been installed and functional. A tractor was provided in the grant and the cooperative was reaping from the benefits of mechanized agriculture (ability to open up large tracts of land in a short time). In addition, the tractor provided a revenue stream to the cooperative, as members were charged Ug Shs 60,000 per acre for ploughing and non members are charged Ug Shs 80,000 per acre.

Working capital inputs: improved seeds and other inputs were provided to members to ensure increased productivity and availability of such inputs. This is done on a cost recovery basis, where seeds are provided to members on loan and payment deducted after sale of produce. The project also supported the cooperative to hire marketing centers (retail outlets) where the cooperative products could be accessed under the input fund.

Technical assistance: the UDET provided backstopping to the cooperative in emerging technical fields where skills shortages were identified.

Trainings were provided in post-harvest handling, management and store management to get the members appreciate the importance of adhering to internationally accepted standards of handling produce. This would go a long way in ensuring better prices of their income due to elimination of middlemen through collective marketing. UDET also ensured that the principles in good corporate governance established under the EDI phase are adhered to through continuous training on the importance of governance structures.

Administrative support: Salaries for the project staff for a period of 18 months were paid and maintenance of the mill and motorcycles was done. This was expected to sustain the operations

Left: Completed storage facility, Centre: Staff packaging rice, Right: Project Tractor

of the cooperative.

Benefits

- The capacity building trainings provided by UDET in food safety, agronomic practices monitoring and evaluation and cooperative governance enhanced productivity.
- The society provides free extension services to its members.
- Increased rice volumes; a total of 18,036 kg of rice from both its members and non members in the entire district was purchased between June and December 2014.
- Increased income due to better rice prices for example A Kg of paddy rice increased from Ug Shs 1200 to Ug Shs 1, 500 and NERICA IV prices increased from Ug Shs1000 to Ug Shs 1300.
- Improved household income; members were earning an average of Ug shs 416,500 shillings per season in 2014 from an estimated 80,000 in 2010.
- Enhanced saving culture among members due to participation in the savings and credit scheme.
- Rice milling was brought near the farmers through this project. Before, rice would be transported to Gulu for processing. In addition, the price of rice processing reduced from 300 to 150 for members and 200 for non members.

Challenges

- Inadequate budget allocation to crop financing. As a result, the cooperative was unable to enforce uniformity of standards because it could not distribute improved seeds to all its members.
- The Cooperative only has one tractor and it is overwhelmed by the demand from the farmers.

Recommendations

- The management of the cooperative should encourage its members to contribute to crop financing fund to ensure that uniform seeds are procured.
- Alternative sources of funding for example Agriculture Credit Facility should be sought to improve on the cooperatives cash flow and acquisition of more equipment such as an additional tractor.
- The cooperative should establish linkages with other development partners and stakeholders i.e. Uganda Grain Council and Warehouse Receipt System Authority to enable it expand its operations.

F) NUMA FEEDS

Background

The NUMA Feeds Limited is a medium-scale agribusiness company that processes food for human consumption, livestock and poultry. It started in 1995 as a private limited liability company.

The major goals are; adding value to locally available agricultural produce, creating employment for the local community and availing a market for farm produce among others; NUMA Feeds was identified by USADF in 2008 at a time when the company was small and facing major challenges which included; poor raw materials, low level of organization among farmers, poor infrastructure and lack of machinery among others.

The primary consideration for USADF to support the firm was the forward and backward linkages created when dealing with farmers in organized groups and market access for farmers' produce. The NUMA Feeds had 159 primary cooperatives that supplied raw materials.

Project objectives

- To enhance community partnerships with farmer groups and build a strong and reliable supply chain of raw materials that will in turn provide reliable market for farmers produce.
- To develop a modern medium scale grain processing factory that will attract and retain skilled staff in core areas of the company's business.
- To increase company profitability through sales growth and business expansion.
- To achieve International Standards Organization (ISO) certification within the project period.

The firm was a beneficiary of both the Enterprise Development Investment Fund (EDI) and the Enterprise Expansion Investment Fund (EEI).

Findings

Past Performance

Enterprise Development Fund (2008-2009)

A total of Ug shs 143,330,600 was disbursed to the firm. Activities centered on ensuring that management structures are established and that the firm operates on the principles of corporate governance. The following were achieved:

Technical assistance: Technical backstopping by UDET to the firm was done. Financial systems were upgraded and the firm was able to acquire a Quality (Q) Mark for three of its products from UNBS (certification).

Administrative support: The firm hired technical staff including a production officer and marketing officer and their salaries were paid for 18 months.

Equipment: Office equipment including computers was delivered to the firm to ease operational activities such as data capture, and a maize mill to process produce was obtained.

Working capital: A total of Ug shs63, 980,000 was provided for a period of 18 months in order to boost the firm's capability to purchase raw materials from primary cooperatives affiliated to it and branding of its products.

After successfully implementing this phase, the firm was considered eligible for funding under the Enterprise Expansion Investment. This phase was for a period of 5 years commencing from 2010 to 2015.

Enterprise Expansion Investment (2010-2015)

Financial Performance

A total of Ug shs 433,647,374 was allocated to the firm under this phase, released and fully expended as shown in Table 10.9. 51% was spent on purchase of equipment, 32% was spent on working capital, 12% on factory premises and 3.3% on technical assistance and administrative costs.

Table 10.9: Financial performance under EEI as of 31st December 2014

Item	Expenditure
Construction	
Factory building	53,059,650
Equipment	
Assorted production machinery	101,115, 700
Packaging machine	35,146,400
Weighing scales	3,500,000
Motorcycle	7,747,624
Generator	36,000,000
Millet polisher	4,000,000
Truck	30,348,000
Dusk extractors	2,400,000
Working capital	
Raw materials	134,000,000
Marketing expenses	6,000,000
Technical assistance	
Training of new farmer groups	11,470,000
ADF participatory monitoring and evaluation training	1,870,000
Administrative cost	
Banking and communication	990,000
Total	**433,647,374**

Source: NUMA Feeds Limited

Physical performance

Construction: A processing complex was constructed with co-funding from the proprietors. The operations at the facility included: sorting of delivered farmers produce, milling, quality assurance and packaging of products. The factory operates three shifts during peak periods.

Equipment: New equipment was procured that can process higher volumes of produce. By February 2015, the equipment was functional and the firm had a total of nine (9) products on the market. They include: soya rice, soya maize, soya millet, fine maize powder, power maize flour, Rice flour, Karo and Bushera.

The truck provided transport to farmers' produce from designated collection centers to the factory. Table 10.10 shows the trend of volumes purchased by NUMA from farmer groups over the years.

Table 10.10: Procurement trend of NUMA 2009-2014 (Kilograms)

Year	2009	2010	2011	2012	2013	2014
Cassava	25,284	21,322	39,891	79,872	88,931	87,138
Millet	69,795	80,974	122,745	231,951	305,228	332,292
Maize	537,647	313,399	463,013	471,168	489,697	521,208
Total	**632,726**	**415,695**	**625,649**	**782,991**	**883,856**	**940,638**

Source: NUMA Feeds Limited

Working capital: The fund was used to purchase produce such as maize, millet, cassava from the primary cooperatives affiliated to NUMA. Support was extended in the form of marketing expenses, where the firm hired marketing centers (retail outlets) for its products.

Technical assistance: New farmer groups were assessed and trained in agronomic practices, post-harvest handling (provision of tarpaulins), to ensure that these groups adhere to standards required for processing.

Right: Sample of millet sorted by female employees 'auditors' Left: assorted packaged produce in store ready for dispatch

Benefits

A total of 6030 farmers affiliated to NUMA received trainings in; agronomic practices, post harvesting and other areas which have enabled them to deliver produce of internationally accepted standards.

- The truck (3 tonne) enabled the firm to haul high volumes of farmers' produce over long distances.
- The factory has provided employment to the community both in the farms' and the production site.
- Two primary cooperatives affiliated to the NUMA Feeds namely; Kamushoko Cooperative and Lubanga were earmarked for USADF support due to the collaboration.
- Agri-Business Initiative Trust (ABI-Trust) partnered with NUMA Feeds after the successful intervention of USADF. This engagement is to enhance maize and soya production with the objective of manufacturing nutritious products.
- Corporate social responsibility**:** NUMA Feeds has engaged in a number of Corporate Social Responsibility schemes in order to ensure that the welfare in the community in which it operates is enhanced. These schemes included provision of:
    - Bore holes.
    - Electricity to Ishekye School of handicapped.
    - A rainwater harvesting tank to Kihunda health centre maternity ward.
    - Energy savings stoves to members of communities.

Challenges

- Unfair trade. The introduction of VAT (Value Added Tax) on grain products affected VAT registered companies such as NUMA Feeds yet the unregistered competitors do not pay the tax.
- Standards were not adhered to by farmers and produce quality was low due to lack of a grain policy.
- High certification and audit fees due to the location of the facility leading to delayed certification of other products.
- Limited access to credit for expansion. Valuers' estimated NUMA's asset value at Ug Shs 400,000,000 due to its location. This has hampered the company's efforts to secure meaningful credit for expansion.
- Lack of skilled manpower in the region.
- High operational costs and delayed processing of produce due to costly and irregular power supply.
- Unavailability of logistical materials. Kabwohe being an upcountry town, access to materials, spare parts, and electrical wiring materials is limited.

Recommendations

- The Ministry of Trade, Industry and Cooperatives (MTIC), Ministry of Agriculture Animal Industry and Fisheries (MAAIF) and Uganda Revenue Authority (URA) should formalize trade in grains and tax all players to ensure fair competition.

- The MTIC and MAAIF should expedite the formulation of a grain policy in order to develop and enforce standards.
- The NUMA Feeds should consider alternative and cheaper sources of financing such as Agricultural Credit Facility and other development partners to fund expansion of its operations.

Analysis

Link between financial and physical performance

There was a strong link between financial and physical performance. The projects which started in FY 2014/15 (Eyekaliriza Businziggo, Kamushoko and Kweyo) registered excellent performance in implementing planned outputs. The construction of the storage facilities was at least 80% complete.

Achievement of set targets

Overall, the project seeks to; promote the development of farmer cooperatives, producer associations, smallholder agricultural producers, small scale agri business (SSAs) and small and medium sized enterprises in Uganda, and increase their market competitiveness with a particular focus on the development of underserved and marginalized community groups and enterprises. The project had supported 40 projects so far since 2006 and created 220,062 jobs. The total income accruing to farmers during the project life was estimated at Ug Shs 68. 371billion. It had increased the participation of small scale agricultural groups and SMEs in investment relationships with other trading partners.

All projects achieved the targets for the first half of the financial year. The civil works and procurement of processing equipment were on schedule.

Some SMEs had been facilitated under the project to acquire and adhere to statutory compliance requirement such as Uganda National Bureau of Standards certification. This provided a platform for trade with regional partners. For example, NUMA Feeds Limited was facilitated to acquire certification for three out of its nine products and the company was able to export these commodities to neighboring countries.

Comparative analysis

In all projects monitored, implementation was on schedule. The projects of Eyekaliriza Businziggo, Kamushoko and Kweyo that had just started in 2014 were in advanced stages of civil works. It was anticipated that other components would be complete within the stipulated project period. Gulu Women's Dairy Cooperative had registered progress on all fronts awaiting procurement of milk processing equipment to fully operationalize.

The projects of Mer Ber 'A' Cooperative and NUMA Feeds had however completed all activities under the project and benefits such as improved market access for farmers' produce were being registered.

Overall Challenges

- Inadequate staff numbers and competences to oversee project implementation at UDET.

- Lack of policies and regulations in grain and tea sectors to curb vices such as poor post-harvest handling.
- Inadequate funding for crop finance component.
- High dependency on project support by the beneficiaries limited sustainability of the intervention using local resources.

Conclusion

Overall, the project was rated as excellent with over 90% of targets achieved during the period under review. The project registered commendable progress on the sampled beneficiaries. Ongoing projects under EDI phase were on track. In most of the cooperatives and groups, agronomic practices, post-harvest handling, and financial management had improved.

The projects that were implementing the EEI had also been transformed into viable business entities and acted as market outlets for the targeted smallholder farmers. Achievement of project objectives was however affected by inadequate staff, lack of policies and regulations for the grain sector and high dependency on project support.

The USADF project should be benchmarked as a best practice for initiatives that aim at poverty alleviation in the country. Such practices included; continuous training and monitoring of groups and compliance to principles of corporate governance.

Recommendations

- The USADF/MFPED should support UDET to recruit more personnel with specialized skills.
- The MAAIF, MTIC and other stakeholders should expedite the development of regulatory frameworks in the tea and grain sectors.
- The USADF should increase the funding for the crop finance component. The USADF coordination office should conduct trainings for beneficiaries on mindset change to mitigate dependency.

10.2.2: Presidential Initiative on Banana Industrial Development (Project 0978)

Background

The Presidential Initiative on Banana Industrial Development (PIBID) is a pilot project of the Government of Uganda. Its underlying theory is that rural farmers with access to science- led processing and value addition enterprises will be able to rapidly access profitable market chains that supply local, regional and international markets; resulting into increased household incomes.

The project started under Uganda National Council for Science and Technology (UNCST) in July 2003. It transformed into a fully fledged project in July 2007 with an expected end date of June 2016.

Objectives

- To establish benchmarks for starting a rural based pilot banana processing industry in Bushenyi.
- To ensure sustainable processing of quality products by a startup rural value addition enterprise through a TBI framework for local and global framework.
- Capacity building for farmers in modern production technologies and agronomic practices, so as to ensure sustainability of matooke production and marketing for Bushenyi District for a banana processing industry.
- Linking farmers/ entrepreneurs to favorable micro- financing mechanisms to facilitate the enterprises.
- Establishment of reliable supply chains that link farmers to more profitable market outlets with the medium and large scale processors/consumers.
- To assess project impact on environmental sustainability, overall economic wealth and food and nutrition security at macroeconomic level.
- To transform Bushenyi TBI into the Banana Industrial Research and Development Centre.
- To promote entrepreneurship in the private sector and training at public institutions through establishment of an Industrial Technology Park.

The project objectives are in tandem with the Government's priority economic strategies which among others include value addition to agricultural products, industrialization and agro – processing through the research and development framework of the Economic Development and Policy Research vote function of the MFPED.

Planned outputs for FY 2014/15

- Pilot Banana Processing Plant operationalized.
- Quality Assurance and Research facilities operationalized.
- Phase II Raw and Instant flour equipment procured, installed and test run.
- Bio gas equipment at the TBI procured and installed.
- Automation of 2 silos and hammer mill installed and test run.
- Irrigation system in the Demo gardens 20 acres at the TBI operationalized.
- 15- Farmer trainings at the TBI undertaken.
- Banana production at the TBI increased.
- Phase II lab equipment delivered and installed.
- Continue product development testing and promotion undertaken.
- Production of Tooke products for the market on a large scale developed.
- Continuous research, two PhD and four Msc supported.

- Three Community Processing units in the districts of Rubirizi, Sheema and Mitooma completed.
- TOOKE products produced.

Financial Performance

By the end of FY2013/14, PIBID had unspent balances worth Ug shs 11,798,164,622 which were committed to acquisition of processing machinery and payment of certificates to contractors. The funds were all spent in the first quarter of FY 2014/15 mainly on the acquisition, shipping and installation of factory equipment.

The revised budget for PIBID FY 2014/15 was Ug shs 2.974 billion of which Ug shs 2.25 billion (75.6%) was released under Vote on Account in the first quarter used to clear outstanding contractual obligations. The agency did not receive any funds in the second quarter. By 31st December 2014, all released funds had been absorbed (100%) representing an excellent expenditure performance.

Physical Performance

The contract for the construction of the banana (Tooke) processing plant was awarded to M/S Dott Services Limited in September 2009 at a contract price of Ug shs 23.3 billion for the construction of; a banana processing plant, conference centre, quality assurance block, and installation of the processing machinery.

Operationalization of the Pilot Banana Processing Plant and quality assurance involved civil works and installation of equipment, construction of a hostel and maintenance of a banana plantation. The works were substantially completed. Table 10.10 indicates detailed physical progress of the project.

Table 10.11: Physical progress under construction of pilot processing plant as of 7th February 2015

Planned Outputs/Activities	**Physical Progress (%)**	**Remarks**
A. Construction of the pilot banana plant, conference centre and quality assurance		
Construction of a main processing plant	90	Installation of pneumatic conveyor not yet done. Driers partially delivered. Awaiting delivery of final parts.
Construction of mechanical workshop	90	Works were partially complete awaiting extension of the service pit, and external works.
Construction of conference; library and office building	90	
Construction of Quality Assurance/Research block	70	Activities were cabling and trunking. Identified need to redo ceiling works due to echoes observed in the building.

Construction and installation of bakery line	75	All civil works, electrical works and plumbing works were completed. Pending was delivery and installation of the bakery equipment.
Construction of factory , administrative block and marketing centre	100	All civil works completed.
Construction of lagoons	90	Pending activities were tertiary works e.g fencing
Powerhouse construction and installation of two standby generators	100	Civil works completed. Feeder pillars and generators installed.
B. Delivery and installation of processing equipment		
Raw and instant tooke flour equipment	100	Completed
Installation of two silos	95	Awaiting automation
Installation of hummer mill	45	Awaiting shipment of parts
Installation of extruder	100	Completed
Installation of Drum drier	100	Completed
Installation of biscuit line	100	Completed
Installation of packaging equipment	95	Under testing
C. Maintenance of the banana plantation (mother garden and demonstration plot)		One acre currently under irrigation.
D. Construction of Hostel and staff houses	60	Structural works completed. Pending external finishes such as plumbing works, electrical works, painting and fitting doors and windows.
E. Establishment of 3 Community Processing units in the districts of Rubirizi, Sheema, Mitooma	5	Farmers were being organized into groups in Sheema district.
F. External works (Road, fence)	85	Substantially complete
G. Construct biogas facility	40	Works ongoing

Source: Field findings

Left: Bio gas facility under construction Centre: nearly complete road works Right: Equipment in stores ready for installation at PIBID Bushenyi district

Construction of water works

In September 2009, the contract for water works was originally awarded to M/s Vambeco at a sum of Ug shs 1.8 billion supervised by M/s BEC, but it was terminated and retendered to M/s Dott Services Limited in 2013. Key outputs in the contract were: construction of a 2,000m3 reservoir at Nyaruzinga, completion of water works at Kyamugambira, clearance of water channels, construction of a fertigation house, pipe works for inlets and outlets for the fertigation house, water treatment facility, an elevated 40m3 steel tank and a water transmission line to the factory.

By 31st January 2015, works were substantially complete (97%) and were expected to be handed over to the client before the end of February 2015. Ongoing works were re-roofing of the generator house, pump house and acquisition of cage capers. The beneficiaries were satisfied with the quality of works.

Left: Banana plantation under irrigation. Right: Completed water works at Kyamugambira at Bushenyi district

Overall Challenges

- Lack of approved business and strategic plans to operationalize PIBID.

- Downward revision of the budget in the middle of the FY 2014/15 scaled down project works and installation of equipment.

Analysis

Link between financial and physical performance

There was a strong link between the financial and physical performance. Expenditures were on procurement of factory equipment and shipment, clearance of certificates for the processing plant and staff salaries.

Achievement of set targets

Overall physical progress was estimated at 90%. The completion of the key project deliverables was on track for example water works were 97% complete and under defects liability period. The civil works and installation of equipment was largely on course and works were estimated at 80%. Major ongoing works included road works, construction of hostels and rectifying defects in the conference; library and office building.

Automation of the silos was awaiting shipment of key components; farmers were being mobilized into groups in the district of Sheema with the view of forming community processing units. Pending activities were: completion of quality assurance and research facility, formation of processing units in Rubirizi and Mitooma districts, automation of silos and training of farmers.

Conclusion

The major outputs of construction of the water works and the banana processing plant had been largely achieved (90%) though delayed by three years. Although the project was commissioned by the H. E the President of the Republic of Uganda in December 2014, it was not complete by February 2015. The key equipment for most of the pending installations were being shipped and expected by March 2015.

Farmers in Sheema district were organized into clusters and training in offsite processing was scheduled. However, the down ward revision of the budget and subsequent zero release of funds in the second quarter had de-moralized the implementers and contractors .Given the reduced funding, it will be unlikely to achieve the planned targets.

Recommendations

- The PIBID secretariat and the MFPED should expedite development of business and strategic plans in order to provide a platform for smooth operationalization of the plant.

10.2.3 Uganda Investment Authority

The Uganda Investments Authority (UIA) is a semi-autonomous government agency operating in partnership with the private sector to contribute to economic growth and development. The authority was set up by an Act of Parliament (Investment Code 1991) with the aim of promoting and facilitating private sector investment in Uganda. The semi-annual monitoring exercise for FY 2014/15, focused on Development of Industrial Parks' Project.

Development of Industrial Parks (Vote 008, Project Code 0994)

Background

The Government of Uganda formulated a 10-year National Industrial Parks Development project with effect from FY 2008/09 to FY 2017/18. This project aims to create 22 industrial parks across the country.

The implementation started with the setting up of the Kampala industrial parks, Bweyogerere, and Luzira. In fulfillment of that mandate, Uganda Investment Authority secured land in Namanve, Kasese, Soroti, Mbale, Moroto, Bweyogerere, Luzira and Mbarara. The total project cost was estimated at Ug Shs 200 billion but cumulatively, only Ug shs 29 billion has been realized since 2008.

Objectives

The setting up of industrial parks is to mainly create jobs and add value to locally available raw materials. In addition, new manufacturing and other skills will be acquired by the citizens as well as increasing trade in new products and improving on those already under production.

Planned outputs for FY 2014/15

Bweyogerere Industrial Park

- Park roads maintained

Jinja Industrial and Business Park

- Detailed engineering of the roads carried out

Kampala Industrial and Business Park

- Priority roads opened and maintenance of roads done
- Installation of border markers done

Luzira Industrial Park

- Park roads maintained

Mbale Industrial and Business Park

- Detailed Master Plan and Environmental Impact Assessment carried out

Mbarara Industrial and Business Park

- Park management operational activities

Moroto Industrial and Business Park

- Installation of border markers
- Detailed Master plan and Environmental Impact Assessment carried out

Soroti Industrial and Business Park

- A 4Km road in the park opened

- Power and water extended for a distance of 1Km within the park

Findings

Financial Performance

The approved budget for the project in FY 2014/15 is Ug shs 7.69 billion of which Ug shs 3.845 billion (50%) was released and Ug shs 1.345 billion (35%) spent by 31st December 2014. Release performance by half year was excellent; however absorption was below average.

The low absorption was attributed to the fact that Cabinet had directed UIA to earmark Ug shs 5 billion shillings from the project for expansion of Nakasero Hospital and the procurement process for this activity had not started.

Physical Performance

Bweyogerere Industrial and Business Park (50 acres**)**

The park is located in Bweyogerere-Bbuto, 3 km off Namulondo road. A total of nine (9) investors were allocated plots in the industrial park. One (UNBS) had started operations while Seven (Bweyogerere hospital, Tarpo Industries, Arnold Brooklyn (Lasting impressions), House of Paving, BDH laboratories, Crane Paper Limited and David Engineering) had commenced development of their respective plots. Only one investor had not commenced construction (Omega Construction Company).

Maintenance of roads: The 1.9 kilometer road maintenance contract was awarded to Bramajo Engineering Works at a sum of Ug Shs 23,744,000 for a period of six months (22nd January 2015 to June 2015). The scope of works included; desilting of cross and side drains, patching of pot holes, cutting of grass, sweeping of carriage ways, weeding of shoulders, opening of mitre drains and stone pitching of drains.

By 22nd February 2015, physical and financial progresses were both at 60%, while time progress was at 17%. Good progress was observed on desilting of cross and side drains, cutting of grass, sweeping of carriage ways, weeding of shoulders and opening of mitre drains.

B. Kampala Industrial and Business Park (2,200 acres)

The park is located 14Km along Kampala Jinja Highway in Namanve (Mukono, and Wakiso districts). A total of 240 investors were allocated plots in the park. However, only 47 had begun construction of operations structures and six (6) had started operations. They include: Roofing Rolling Mills, Victoria Seeds Limited, Century Bottling Company, Kyagalanyi coffee factory, Aloe Cure Limited.

Opening of priority roads (4Kms in South B and C Estates): A total of Ug shs 534,000,000 was allocated to opening of roads in the South C estate of the Industrial park under force account. The Ministry of Works was responsible for opening up roads in the estate and works were anticipated to run for a period of three months commencing 18th September 2014 to 27th December 2014.

The scope of works included; bush clearing, grubbing, setting out, earth works and drainage works. There was also a variation in works as the location of the borrow pit necessitated the construction of an additional road section which had not been scoped as part of the project. The financial progress was at 40%, physical progress at 40% against time progress of 100%. The overall performance was below average.

Challenges faced in the execution of this contract were;

- Inclement weather especially heavy rains in the months of October and November which forced the contractor to halt works.
- Bad terrain characterized by loose soils.
- Lack of suitable sources of materials (gravel).

Maintenance of roads: A total of 7.5Km in the South A estate of the park were designated for maintenance at a contract price of Ug shs 98,000,000. The contract was awarded to M/s Etats Ltd on 8th January 2015 for a period of six months. The scope of works included; bush clearing, grubbing, setting out, earth works and drainage works. By February 2015, Physical progress was at 40% financial progress at 30% while time progress was at 17%.

Training of River Namanve: This activity was carried out to desilt and widen the drainage channel of River Namanve that traverses the park. In December 2014, works were awarded to M/s Concerted Engineers at a contract price of Ug shs 204 million for a period of four months. By February 2015, physical progress was estimated at 30% against time progress of 30% and financial progress was at 0%.


Left: Opening of new roads in South B estate Namanve; Right: Trained River Namanve

Provision of utilities: The Park was not fully serviced with utilities such as electricity, water and ICTs due to inadequate funding. The current arrangement in place was to service plots on case by case basis. However, UIA had developed terms of references for servicing the entire park.

C. Luzira Industrial and Business Park (70 acres)

The park is located in Luzira adjacent to the female wing of the prison. A total of 12 plots were allocated in the park and nine were developed and operational. One is under development and two undeveloped plots belong to UIA for construction of park offices. The second undeveloped plot is in contention between MTIC and M/s Oryx Energies who were allocated the same piece of land by UIA and Uganda Land Commission respectively.

Maintenance of roads: The 3.7km road in the park was scheduled for routine maintenance and the scope of works was; de-silting of cross and side drains, patching of potholes, grass cutting, sweeping of carriageways, weeding of shoulders, opening of mitre drains and stone pitching of drains.

The contract was awarded to M/s Mugoya Plus Co. Limited at a contract price of Ug shs 63,000,000 for a period of six months, commencing 22nd January 2015 and ending in June 2015. By February 2015, Works were in progress and physical and financial progresses were both at 11% against time progress of 17%.

Left: De-silted drains in Luzira Right: Untreated waste water released to the park side drains

Challenges

- Failure to adhere to the standard waste management practices by resident investors.
- Flooding of the lower part of the park during rainy seasons.

Recommendations

- The UIA with support from NEMA should enforce waste management regulations.
- The UIA should ensure storm water drainage by resident investors to avoid flooding of the lower plots.

D. Soroti Industrial and Business Park (219 acres)

The park is located in Temele village, Arapai sub-county, 5Km from Soroti Town off Katakwi – Moroto road. The Park has a total of 153 plots but only 10 were allocated to investors and only one plot was being developed by January 2015.

Opening of 4Km road in the park: The planned road length was 4km of which 1.8km was contracted due to resource constraints. In May 2013, the contract was awarded to M/s MG Engineers and Contractors Limited at a price of Ug shs 1.860 billion, for a period of six months.

However, due to the terrain, the designs were changed and the price revised to Ug shs 2.130 billion. The project experienced several delays and the project duration was extended to 2nd December 2014. The scope of works included; mobilization of equipment, setting out, clearing, earthworks, drainage works, bituminous works, road marking and signage along Temele road, and Pineapple close; health and safety and demobilization.

By January 2015, the project was substantially complete and the contract was under defects liability period (12 months). The contractor had demobilized the camp. Physical progress was estimated at 99.5%, financial progress at 97.5% while time progress was over 200% against original contract duration. Pending works were completion of auxiliary works. It was observed however that the pavement on the entire stretch of Pineapple close (200 meters) had failed. The consultant (M/s Prome Consultants) was studying the underlying layers before issuing instructions to correct the defects.

Extending water for I Km within the park: The UIA engaged National Water and Sewerage Corporation (NWSC) to undertake this activity. The costs were incurred by NWSC. The scope of works included; setting out, bush clearing and grubbing, excavations, supply and laying of pipe work and fittings, construction of manholes and backfilling. The Physical performance was estimated at 90% while time progress was at 80%.

E. Mbale Industrial and Business Park (619 acres)

The park is located in Doko, Masanda and Nsambya villages in Mutoto, Mbale Municipality. The planned activity for the FY2014/15 was to develop a master plan and an Environmental Impact Assessment for the park. However no activity had been done due to the presence of squatters on the land.

F. Jinja Industrial and Business Park (182 acres)

The park is located 18 km along Jinja-Kamuli road, Buwenge sub-county. For FY 2014/15 the planned output for the park was development of detailed engineering designs for roads.

The land was allocated to three investors namely: Kiira Motor Corporation, the proprietors of Kiira EV (100 acres), Uganda Electricity Generation Company Ltd (20 acres) and M/s China Engineering Limited (20 acres), ten acres were reserved for UIA common services. Due to inadequate funding, the investors, except M/s China Engineering limited, whose plot was withdrawn due to non performance, were asked to come up with their engineering designs.

G. Karamoja Industrial and Business Park (480 acres)

The park is located in the sub counties of Nadunget and Kautaakou in the districts of Moroto and Napak respectively. Only one entity (Uganda Development Corporation) had been allocated 30 acres of land in the park.

Installation of border markers and signage: The contract was awarded to Bramjo Engineering Works Ltd at a price of Ug Shs 123,000,000 for a period of six months commencing 1st September 2014 to 4th March 2014. By 17th January 2015, the boundaries had been opened and border markers installed. The physical progress was100%, financial progress was 50% against time progress of 75%. However the signage at this park was defaced due to tribal conflicts between the people of Napak and Moroto districts.

The development of the master plan and an Environmental Impact Assessment were at procurement stage.

Left: Defaced signage at Karamoja Industrial Park Right: One of the border markers installed at the park boundaries

Challenge: The districts of Moroto and Napak had disagreements on the boundaries of their sub counties with in the park land and naming of the industrial park.

G. Kabarole Industrial and Business Park

The proposed land for an industrial and business park was withdrawn by the MAAIF for future agricultural undertakings. The planned boundary opening and installation of boarder makers were suspended.

Analysis

Link between financial and physical performance

There was a good link between the financial and physical performance. However, a significant percentage of released funds had not been utilized. This was attributed to the fact that, procurement of land for Nakasero Hospital which constituted 65% of the budget had not yet been initiated.

Achievement of set targets

The overall performance of the project was below average estimated at 40% for the half year. This was largely due to limited progress on acquisition of land for expansion of Nakasero hospital. The KIBP, Luzira, Bweyogerere and Soroti were operationalized with access roads. Opening of boundaries and installation of boundary markers for Karamoja Park were achieved and ahead of schedule.

Comparative analysis

There is still minimal servicing of the parks with utilities. There is very slow uptake of plots in upcountry parks for example, in spite of some roads being constructed in Soroti park, one out of ten investors was developing the allocated plots. There was only one investor who had expressed interest in Karamoja Park.

Overall Challenges

- Prospective investors were not developing the plots allocated to them in the parks.
- Lack of proper solid and industrial waste practices in the parks
- Inadequate funds for industrial development

Conclusion

There was limited progress in implementing planned activities for FY 2014/15 by 31st December 2014. The original project plans were adjusted to accommodate policy directives such as expansion of Nakasero hospital, in other instances, the investors were asked to develop their own designs due to inadequate funding.

However, the project was slowly making strides in achieving industrial development with some investors beginning to settle on allocated land especially in Kampala parks. Therefore the long term goals of the project premised on employment creation and providing thrust for industrialization are slowly being achieved despite the delays experienced.

Recommendations

- The UIA should stipulate and enforce terms for any prospective investors in order to reduce on investors failing to develop allocated plots in time.
- The UIA should enforce standards on solid waste management with in the industrial parks.
- The MFPED should prioritise funding to development of industrial parks if the project objectives are to be achieved.

10.2.4: Value Addition Tea/Buhweju Tea factory

Background

Buhweju Tea factory is a brain child of Igara Growers Tea Factory Limited whose processing capacity of 56,000 green leaf per day in 2007 was far below the green leaf supply of over 90,000kg per day. The records from Igara Tea factory revealed that Buhweju County delivered 10,000,000kg of green leaf supply to the factory in 2007. The enormous production potential from Buhweju justified the need for a new factory.

In July 2008, the GoU through the MFPED signed a memorandum of understanding (MoU) with Igara Tea Factory (the promoters of Buhweju Tea Factory) to support small holder farmers with construction of a tea processing factory complex and additional building (administration block and kitchen house) in Buhweju.

Objectives

- The objective of the project is to establish a tea factory for processing the green leaf produced by farmers from Buhweju.
- To increase and sustain the benefits to farmers in the area from growing tea and reduce poverty by improving household incomes.

Past performance (2009-2013)

By the end of FY 2013/14, Gou had spent a total of Ug shs 6.8 billion on construction of the factory. On the other hand, Igara Growers Tea Factory had spent a total of US$3.5 million on acquisition of tea processing machinery. Construction of the factory was substantially complete (85%) and operational, with a processing capacity of 40,000kg of green leaf per day. The promoters were in the process of installing a second processing line to increase capacity to 80,000kg of green leaf per day.

However, external works including: internal roads, landscaping, fencing and completion of wall embankments were not completed due to inadequate resources. Buhweju Tea factory submitted a request of Ug shs 2.5 billion for completion of the above activities.

Planned outputs for Value addition Tea project, FY 2014/15

The planned output for the project was to support Mabaale Grower Tea in Kabarole district. However, it was decided that the outstanding civil works under Buhweju Tea Factory be completed and factory floor works remodeled before focusing on other Small Holder Farmer's Tea factories.

Findings

Financial Performance

The approved budget for the project FY2014/15 was Ug shs 2,050,000,000 of which, Ug shs 1,250,000,000 (60%) was released and Ug shs 780,000,000 (62%) absorbed by 31st December 2014. The release performance was excellent and expenditure performance was good. Ug shs 600 million was spent on clearance of an outstanding certificate on wall embankments and Ug shs 180 million on advance payment for external works.

Physical Performance

By 7th February 2015, the contractor (M/s Trust Builders Limited) had returned to the site to undertake external works for a period of four months (January – May 2015) at a contract price of Ug shs 1.3 billion.

The major ongoing works were: the fencing of the factory complex (1km) and preparatory activities for floor works. The holes for a chain link fence had been excavated for the entire project scope and most of the materials had been delivered to the project site. The steel poles were being manufactured in Kampala and were expected to be delivered to the site by March 2015.

Funds intended for landscaping were re-allocated to improving the factory floor to 'epoxy rosin'. This was deemed necessary because, the old floor was developing cracks and could not withstand the vibrations from the processing lines. In addition the cracked floor was contaminating the tea processed. Physical progress was estimated at 10% against financial progress of 14% and time progress of 30%.



L-R: Excavated holes for steel poles; delivered fencing materials, and cracked floor in the factory

Project benefits

- The project was directly employing a total of 155 workers and over 2,600 small holder farmers who supply green leaf. The planted acreage for tea had increased from 1,500 hectares in 2010 to an estimated 2,529 hectares in 2014. This is attributed to the ready market the factory provides to the farmers.
- Reduction in green leaf losses: By February 2015, the factory could handle all the green leaf delivered (70,000 – 80, 000 kg) per day. However it is anticipated that with the increased planting, (H.E the President donated 30 million seedlings to the district in 2014) there shall be a need for a second factory, possibly in Kanuka sub-county in order to absorb all the leaf.

Challenges

Delayed project implementation due to re-scoping of external works and delayed decision to refocus the project from Mabaale to Buhweju by the MFPED.

Other challenges affecting the tea sector were:

Lack of regulation: The tea sector is operating without any regulatory framework and as a result, non-adherence to quality standards and other malpractices are rampant in the industry**.**

Persistent decline in the price of tea: There was reduction in the tea prices which forced farmers to sell green leaf at a price below their operating costs. Estimated price for green leaf was Ug shs 280 in 2015 from Ug shs 560 in 2014.

Extension: The factory is providing extension services to farmers at its own cost. Yet other competitors' in the sector are collecting leaf from the same farmers.

Poor road network: The road network in the district especially in the areas of Kyamozi, Rwomushojwa, Kirama and Masyoro is poor. This makes transportation of green leaf from the farmers' fields difficult.

Lack of farm inputs: The high cost of inputs is affecting productivity of farmers and the quality of green leaf obtained as well. To apply fertilizer on a hectare of tea, one needs 12 bags annually at a cost of Ug shs 100,000 each.

Analysis

Link between financial and physical performance

Expenditures for the current project were linked to physical performance; however expenditure performance was higher than physical performance because the contractor had an unpaid certificate on works done in the first phase of the project.

Achievement of set targets

The overall performance for the project against set targets was estimated at 12%. Implementation was at the initial stage. This was largely due to delayed clearance of an outstanding certificate for works done in the previous project phase, and lengthy negotiations on re-scoping of external works. However, the contractor had delivered most of the materials for erecting the fence.

Conclusion

The overall project performance for the period under review was below average with only 12% of outputs achieved. However, it was anticipated that the annual targets would be achieved given the mobilization levels of the contractor. The farmers on the other hand were experiencing a slump in tea prices due to poor quality of leaf, limited market and over subscription at the auction market in Mombasa. The project was contributing to boosting household incomes in the district.

Recommendations

- The Ministry of Agriculture, Animal Industry and Fisheries should develop a policy for the tea sector in order to ensure adherence to internationally accepted standards for tea.
- Other stakeholders such as NAADS should engage in the provision of tea extension services.
- Government institutions such as National Agricultural Research Organization should engage extensively in tea research in order to boost productivity among farmers.
- The Government through relevant institutions, Uganda National Roads Authority, Uganda Road Fund and Ministry of works and Transport should improve the road network in the district.

10.3: Ministry of Trade, Industry and Cooperatives

The mandate of the Ministry of Trade Industry and Cooperatives (MTIC) as derived from the 1995 constitution of the Republic of Uganda 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".

In executing this mandate, the Ministry supervises six agencies namely: Uganda Development Corporation (UDC), Uganda National Bureau of Standards, Uganda Industrial Research Institute, Uganda Export Promotions Board, Management Training and Advisory Centre and Uganda Commodity Exchange.

The semiannual monitoring focused on the vote functions trade development, and industrial and technological development.

Trade development

This vote function is responsible for developing, coordinating, regulating, promoting and facilitating domestic and external trade with particular emphasis on export promotion and access to regional and international markets. The District Commercial Services Support (DICOSS) project was specifically monitored.

10.3.1: District Commercial Services Support Project: Project 1246

Background

In FY 2005/06, the Government of Uganda and the World Bank conducted a Diagnostic Trade Integration Study (DTIS) under the auspices of the Enhanced Integrated Framework (EIF). The DTIS report details the main economy-wide and sector specific constraints to trade expansion in Uganda; and proposes the urgent actions that need attention in the short, medium and long term. One constraint cited is the weak link between the MTIC at the centre and the District Commercial Offices (DCOs) at the grassroots (Local Government). The weakness of this link was confirmed by a consultancy study that MTIC had carried out in 2008 which also identified the main challenges faced by DCOs.

The MTIC, working through the Second Trade Capacity Enhancement Project (TRACE II) itself funded by the EIF, designed and secured EIF funding for the District Commercial Services Support Project (DICOSS). The project commenced in December 2012 and was expected to end on 31st December 2014. The project is being implemented in 25 selected districts in Uganda. DICOSS is a pilot capacity building and training project with the intention of assisting the GoU in delivering commercial services at the grassroots more efficiently and effectively.

The overall objective of the project is to improve MTIC's effectiveness in the delivery of commercial services in the target districts.

The project aims at strengthening selected DCOs through training, equipping, retooling, facilitating and fostering the building of networks among themselves and with key stakeholder's especially small and medium enterprises.

Specific Objectives

- To equip and retool targeted DCOs
- To facilitate DCOs to deliver commercial and business services in their districts
- To facilitate the building of networks between DCOs and other stakeholders

DICOSS project focuses on trade, tourism, industry, investment and cooperatives sub-sectors and the ability of both the GOU and the LGs to deliver these services at the grassroots level. In Uganda's decentralized administrative system, the DCO is central in the delivery of commercial and business services at that level.

The DCO's capacity in that respect is to be enhanced through:-

- Redefinition of commercial services functions and mandate,
- Provision of equipment,
- Training and
- Facilitating and improving the links between the DCOs with MTIC, other government agencies, and lower LGs` and with the general public that they are meant to serve.

DICOSS supports the development of work plans by the DCOs and contribute funds towards the execution of the plans for the final two years of the project cycle.

The selection criteria and scope:

The selection of the 25 districts was based on the criteria below:

- Absence of any of the MTIC interventions;
- Conditional grants- Grants from Government and the Economic Partnership Agreement Related Trade and Private Sector Support (EPA TAPSS).
- Regional representation with focus on boarder district.

Past performance

A total of 15 districts were monitored in FY2013/14 and findings indicated that the project had registered significant success in meeting its objectives, for example, several trainings had been conducted and most of the equipment delivered. However, implementation was behind schedule and funding for implementing the work plans had delayed for over eight months (see Annual BMAU report 2013/14).

Planned outputs for FY 2014/15

- Developed work plans implemented
- Internet connectivity and mobile handsets delivered
- Networking sessions organised

Findings

Financial Performance

The three year project budget is US $ 2,998,119. By 31st December 2014, a total of US $ 1,281,561 (42%had been released) and US $ 1,129,936 (88% of released funds) had been spent. Absorption of funds therefore was excellent however; release performance over the three year duration was poor. Table 10.12 illustrates the financial performance of the project as at 31st December 2014.

Table 10.12: Financial Performance of the DICOSS project as at Dec 2014.

Item	Amount
Total operating revenue	3,217,825,334
Operating expenses	
Local staff	207,120,000
Allowances	111,698,600
National experts	-
Travel & missions	152,914,800
Learning costs	-
Equipment & furniture	1,621,501,161
Operating costs (headquarters)	33,400,786
Procurement processing	-
Publicity/visibility/advertising	80,569,514
Refurbishing offices	3,700,630
Implementation of work plans	312,500,000
Information centers	172,836,945
Start up w/shop &conferences	184,082,062
Monitoring & evaluation	27,508,814
Total operating expenses	2,907,833,312
Excess of revenue over expenditure for the year	309,992,022

Source: DICOSS Secretariat

Physical Performance

The project is in the final year of operation, in this section, an overall assessment of physical performance of DICOSS project up to 31st December 2014 is discussed focusing on deliverables and sustainability strategies after project implementation. Under overall assessment, areas of beneficiary satisfaction and sustainability strategy are presented. Four districts which had not been visited in the previous monitoring were sampled.

A. Moroto district

Renovation of office premises: The local government allocated commercial services sector an office block. Renovation works were carried out on the block and the scope of works included; site clearance, replacing of iron sheets, replacing external doors, installation of new windows and glasses, sanitary, plumbing and electrical installations. The contract was awarded to M/s Kateke Rocks Enterprises for a contract sum of Ug shs 13,985,213. Works were complete and the contractor had been fully paid.

Equipment: The following equipment were delivered by the project; 3 desk top computers, 3 UPS, scanner, laptop, photocopier, printer, 2 motorcycles, 2 filing cabinets, 2 bookshelves, safe , 3 office desks, conference table, 8 chairs, 1 internet router, 12 notice boards and a smart phone. All items delivered were were functional.

Training: Two commercial officers; District commercial officer and the Municipality officer were trained in Masaka and Tororo. The trainings were in the disciplines of IT, Audit and cooperatives. Networking sessions were organized to link commercial officers with experts and other government agencies.

Work plan implementation: The commercial sector received one disbursement of Ug shs 7,875,000 during the 1st quarter of FY2014/15. It was noted that the project had suspended funding to Moroto after the LG had delayed to extend power to the commercial office and failure by the officers to submit accountability of released funds in time.

Activities implemented under the first quarter work plan included;

- Weekly collection and dissemination of market information.
- Training of SACCOs in Rupa and Tapac Sub Counties.
- Profiling of cooperative books of accounts and financial statements for compliance.
- Training in value addition in sorghum majorly in Katikiri Sub-county.


Left: DICOSS signage at Moroto district Centre: Officer with delivered equipment Right: Delivered motorcycle at the district

Benefits: The equipment received eased operations within the sector. The District commercial officer had been empowered and was capable of reaching out to communities to conduct activities such as training the business community.

The staff in the commercial services sector were motivated to work with the intervention of the DICOSS project.

Sustainability: It was difficult to ascertain the sustainability of the activities of the project after its closure because the district did not have viable economic activities to generate revenue from which the sector activities would be sustained. Infrastructure such as markets and SACCOs were nonexistent in the district. Also the Karamajong communities were still stuck in tradition of rearing livestock for prestige rather than for commercial purposes.

However, the DCO was creating linkages with other organizations operating in the District such as IRC which had formed a SACCO in Tapac sub-county and Concern Worldwide. However it was noted that extensive lobbying needed to be done to get such organizations to buy into the DICOSS activities.

The youth were also being encouraged to access funding from the Youth Livelihood Programme by forming SACCOs where the money could be disbursed. The prospects of establishing targeted SACCOS such as for the marble miners in the Sub Counties of Kosoroi and Mata and casual laborers in Tororo Cement mine who are often exploited by being paid in the form of alcohol were also being considered.

Challenges

- Most of the activities in the developed work plan had not been implemented due to delayed release f funds from the MTIC.
- The commercial services sector is under the District Production Department with no funding from the department grant.
- There were only two staff members for commercial services in the district who are overwhelmed with the demands of the sector.
- Lack of prerequisite infrastructure in the District such as markets and SACCOS to propel development.
- There is a high dependence culture in the region and this renders efforts to have viable enterprises in the district difficult.

Recommendations

- The project has a life span of three years. However, this is deemed short and therefore should be extended to enable it achieve its objectives.
- The ministries of Public Service, Finance, Planning and Economic Development and Trade Industry and Cooperatives should consider establishing a staffing structure for commercial services in LGs.
- The Ministry of Finance, Planning and Economic Development should grant the commercial services sector a specific grant to fund its activities.

- The secretariat should conduct more trainings and study tours to expose the officers to best practices in other regions and countries.
- More sensitization should be done to create mindset change amongst the community to engage in viable enterprises.

B. Mukono district

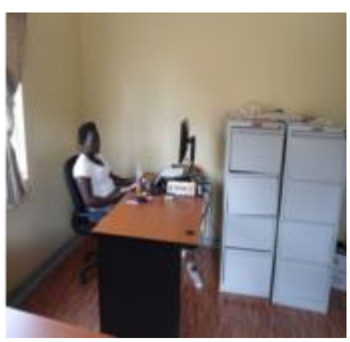
Renovation of office premises: An office block was allocated to the commercial services sector and rehabilitated as per requirements of the project. The renovation works covered two rooms and they included; ceiling works, replacing doors and windows, painting and reroofing. In February 2014, the contract was awarded to M/s Erasco Co Limited at a price of Ug shs 27,802,736 for a period of six months. Works were completed and beneficiaries were satisfied with the quality of works.

Equipment: The equipment was delivered and it included; 3 computers, 3 UPS, 2 filing cabinets, 2 bookshelves, a scanner, a printer, 2 motorcycles, a smart phone, internet router, a laptop, 12 notice boards, 3 office tables, 3 chairs , conference table and 8 conference chairs. The equipment was functional.

Training: The staff attended 2 trainings conducted by the secretariat in the districts of Masaka and Tororo. The training covered the disciplines of ICT, audit and project planning. The staff stated that the trainings were relevant to execution of their duties. The officers participated in the networking conferences held by the project at Ridar and Africana Hotels.

Implementation of work plan: By 31st December 2014, the district had received two tranches of releases from the grant worth Ug shs 16 million. The activities implemented included:

- Profiling business entities in the District. So far officers have covered half of the District in this exercise.
- Registration of 20 SACCOs in the District.
- Conducted 15AGM for SACCOs.
- Reviving of the chamber of commerce.
- Training of SMEs.


Left: Office equipment delivered by DICOSS; Centre: Officer using the computer in renovated office Right: DICOSS signage at Mukono District

Benefits: The office of commercial services was equipped with modern facilities which enabled the staff to execute their duties; for instance, the district had generated a partial database of business entities in some Sub Counties.

The provision of motor-cycles, had improved mobility of the officers. The project had also raised the profile of the sector and commercial services were on high demand in the district with more traders approaching the commercial offices for guidance.

Sustainability: The commercial services sector hoped to receive funds from local revenue to sustain its activities after the project closure. However, the budget allocations to the sector in the past had been meager. Currently the sector receives an average of Ug shs 500,000 per quarter.

The commercial services sector in collaboration with the District Council had mooted a proposal to form a business consortium with all the sub counties and District Headquarters as partners to identify and engage in profitable ventures that would earn revenue for the district.

Challenges

- Delayed release of funds adversely affected the implementation of activities as stated in the work plan. For example, the second quarter funds were disbursed in the third quarter.
- The funds disbursed to the sector are inadequate as the district has over 14 sub-counties with high demand for commercial services.
- Presence of a large informal sector in the district was affecting revenue generation.
- Limited staff in the commercial services sector.

Recommendations

- The project secretariat should ensure that funds are disbursed in a timely manner to ensure smooth implementation of activities.
- More efforts should be made towards sensitization in order to create mindset change amongst traders to realize the project benefits.
- Project life span should be extended to allow completion of planned activities.
- The Ministry of Public Service, MFPED and MTIC should ensure that a structure for commercial services is instituted in LGs.

C. Nebbi district

Renovation of office premises: The District administration allocated an office block to the commercial services sector for renovation. The scope of works included; ceiling works, painting, replacement of windows and doors and demolishing and re-bridging of internal walls.

The contract was awarded to M/s Jargon Construction Ltd at a sum of Ug Shs 19,000,000 for a period of four months. By 31st December 2014, works had been completed. The beneficiaries were satisfied with the quality of work. The district at its costs extended electricity to the office block, tiled the floor and fenced the block at a cost of Ug Shs 10,000,000.

Equipment: The following were delivered; 3 desk top computers, 3 UPS, scanner, photocopier, laptop, 2 motorcycles, 2 filing cabinets, 12 notice boards, 2 bookshelves, safe. 3 executive office desks, 3 office chairs, conference table, 8 conference chairs, 1 internet router and a smart phone. All items were functional.

Training: The officers participated in trainings organized by the secretariat in the districts of Masaka, Soroti and Tororo. In September 2014, the officers participated in networking conferences and a study tour to Kabale District.

The trainings were in the disciplines of ICT, auditing and project planning. The officers were satisfied with the trainings and could apply the skills in the day to day operations.

Work plan implementation: The sector had received two disbursements under the grant for quarter 1 and quarter 2. Funds amounted to Ug Shs 7,875,000 and Ug shs 9,961,000 respectively. Activities implemented in the two quarters included;

Training of SMEs on benefits of formal trade

- Market business data collection.
- Trade and investment conference.
- Radio talk shows held on Radio Phaida.
- Verification of scales with UNBS.
- Training of cooperatives in business skills and corporate governance.
- Creation of a business park in the District.

Left: DICOSS signage, Centre: Officers in front of renovated block; Right: one of the two motorcycles delivered by the project

Benefits: The commercial services sector was revamped due to the intervention of the project.

The District Council had acknowledged the work of commercial officers especially in revenue mobilisation.

The communities the DCO serve had increasingly become aware of the activities of the officers and as a result, demand for commercial services had increased.

Sustainability: The sector was lobbying the district council to allocate funds from the increased local revenue to the sector as a means of sustaining the project activities. The district had allocated Ug Shs 4 million to the sector for FY 2014/15.

The sector officers had liaised with the district revenue office to establish a baseline survey on revenue collection over the past three years in order to carry out a revenue mobilization campaign to raise local revenue. Partnerships with other stakeholders such as West Nile Private Sector, Community Empowerment for Rural Development were being considered. There was no clear sustainability plan for consolidating the achievements gained.

Challenges

- Local revenue in most instances is not realized and as a result, the district might not be able to fund the sector activities after project closure.
- The structure for commercial services at the district has two staff members. The District is comprised of 15 Sub-counties and two town councils thus overstretching the staff.
- Delays were experienced in the disbursement of funds, the second quarter funds were released in the third quarter.

Recommendations

- The MoPS, MFPED and MTIC should institute a structure for commercial services at LGs and grant the sector a department status.
- The DICOSS should timely release funds for implementation of work plan.

D. Pallisa district

Renovation of office premises: The LG allocated a room to Commercial Services Sector for renovation. The scope of works included; floor tiling, replacement of windows and doors, ceiling works and painting. . The contract was awarded to M/s Liegaton International Ltd at a contract sum of Ug shs 16,310,000. The works were completed in July 2014 and the clients were satisfied with the quality.

Equipment: The following equipment was delivered to the District; 3 desktop computers, 3 UPS, 1 laptop, 1 printer, 1 scanner, I photocopier, 2 filing cabinets, 2 bookshelves, I safe box, 3 office desk chairs, 1 round table, 8 conference chairs, 1 internet router, 2 motorcycles, 12 notice boards and 1 smart phone. All equipment was functional with the exception of the photocopier.

Training: The two officers attended trainings by the DICOSS secretariat in the districts of Masaka, Tororo and Soroti. The trainings were in the disciplines of ICT, audit of cooperatives project planning and development of work plans. The commercial officers were grateful for the trainings as they had enhanced their capabilities and skills.

Work plan implementation: Two tranches of funds had been disbursed to the district for implementation of approved work plan. The first tranche of Ug shs 7,875,000 was disbursed in March 2014 while the second tranche of Ug shs 9,957,000 was disbursed in September 2014.

The major activities accomplished with the funds were:

- Convening of an inception workshop.
- Distribution of notice boards.
- Profiling of SMEs.
- Supervision and auditing of SACCOs.
- Training on entrepreneur development.
- Training on post-harvest handling.

All funds had been absorbed and the work plans for the third and fourth quarter had already been submitted to the secretariat.

Benefits: The Office of the commercial services sector was allocated an office courtesy of the project and equipped.

The networking conferences and trainings under the project had enhanced the capabilities of the commercial officers particularly in auditing cooperatives, mobilizing resources and training communities to undertake several enterprises.

Sustainability: Having realized the sector potential, the district council allocated the sector In FY 2014/15 Ug shs 5,000,000 from Ug shs 2,000,000 in FY 2013/14.

The officers had created linkages with other government programs such as Youth Livelihoods Program (training youth in enterprise development), NAADS (training farmers in bulking and post-harvest handling), Manifest Project under Ministry of Health (training maternal mothers on savings) and training committees on how to manage facilities such as markets that had been established by Ministry of Works and Transport. These alliances could partly sustain the activities initiated by the project.



Left: Renovated office block, Centre: DCO with delivered office equipment Right: motorcycle delivered under the project

Challenges

- Production department marginalizes commercial services. Currently commercial services are under production department of Ministry of Agriculture, Animal Industry and Fisheries. However it is marginalized as Production prioritizes its other functions.
- Delayed release of funds to implement activities under the grant.
- Poor linkages between Sub Counties and the District. Sub County officials often are reluctant to implement activities with the commercial officers.
- Political interference. Some politicians demand for funds released to the project to facilitate their own agendas.

Recommendations

- Funds should be released on a timely basis to ensure smooth implementation of activities.
- Study tours should be incorporated in the projects activities to expose commercial officers to best practices elsewhere e.g. South Korea.
- Lower Local Governments such as Sub Counties should be empowered to plan for commercial services as well.

- Scope of training under the project should be expanded to include various disciplines such as; project planning, Monitoring and Evaluation, and proposal writing.

General Challenges

- **Delayed release of funds:** In all districts monitored, funds for implementing activities under the work plan were not disbursed on time. As such most activities under the project were not implemented.
- **Inadequate staffing**: The DCO as the frontline service provider for MTIC is supposed to cover the areas of tourism, investment, industrial promotion and cooperative development. However, the structure at the LGs does not take this into account. Some districts cover bigger areas with many sub-counties, for example, Mukono district is a peri-urban district comprising of 14 Sub Counties and a municipality with a plethora of SMEs. However the district only has 3 members of staff under commercial services.
- **Lack of an independent department for DCOs:** The sector is under the production department of LGs which largely focuses on the MAAIF programmes and thus limited attention to commercial services.
- **Sustainability:** There is no clear sustainability strategy and hence the future of the activities initiated by the project is unknown.

Analysis

Link between financial and physical performance

There was a link between the financial and physical performance. The project had delivered on its core deliverables such as; renovation of offices, equipping offices and provision of trainings. However implementation of the US$10,000 grant for two years was behind schedule.

Achievement of set targets

The purpose of the project is to enhance the capacity of targeted DCOs to deliver commercial and business services more efficiently so as to improve MTIC's effectiveness in fulfilling its mandate at grassroots level. Most of the project targets such as renovation, retooling and equipping commercial offices had been achieved; however, the disbursement of funds for implementation of the work plan was below average. All the districts monitored lacked clear sustainability strategies.

Comparative analysis

Under the objective to equipping and retooling DCOs: The project provided trainings to the DCOs in Masaka and Tororo/ Soroti where the officer's competencies in skills such as ICT, accounting, auditing and cooperative management were enhanced. The commercials services sector offices in the selected districts were allocated office space and renovated. In all districts monitored, the officers received a wide range of equipment such as computers, internet routers, motorcycles, smart phones which eased operations of the commercial services sector.

Facilitate DCOs to deliver commercial services: A grant of US$10,000 was allocated to each of the implementing districts and were tasked to implement activities in the five key result areas of the MTIC namely; trade, tourism, investment, industrial development and cooperative development.

However this component was noted to be behind schedule as all districts monitored had only implemented activities up to the second quarter. All districts monitored concentrated on trade and cooperatives sub sectors. There were limited activities on tourism and industrial development. Moroto district was the most affected as the project activities had been suspended by the MTIC.

Facilitate building networks between DCOs and other stakeholders: Networking conferences were held between the implementing districts in the districts of Jinja, Kampala and Mukono. These conferences provided a platform from which the DCOs would engage each other to acquire best practices and provide partnerships with other Government agencies such as URA, UIRI and UNBS.

Beneficiary Satisfaction: In all Local Governments monitored, the DCOs were satisfied with the outputs provided in the project such as trainings, equipment, allocation and renovation of offices, network meetings and financing the work plans.

Sustainability: It was observed that all DCOs had their hopes on local revenue for sustenance of the project activities after the end of the project. However local revenue was meagre in all districts monitored and with lack of direct funding to the sector, the project achievements may not be sustained.

Conclusion

The overall physical progress of the project was good (60-69%). Although the project had registered progress on the outputs as per project design such as equipping of offices, retooling of DCOs and renovation of offices, the overall aim of the project was to improve MTIC's effectiveness in fulfilling its mandate at the grass root level. The project showed that the objective is achievable but only through a structured approach with clear funding mechanism and a sustainability plan.

Recommendations

- The DICOSS secretariat should disburse the funds to the implementing districts in the provided timeframe to enable DCOs implement scheduled activities.
- The Ministry of Public Service should review the staffing structure of commercial services in Local Governments, and incorporate Sub-counties as well with the aim of establishing a robust structure to ensure that the sector officers can effectively carry out their duties.
- The MoLG, MoPS and MFPED should upgrade the commercial services division in the Local Governments to a full department and adequately fund its activities.

Industrial and Technological Development

The Vote Function is responsible for policy formulation, planning and coordination; and promoting the expansion, diversification and competitiveness of the industrial and technological sector.

Four development projects namely: One Village One Product (OVOP), and three projects under Uganda Development Corporation including: Soroti Fruit Factory, Value Added – Luweero Fruit Factory and Kalangala Infrastructure Services were monitored during the semi-annual monitoring.

10.3.2: One Village One Product

Background

One Village One Product (OVOP) is a community-centered and demand-driven local economic development approach initiated by Oita Prefecture in Japan in the 1970s. It was introduced in Uganda in 2008. Government seeks to integrate the OVOP programme with the National Development Strategies to eradicate poverty. The OVOP concept has been designed as a community based approach through the utilization of local resources to boost production, processing and marketing of products and services.

The success of OVOP will greatly depend on increased/improved agricultural production through the Programme for Modernization of Agriculture (PMA) and the National Agricultural Advisory Services (NAADS) programme. Ultimately, the OVOP programme complements the Prosperity for All Programme which aims at transforming the peasantry and subsistence productive system into monetary and modern economy, spurring commercial agriculture and industrial production. It focuses on value addition, for accelerated social economic transformation. OVOP programme also compliments the National Trade Policy, trading out of poverty, into wealth and prosperity.

Objectives of OVOP Project

The overall objective of the programme is to promote the production, processing and marketing of local products for wealth creation. The specific objectives are to:

- Promote establishment of production networks/clusters within the country.
- Promote value addition to local materials and products of comparative advantage at community level for social economic transformation.
- Reduce post-harvest losses from the current 40% to less than 10% in 2014.
- Develop human capital and entrepreneurial capacities amongst the participating communities.
- Strengthen partnerships and linkages between Government, private sector and the donor community.
- Create and strengthen market clusters for OVOP products.

Planned Outputs for FY 2014/15

- Fifteen model processing facilities established by June 2015.

- Product packaging, certification and market linkages for eight model cooperatives established.
- Training on value addition, business management and marketing for skills developed.
- Needs Assessment Report produced for 48 cooperatives from 16 Districts of Western, Northern, Central and Eastern Uganda.
- Monitoring report on progress of supported OVOP beneficiaries produced.

The semi-annual monitoring covered establishment of model processing facilities in Bulamogi Community Development Foundation, Lagoro Shea Nut Processing Group, Nyakigufu Fruit Dryers and Eco-Friendly Innovations Development Centre.

Findings

Financial Performance

The approved budget to the OVOP project FY 2014/15 is Ug shs 377,453,000 of which, Ug shs 171,924,732 (46%) was released and Ug Shs 61,611,580 (36%) spent by 31st December 2014. The release performance was therefore very good and absorption of funds against release was below average.

Physical Performance

A. Bulamogi Community Development Foundation

Bulamogi Community Development Foundation is an association in Kaliro District started by the Area Member of Parliament, to promote value addition in the district. The association was started in 2012 and currently boasts of 530 members. It operates in all the five Sub Counties and one Town Council of Bulamogi county. The focus is on the major crops grown in the district namely; groundnuts, maize and rice. The association however selected maize for value addition because it was widely grown in the district and its easy crop management. The average land holding of maize amongst association's members is three acres.

The group was earmarked by OVOP secretariat for support and in November 2014, a maize huller and maize mill were delivered. However, by the time of monitoring (January 2015), the machinery was not functional and had not yet been assembled. The different components were housed in the Office of Area Member of Parliament. This was attributed to the fact that the proposed site (Kyanika Trading centre, Bumanya sub-county) to house the equipment had not yet been constructed. The OVOP secretariat however stated that the supplier of the equipment had been engaged and that the machinery would be installed before end of April 2015.

Right: Rice milling engine, Centre: maize milling engine and Left: huller stored in Bulamogi

The association anticipated the following benefits with the operationalization of the machine;

- Improved household incomes of the members due to value addition. By January 2015, a kilogram of maize attracted Ugshs 400 as farm gate price but with processing, better prices (Ug shs 1,000) would be realized.
- Members of the association would be able to mill their produce at a subsidized cost.

Challenges

- Limited cash flow to complete the value chain with packaging machines.
- Lack of a vehicle to collect produce from farmers and transport finished products to markets.

Recommendations

- The OVOP secretariat should link the group to financial institutions or government initiatives such as Agricultural Credit Facility to enable it expand its operations.

B. Lagoro Shea Nut Processing Group

Lagoro Shea Nut Processing Group is located in Lagoro sub-county, Kitgum district and is comprised of 12 members (8 females and 4 males). The main objective of the group is value addition to Shea nuts (processing oil and butter).

The group was extended support by OVOP secretariat in the form of a shea nut processing machine. The machine was delivered in February 2014. However at the time of monitoring; the machine was not yet functional. This was attributed to the fact that it was off season. Processing was scheduled to start between June and July 2014 during the harvesting season but due to climate change, productivity plummeted.

Stored shea nut equipment at Lagoro

It was noted that the group had no commercial forests of their own and as a result, the group gathers nuts from forests. The group members had been demoralized by the low productivity and the chairperson was solely trying to build a shelter for the machine. The group could not access extension services as the district officials had no competencies in the crop. The market for shea nut oil is largely domestic due to the rudimentary processing methods.

Challenges

- The group had no stable source of shea nuts and resorted to collecting the nuts from wild forests, this creates competition for the fruits with the rest of the community members.

- Lack of information and extension services on shea nut growing limits expansion of the project.

Recommendations

- The MTIC should undertake needs assessment and feasibility studies before providing equipment to beneficiary groups to ensure that the right projects are selected and value for money.
- The MTIC should link the group to the National Agriculture Research Organization (NARO) to access information and agronomic practices about the crop.

C. Nyakigufu Fruit Driers

Nyakigufu Fruit Driers is located in Nyakigufu Cell, Rwoho Parish, Rukoni East sub-county, Ruhama County, Ntungamo District. It is a farmers group with 16 members comprising of 3 males and 13 females. The main objective of the group is to dry of fruits such as yellow bananas (*bogoya*, *kabalagala)* and goose berries and market them to exporters. The fruits are grown by members of the association.

The dried fruits are transported to Jinja where they are sorted and prepared for domestic and export markets. A kg of dried fruits was fetching; Ug Shs 50,000. The OVOP secretariat extended support to the farmer's group in the form of a solar fruit drier. The driver was delivered on 6th January 2015, however at the time of monitoring, it was not in use because the latch door was at the top as opposed to the sides and there were no trays and tray fittings provided.

The group members highlighted that the drier if used, takes more than seven days to dry the fruits as compared to the locally fabricated solar dryers which take a maximum of four days. The defects were communicated to the suppliers during delivery and remedial action to rectify the anomalies had not been taken. However the OVOP Secretariat stated that the supplier of the drier had been engaged to rectify the defect by adding another layer in the drier. This was anticipated to be done by end of April 2015.

Right: Fruit drying using solar driers with side door and left: the OVOP drier at Nyakigufu

Challenges

- High prevalence of Banana Bacterial Wilt Disease (BBWD) which has decimated many crops in the regions.

- High costs of transportation. The group incurs costs of transporting the dried fruits from Nyakigufu (60km from Ntungamo) to Jinja.
- Defective solar dryer which has not helped the group increase the drying capacity.
- Limited cash flow to expand the project.

Recommendations

- The OVOP secretariat should follow up on the defective/missing components of the dryer to ensure value for money.
- The group should seek support from the District Production Office in order to combat BBW disease.
- The group should be linked to financial institutions for support and ensure project expansion.

D: Eco-Friendly Innovations Development Centre

This enterprise is located in Kasokoso village, Kireka Parish, Kiira Town Council, Wakiso District. It is an SME that specializes in the production of paper products such as gift bags, paper and briquettes in an environmentally friendly manner.

In September 2014, the OVOP secretariat extended support to the enterprise in form of a Banana Fibre Extractor worth Ugshs 3,500,000 which is used to extract fibre from banana stems. Previously, the firm was using rudimentary extraction methods which posted low yields (1 kilogram per day). The extraction machine has since increased production from 1 kg to 20kg per day.

This machine is at the core of all the firms' operations because banana fibre is the main raw material for all its products. Raw materials (banana stems) are collected from Mukono, Kireka market, Kalerwe market, Kyambogo and Mpatta. In addition, banana peels (for briquettes) are received from Kasokoso households thus reducing on solid waste in the area. The machine contributed to an increase in the production of briquettes from 50kg to 200kg per day.



Right:Eco Friendly worker using a fibre extractor, Centre :final touches on paper bags and Left: packaged briquettes

Challenge:

- Inadequate raw materials in the project area: There were few banana growers in the area which limits raw materials. The supplier planned to secure a second machine which can be taken to Bushenyi or Rubirizi districts.

Recommendation:

- The proprietor should secure more extraction machines and take them to districts with high matooke production. The company can then focus on manufacturing of paper products and briquettes.

Analysis

Link between financial and physical performance

The total project releases for the period under review was Ug Shs 171,924,732, however, only Ug Shs 61,611,580 (36%) was absorbed. Absorption of funds was therefore poor. This was attributed to the fact that a number of agro processing equipment to be supplied to beneficiary groups was under procurement. The financial progress was linked to the physical progress.

Achievement of set targets

The overall project performance was below average. In all the sampled projects the beneficiaries had received the equipment. However all the delivered equipment to groups was not in use except Eco Friendly who were utilizing fully the banana fibre extractor. In some cases the groups were not ready to receive the equipment (Lagoro and Bulamogi), while the equipment to Nyakigufu was missing key components. This rendered the equipment delivered to beneficiaries unproductive. The project targets for the period under review were not achieved.

Overall Challenges

- There was lack of feasibility studies on the ability of the groups to effectively operationalize the machinery before it was delivered.

Conclusion

Though the project was delivering on its key outputs of; aiding groups with value addition equipment, the equipment in most cases was redundant due to lack of capacity by groups to utilize it, limited cash flow and failing to identify the actual needs of the beneficiaries. Implementation of the work plan was behind schedule, and the project might underperform on its objective of ensuring social economic transformation among the groups.

Recommendations

The OVOP secretariat should undertake a needs assessment and feasibility studies before the provision of equipment to beneficiary groups to ensure value for money. This will eliminate cases of redundant or unused equipment like it was with Lagoro Shea nut group who received support without a comprehensive analysis of the source of raw materials and sustainability of production.

10.4 Uganda Development Corporation

Uganda Development Corporation (UDC) was established by the Uganda Development Corporation Act (Cap 329) of 1952 with the objective of facilitating industrial and economic development of Uganda, promote and assist in the financing, management or establishment of new undertakings; creating schemes for better organization and modernization, and more efficient carrying out of any undertaking; and conducting research into the industrial and mineral potentialities of Uganda.

Due to the economic liberalization policies implemented by the government in the late 1980s, UDC wound up in 1998, however, given the need to facilitate the industrial and economic development of strategic projects, it was decided that UDC should be revived in 2008. UDC is currently in charge of three development projects namely: Soroti Fruit Factory, Luweero Fruit Drying Factory and Kalangala Infrastructure Services.

10.4.1 Soroti Fruit Factory

Background

The Soroti Fruit Factory 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. The region comprises of the districts of Soroti, Kumi, Bukedea, Katakwi, Amuria, Serere, Ngora and Kaberamaido and is the leading producer of citrus in the country.

It has approximately three million fruit trees with a potential production of 600,000 metric tons of fruit per year. Despite this potential, the Teso region has not seen any investment in fruit processing, whether private sector led or not.

The key issues for fruit farmers in Teso region are: lack of readily accessible markets; fair pricing for their produce; and cost effective and easily accessible storage and transport infrastructure. Because of the aforementioned, the region experiences high post-harvest losses during peak production seasons.

In 2010, a five acre piece of land was allocated to this project within Soroti Industrial Park by Uganda Investment Authority. In February 2011, GoU received a grant offer for a turnkey fruit processing facility from the Government of South Korea. This grant is to be channeled through the Korean International Cooperation Agency (KOICA).

According to KOICA's technical review, the processing capacity of the proposed facility is estimated at 6.0 tonnes per hour for oranges and 2.0 tonnes per hour for mangoes. This facility will operate for an average of 20 hours per day. The total value of the grant from the South Korean Government amounts to USD 7.4 millions.

Objectives

Th**e** objectives of the fruit processing facility are as follows:

- To increase the incomes of the fruit farmers in the Teso region by providing a readily accessible and fairly priced market for their produce.
- To promote value addition and agro processing of agricultural produce.
- To reduce post-harvest losses of produce.
- Produce fruit juice, concentrates and pulp that exceed the local, regional and international market.

Planned outputs for FY 2014/15

- Fruit farmers mobilized and trained as productive units of the value chain.
- A parameter wall erected for the project site.
- Final EIA report produced for the waste disposal site.
- A tank for underground water procured and installed
- Ground breaking for the project undertaken.
- Plant personnel recruited.
- Designs and BOQs for the ICT infrastructure developed, and infrastructure set up
- Designs and BOQs for the facility parking yard produced.
- Furniture and office equipment for the factory procured and installed.
- Vehicles procured for collecting fruits from the collection centres and distribution of products.
- Soroti Fruit Factory constructed.
- Security services provided at the project site by the Uganda Police

Past performance

By 30th June 2014, the road works were substantially complete (90%), the perimeter wall was at 67% physical progress, the water reservoir was at 30%, mobilization of farmers was ongoing, the transformers were tested and the designs for the factory had been completed by the Korean team. Ground breaking for the construction of the factory was expected in the first half of the FY 2014/15.

Field Findings

Financial Performance

The GoU approved budget for Soroti Fruit Factory, FY 2014/15 was Ug Shs 1,178,953,000 of which Ug shs 555,922,357 (47%) was released and Ug shs 433,178,522 (80%) absorbed by 31st December 2014. Both release and expenditure were excellent.

Physical Performance

Fruit farmers mobilized and trained as productive units of the value chain: By end of December 2014, a total of 1,568 farmers had been trained in Katakwi while 658 farmers had been trained in Amuria. Training was in good agronomic practices and post harvest handling techniques.

A parameter wall erected for the project site: On 20th May 2014, M/s Wills International Engineers and Contractors Limited was awarded a four months contract at a sum of Ug shs734,493,659 to undertake the project. By 18th January 2015, works on the perimeter wall were substantially complete (92%). Pending works were minor final finishes and installation of gates.

Final EIA report produced for the waste disposal site: Land had been identified for the waste disposal site. The land awaits a valuation from Chief Government Valuer before it can be acquired.

A tank for underground water procured and installed: The drilling of the production well was finalized and it has a production yield of $5m^3$ per hour.

Ground breaking for the project undertaken: Ground breaking for the fruit factory was undertaken in November 2014 at a function graced by H.E the President.

The GoU had substantially fulfilled its obligations to the construction of the factory. KOICA had secured a contractor for the construction of the factory and works were anticipated to commence in February 2015.

The designs for parking yard, ICT infrastructure and recruitment of ICT personnel had not been finalized. The Uganda Police security in charge of the industrial park continued to provide security to the project site.



Left: Incomplete section of the perimeter wall Centre: Failing section of the road Right: Installed water reservoir

Challenges

- The entire section of the Pineapple road surface (where there was motorized traffic) was observed to be failing. The consultant had not identified the cause of failure. This raised doubts about the ability of the roads to handle heavy traffic when the factory and the park become operational.
- Delayed project implementation. The project was originally expected to end in 2014 however the conditions of the development partner were not fulfilled leading to re-scheduling of activities.

Analysis

Link between financial and physical performance

The approved budget for Soroti Fruit Factory, FY 2014/15 was Ug Shs 1,178,953,000 of which Ug shs 555,922,357 (47%) was released and Ug shs 433, 178,522(80%) absorbed. Most of the activities under GoU had been undertaken. The financial performance was linked to the physical progress registered.

Achievement of set targets

The overall performance of the GoU project obligations were substantially achieved (80%). The major output under GOU; construction of perimeter fence, installation of water system and training of farmers were substantially complete in the first half of FY 2014/15. The development partner KOICA is tasked with construction and operationalization of the factory and works were anticipated to start in February 2014. Activities under the development partner component were however below average. Pending works were completion of perimeter wall, purchase of land, construction of waste disposal site, design for parking yard and ICT services.

Conclusion

Apart from acquisition of land for a waste treatment plant, the GoU had fulfilled most of its obligations to the construction of Soroti Fruit Factory. Over 6000 farmers had been mobilized and trained in better production and harvesting practices, electricity, water works, road works and a perimeter fence were substantially completed. However, most of the Development partner activities had not been initiated. Implementation is affected by delays and re-scheduling of factory construction works which in turn is affecting the achievement of the project objectives.

Recommendation

- The Development partner (KOICA) should commit to implement the planned activities to avoid further implementation delays

10.4.2 Luweero Fruit Factory

The vision of the Government of Uganda is to transform the country into a middle income country. In order to achieve this objective, the Government intends among other strategies," to promote the value addition and agro processing as a means to increase earnings".

It is within this context that, His Excellency the President of Uganda directed the Ministry of Agriculture Animal Industry and Fisheries and the Ministry of Finance, Planning and Economic Development, to support the establishment of a fruit processing facility in Luweero by providing funds for the project. Implementation is by the Uganda Development Corporation under the supervision of the Ministry of Trade, Industry and Cooperatives.

The key issues for the fruit farmers in Luweero Triangle are: lack of readily accessible markets, unfair pricing of produce; and lack of a cost effective and easily accessible storage and transport infrastructure. Because of the aforementioned, Luweero is experiencing high post-harvest losses of fruits during peak production seasons.

Planned Output for FY 2014/15

- Consultant procured to undertake an Environmental Impact Assessment for the project.
- EIA certificate secured for the project.
- Fruit farmers trained in good agronomic practices and cooperative movement principles among others.
- Implementation of the project monitored.

Financial Progress

The approved budget to Luweero Fruit Factory FY 2014/15 is Ug shs 143,579,000 of which Ug shs 71,615,181 (50%) was released representing an excellent release performance by half year. A total of Ug shs 23,797,500 was expended (33%) representing below average performance.

Physical Progress

The major output for the half year was procuring a consultant to conduct the Environmental Impact Assessment (EIA) and capacity building of the farmers in the Luweero region. The process of securing the consultant was ongoing and mobilization of farmers had been initiated. A piece of land to host the factory was identified and the acquisition process and transfer of a certificate of title were ongoing. The overall physical progress was rated at 35%.

Challenge and conclusion

The full funding for the construction of the factory was not available. The implementers can only undertake the EIA and training of farmers during FY 2014/15. Realizing the project objectives shall therefore delay.

10.4.3 Kalangala Infrastructure Services Project

Background

Kalangala Infrastructure Services (KIS) is a limited liability company registered in Uganda and is the implementing agency for Kalangala Infrastructure project whose total cost is estimated at US$ 50 million. UDCs participation in this project is through acquisition of 45.7% of the ordinary shares in KIS valued at US$6.5 million. The other shareholders of KIS are Infrastructure Management Company (InfraCo) with 54.3% of ordinary shares and Industrial Development Company (IDC) with US $ 7.5 million worth of preference shares.

Overall project planned outputs

Infrastructure components to be provided by KIS include the following:

Road works: Expand and rehabilitate the 66KM main Island road and upgrade it to class B gravel road.

Ferry Services: Provide two new ferries to operate between Bukakata and Luuka linking Kalangala to the main land and to rehabilitate and reconstruct the ferry landing sites at Bukakata and Luuku.

Power Supply services: Construct a power generating plant at Bukuzindu and generate 1.6 MW for Kalangala inhabitants.

Construct transmission lines through Bugala Islands to serve all major settlement areas.

Water supply services: Rehabilitate and expand the Kalangala Town Council water supply system and construct water supply systems for 5 major fish landing sites.

Findings

Financial Performance

Projects under KIS are implemented through several contracts. Table 10.13 shows the expenditures of the KIS project components and required price variations due to changes in scope and designs.

Table 10.13: KIS contract prices, expenditures and required variations by 31st January 2015

Item	Currency	Contract price	Amount paid	% paid	Variation required
Road Works	Ugshs	19,759,123,193	8,820,061,072	44.64	Pending submission
Road Consultant	US$	339,738	313689	92.33	For time extension
Procurement of ferry	US$	3,154,125	2, 523,300	80.00	US$ 23,034
Power generation	Euro -€	3,166,296	2,523,300	79.69	€171,000
Solar equipment	Euro- €	1600288	1,600,288	100	-
Transmission and distribution	US$	6,292,667	768,193	12.21	-
Power consultant	US$	180,868	172,102	95.15	-
Water system	US$	1,628,994	1,160,741	71.26	US$ 480,000 for design changes

Source: KIS

Table 10.13 shows that absorption of funds was excellent on procurement of the solar system (100%), payments to consulting firms for; power (95%) and road works (92%), as well as payment for construction of the second ferry (80%). Below average performance was observed on payment for the power transmission and distribution lines (12.2%).

Physical Performance

a) Road works

The contract for construction of a 66 Km road was awarded to M/s Spencon Services in March 2013 at a contract sum of Ug shs 19,759,123,193. The scope of works include: A class B gravel road with the following description;

a) Accommodation of public traffic passing through or around the works, maintenance of the existing road prior to its upgrading and construction and maintenance of deviations; b) Site clearance and earthworks along the site inclusive of formation of all drains, site ditches, junctions and minor link roads. c) Construction of embankments over swamp crossings; d) widening of the existing road carriage way and shoulders and;

e) reprocessing the existing gravel wearing course, including provision of additional material to form a new improved sub-grade; f) Construction of new gravel sub base; g) Construction of gravel wearing course h)construction of a single bituminous surface treatment to selected areas to steep vertical gradient; i) A combination of demolition and removal of existing culverts and construction of new culverts and drainage structures including construction of head walls and wing walls; j) Supply and installation of road furniture; k) Relocation of services; l) Construction of gabion works; m)Finishing of the roadway and road reserve; n) Environmental mitigation measures such as rehabilitating old and new borrow pits, landscaping and grassing, HIV/AIDS awareness campaigns; o) Correction of defects during the 12 months defects liability period. Table 10.14 shows the summary contract information.

Table 10.14: Summary contract information for construction of a 66KM road in Kalangala

Project Name	**Construction of 66km road from Luuku/Bugoma to Mulabana**
Source of funding	Kalangala Infrastructure Services: Nedbank Capital, InfraCo Ltd, Industrial Development Corporation South Africa, Uganda Development Corporation (Government of Uganda)
Implementing agency	Kalangala Infrastructure Services
Supervision consultant	M/s Gauff Consultants
Contractor	M/s Spencon Engineering Services
Length of road	66Km, 14 meters wide
Supervision commencement date	March 2013
Construction commencement date	March 2013
Construction end date	June 2014
Proposed extension date	May 2015
Defects liability period	12 Months
Original contract price	Ug shs19,758,945,590
Supervision contract price	US $313, 689
Contract period	16 months
Actual payment	Ug shs8,820,061,072
Actual time progress	184%
Actual financial progress	45%
Actual physical progress	70%
No of certificates raised and paid	13

Level of mobilization	100%
Actual physical progress - cumulative	32 Km of road completed. From 33+000km to 66+000km (Kalangala Town to Mulabana)
Project scope	Class B gravel standard

Source: KIS and field findings

L-R: Ongoing drainage works and completed gravel section in Kaazi Malanga

The entire stretch of 66Kms was handed over to the contractor and works were in progress. Due to delays experienced in implementing the project, the contractor sub-contracted 15 Kilometres to M/s Olanzicon (Km000-15+000) Services Ltd and five (5) Kilometres (Km 23+000 -28+000) to M/s PNR limited.

The Kalangala TC-Mulabana section (32+000 -66+000) was substantially complete and drainage works were in progress. Some sections had been earmarked for surface dressing these were; Km 15+000 at Bukuzindu power plant and sections 18+000-20+000 and 54+000 -56+000. The works were expected to be complete by 31st May 2015. Estimated physical progress on the roads was 70% against a financial progress of 45% and time progress of 184%.

b) Ferry Services: The second ferry MV SSesse was delivered at Portbell on 24th December 2014. Inspection was conducted by UNRA and Ministry of Works and Transport Officials. Sea trials were also conducted to ascertain its seaworthiness. The ferry had not yet started operating because it was awaiting a license form the Transport licensing board and it was anticipated that it would start operating by 15th March 2015. Ongoing activity was the training of the operators (crew).

New ferry-MV SSESE docked at Bukakata landing site- Masaka

c) Energy: Generation, transmission and distribution of 1.6 Megawatt plant

The contract for construction of the hybrid power (heavy fuels and solar) plant, transmission and distribution lines was divided into three components and awarded to M/s Ferdsult Engineering Services Limited (contract details in Table 10.13).

By 31st January 2015, the constructions of the hybrid solar plant, transmission and distribution lines were all 100% complete. Major ongoing activities were the load tests at the generation house and connecting customers to electricity distribution lines. Kalangala Town Council (KTC) and parts of Bumangi sub-county were already connected to the power plant.

Certification of pre-paid meters was being conducted by UNBS; pending activities included reliability testing, sensitization of communities and connecting more applicants to the distribution line. The contractor was expected to hand over the site to KIS by 15 February 2015.



L-R: Completed power generation plant and inside the generation house at Bukuzindu, connected house at Bumangi

Challenge

- High power losses due to high earth impudences (resistance). A number of homes had 300ohms instead of the recommended 10ohms which leads to high power losses.

Water supply services: The extension of water services to KTC and five other settlement areas was ongoing. The scope of works was construction of a treatment plant, booster houses, tanks, and 6.2 Km pipe work from KTC to Bumangi and distribution pipe work for Bumangi, Buyoga, Mweena and Lutoboka settlement areas; and water treatment plants and distribution lines for Kagulube, Kibanga-Mabuga, Mulore, and Bugoma off shore areas.

In June 2014, the contract was awarded to M/s Ferdsult Engineering Services Limited at a contract sum of US$ 1,628,994**.** Works were expected to be completed in December 2015. The project targets a total of 3,000 connections for KTC and 4,000 connections for the offshore landing sites by the time of commissioning.

By 31st January 2015, the 6.2 Km transmission pipe works from KTC to Bumangi was complete; 1.05 Km distribution pipe work for Bumangi water reservoir was complete; pressure testing for the Bumangi pipe was complete; Erection works for the Bumangi tank were 80% complete; 2.9 Km distribution pipe work for Buyoga line was complete; 2.4 Km distribution pipe work for Lutoboka line was complete; 108m^3 Kalangala Central Water Reservoir tank was delivered and installation works were 80% complete; 1.05Km Mweena distribution line pipe works were complete; 3.1 Km transmission from raw water to the Water Treatment Plant and then to the central reservoir was complete.

Works at the offshore areas of Kagulube, Kibanga-Mabuga, Mulore and Bugoma were combined into one. The distribution line was 100% complete. The contractor was mobilizing to start construction of the treatment and intake plant. Physical progress on this front was estimated at 30%.


Left: Ongoing water works and water treatment house under construction at Mweena

All water works were expected to be complete by 31st March 2015. The overall physical progress on water works was estimated at 70% against financial progress of 71% and time progress of 100% of original contract. The project was granted a three months time extension (January to March 2015).

Challenges

- Delays in delivery of materials: The contractor had to depend on the single shared ferry for the delivery of materials to the island. This led to implementation delays.
- Delays in acquisition of land for the treatment plant for KTC due to lengthy negotiations with the owners.
- Designs changes due to land owners refusing to accept the network to go through their land.

Analysis

Link between financial and physical performance

Most of the planned outputs under the KIS project were substantially complete for example; Water works were at 70% physical progress against 71% financial progress. Construction and delivery of the ferry was at 100% and 80% physical and financial progress respectively; while road works were at 70% physical progress and 45% financial progress. Apart from road works, there was a commensurate link between physical and financial progress.

Achievement of set targets

The project achieved most of the set targets. Delivery of the second ferry and construction of 1.6MW hybrid power plant with transmission and distribution network were both 99% complete. Water works and construction of the 66 Km road registered 70% physical progress. It was observed however that the road works were behind schedule at 184% time progress against original contract period.

Conclusion

The overall cumulative physical progress for KIS project was excellent, estimated at 80%.The project was on course to achieve the objectives as 50% of the key outputs (a second ferry and power generation and distribution) had been fully completed. The remaining 50% were at 70% physical progress. It was observed that the value of land on the island had significantly increased and the island was becoming more attractive to investment.

Although the road project experienced delays in implementation, it was largely due to weaknesses of the contractor. Key decisions and funding were in most cases easily achieved since the project is implemented under the Public Private Partnership arrangement. The project was affected by delays due to changes in designs for water and road works, sluggishness on the side of the road contractor, delayed acquisition of land for way leaves and slow uptake of services (water and power) by the community.

Recommendation

- The KIS should engage the contractors to ensure that key deliverables are achieved within the time extension provided.
- The KIS should undertake more awareness and sensitization campaigns on the availability and use of utility services.

GENERAL CONCLUSION

The overall sector performance was good (62%). While projects like United States African Development Foundation (USADF), District Commercial Services Support (DICOSS) and Kalangala Infrastructure Services registered good progress on their respective targets and project objectives, projects such as One village One product (OVOP), Presidential Initiative on banana Industrial Development (PIBID) and Development of Industrial Parks under Uganda Investment Authority were faced with challenges such as; lack of extensive needs assessments for beneficiaries, delay in procurement processes, lack of business plans and inadequate funding which affected implementation.

Although PIBID received 75.6% of its FY2014/15 budget, it got no funds in Q2 because it lacked approved business and strategic plans. All construction works had slowed down as the contractor had unpaid certificates.

Lack of feasibility studies and extensive needs assessments for OVOP beneficiaries contributed to procurement and delivery of inappropriate technology. Bulamogi Community Development Foundation, Lagoro Shea Nut group, and Nyakigufu Fruit Driers were not using the equipment due to lack of equipment shelter, lack of raw materials and defective delivery respectively.

Good performance was noted under the DICOSS project but sustainability of the activities is in doubt as most Local Governments monitored did not have sustainability plans.

The delivery of the second ferry – MV Ssese will ease transportation to and around Kalangala. The Kalangala Infrastructure Services was awaiting the Transport Licensing Board to issue the new ferry a license. The Kalangala power generation plant, transmission and distribution lines were 99% complete and awaiting handover.

RECOMMENDATIONS

Implementation of programmes can be improved if corrective measures are taken by the various MDAs. The key recommendations are:

- The MoPS, MTIC, and MFPED should finalize discussions on upgrading commercial services sector in LGs to a full department with a grant to undertake planned activities.
- The Presidential Initiative on Banana Industrial Development secretariat and MFPED should expedite the development of the business and strategic plans. Government should review the recommendation of suspending funding to the entity as there are outstanding contract obligations that shall lead to additional project costs if not attended to in time.
- The MAAIF and MTIC should develop tea policy and regulatory authorities to govern operations of the tea sector.
- The MTIC should undertake comprehensive feasibility studies and conduct needs assessments for OVOP project beneficiaries.

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