



THE REPUBLIC OF UGANDA

**Budget Monitoring Report
July-September 2008**

OCTOBER 2008

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Abbreviations and Acronyms

AES	Applied Energy Sector Nile Power
ADB	African Development Bank
ARVs	Anti Retroviral Drugs
BEL	Bujagali Energy Limited
BFP	Budget Framework Paper
BHP	Bujagali Hydo Electric Power Dam
BMAU	Budget Monitoring and Accountability Unit
BOO	Build Own Operate
BOOT	Build Own Operate Transfer
CAO	Chief Administrative Officer
DBM	Dense Bitumen Macadam
DEO	District Education Officer
DFI	District Farm Institute
DWD	Directorate of Water Development
ERA	Electricity Regulatory Authority
ESM	Environment and Social Mitigations
FY	Financial Year
GCS	Graded Crushed Stone
GOU	Government of Uganda
Ha	Hectares
HC	Health Centre
HEP	Hydro Electricity Power
HFO	Heavy Fuel Oil
H/M	Head Master
HSD	Health Sub District
IPC	Interim Payment Certificate
KOPGT	Kalan gala Oil Palm Growers Trust
KSW	Kakira Sugar Works
LRA	Lord's Resistance Army
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MEMD	Ministry of Energy and Mineral Development
M&E	Monitoring and Evaluation
MFPED	Ministry of Finance Planning and Economic Development
MoE	Ministry of Education
MoH	Ministry of Health
MoWE	Ministry of Water and Environment
MPS	Ministerial Policy Statement
NSADP	North West Smallholder Agricultural Development Project
NMS	National Medical Stores
NWSC	National Water and Sewarage Corporation
OHS	Occupational Health and Safety
OPUL	Oil Palm Uganda Ltd

PHC	Primary Health Care
PPA	Power Purchase Agreement
PPP	Public Private Partnership
REA	Rural Electrification Authority
UETCL	Uganda Electricity Transmission Company
USD	United States Dollars
UShs	Uganda Shillings
USE	Universal Secondary Education
UNRA	Uganda National Roads Authority
VAT	Value Added Tax
VIP	Ventilated Improved Pit latrine
VODP	Vegetable Oil Development Project
WFP	Water for Production

Executive Summary

Introduction

In July 2008, government established the Budget Monitoring and Accountability Unit to enhance monitoring efforts geared towards effective implementation of government programmes. The monitoring is focused on programmes under agriculture, education, energy, health, industrial parks, roads, and water and sanitation.

The Unit selected a few programmes for assessment during the quarter based on level of funding, actual release of funds, and availability of work-plans with specified outputs for the period under review. Development expenditures were given precedence except in cases of health and education where some recurrent expenditure was reviewed.

Scope of coverage has been limited because the Unit became operational on 15th September when all staff reported.

Findings

Financial Flows

Most ministries (those covered), did receive capital development funds except that of health; and works and transport who failed to submit work-plans. Disbursements were also made for local governments under specified conditional grants.

There were some anomalies noted where projects that had closed years before were still being funded. In addition, there were cases of activities that had been completed last financial year being budgeted for again.

Physical Performance

(a) Agriculture

Two projects under MAAIF were assessed:

1. The Vegetable Oil Development project in Kalangala where overall progress was good although 50% of the outputs for the quarter were not achieved. This was blamed on delayed releases of funds from MAAIF, lengthy procurement procedures, and possibly over ambitious targets.
2. The North West Smallholder Agriculture Development Project (NSADP) implemented in 6 districts of West Nile, is expanding rural infrastructure (roads, markets and water sources), input supply and provision of extension services (construction of DFIs). The districts of Arua and Nebbi were visited. Programme performance in Arua was very poor due to capacity constraints, while Nebbi was good. It was clear that the Arua programme outputs will not be achieved by end of December 2008, when the three year extension expires.

(b) Education

Activities were sampled out under primary, secondary and skills development sub sectors.

Under primary education, four schools were purposively sampled. Laroo Primary School in Gulu District, a Boarding Primary School for traumatized children; Sekanyonyi P/S, under the Emergency Construction and rehabilitation of Primary Schools component in Mityana district, and two primary schools in districts categorized as hard to reach (Abim and Nakapiripirit.) to assess payment of hardship allowances.

Under secondary education, Sir Samuel Baker Senior Secondary school (Gulu) that was to be rehabilitated; and Bishop Ilukor senior Secondary school in Kumi district a presidential pledge were purposively selected. Three USE schools were randomly sampled to assess progress in construction under the component (Mukula Memorial SS in Kumi; Myanzi SS and Mubende light SS in Mubende).

Under skills development, Namasale Technical institute in Amolatar, and Ngora school of enrolled and comprehensive nursing were visited.

Except in Ngora school, construction works in all other schools had not started. However, in all cases, the district officials had no information on proposed works in their districts.

The hardship allowance was said to be received although there were challenges when new districts are created, because teachers tend to miss out as funds are retained by mother districts!

© Energy

Under this sector, Kakira cogeneration; Bujagali hydro power; Mutundwe and Namanve thermal plants; and subsidizing of the power tariffs were selected and assessed.

The Kakira cogeneration was operational but not meeting the UETCL demand of transmitting 12MW to the main grid per hour. This was blamed on poor roads due to heavy rains that limited transportation of the bagasse.

Bujagali HEP was making good progress but had issues of VAT exemption for its subcontractors. In addition there was an imminent delay in the construction of the transmission lines that may delay the commissioning of the whole plant.

Mutundwe thermal power station was operational but had not effectively addressed issues of environment and social mitigation especially in terms of noise and air pollution.

Namanve thermal power plant was operational but complained of UETCL's limited demand for their power (not all its generated power was being bought) that curtailed their profit margins.

The power tariff subsidy was in place.

(d) Health

Monitoring focused on PHC activities in seven districts of Kyenjojo, Kamwenge, Ibanda, Isingiro, Bududa, Mayuge and Tororo.

In all districts, construction works had not started because of the lengthy procurement procedures in light of the limited capacity within local governments.

All districts had drug stock outs (anti malarials, ARVs and immunization vaccines) due to cited delays in receiving drugs from the National Medical Stores. In some cases the lag being as long as three months.

All districts had problems of under staffing coupled with high staff turnovers.

(e) Roads

Monitoring focused on UNRA projects. Projects monitored during the quarter included: Construction of Kampala Northern By-Pass, Reconstruction of Masaka – Mbarara road, Rehabilitation of Jinja – Bugiri road, Upgrading of Soroti – Dokolo road, Upgrading of Dokolo – Lira Road, Rehabilitation of Kawempe – Luwero and Luwero – Kafu roads.

Except for the Soroti-Dokolo road works, the others were all behind schedule for various reasons ranging from acquisition of land; disagreements on materials specifications, bad weather etc .

There was evidence of shoddy work on Kawempe-Luwero road.

Of concern were the persistent anticipated cost overruns cited for each and every road. This was unacceptable especially if it is due to ever changing designs mid stream.

(f) Industrial parks

Some good progress was being made especially on the Namanve complex.

(g) Water and Sanitation

Three Vote Functions selected included Urban Water and Sanitation, Rural Water and Sanitation and Water for Production. During this quarter, development projects in five districts of Soroti, Mpigi, Ssembabule, Mbarara and Kamwenge were visited.

Under the Rural water conditional grant, Mbarara was to have 120 water harvesting systems installed. Of these only 30% were in place because of procurement procedures.

Under urban water and sanitation, two projects were reviewed:

- North East towns water and sanitation project (BADEA) that is to supply water to small towns. Three small towns were visited: Atirir, Otuboi and Kalali where works were ongoing but behind schedule.
- Support to small towns water supply and sanitation project where Kamwenge was visited. Again works were behind schedule.

Monitoring of water for production assessed three dams; Bwanalaki and Kakinga in Sembabule and Buleera in Mpigi districts. Bwanalaki dam was almost complete; no works had started at Buleera, while Kakinga had been completed.

Recommendations

Financial flows

- Ministries and local governments should be assisted to better internalize the new formats of Forms A and B. In addition, requests for these should be early enough to allow for their production before the FY starts. *However, no releases should be made to institutions that have not submitted the required work-plans.*
- The department of Budget, Ministry of Finance should review the PIP and ensure that closed projects are not reflected in future projections.

Agriculture

1. The Ministries of Finance and MAAIF should review funding mechanisms of projects in the sector to reduce on delays in disbursements.
2. The ministry of agriculture must find a solution to completing the construction of structures under NSADP in Arua district to save the public funds that have been sunk into these ventures.

Education

The Ministry of Education should be encouraged to share information about projects they are executing with the officials of the beneficiary districts. This will improve both accountability and execution of those projects.

Energy

- Hold high level meetings between MFPED, MEMD, URA, BEL and subcontractors to resolve VAT issues. Similar meeting should be held with Jacobsen.
- The government should fast-track extraction of oil from the Albertine region to enable thermal power generation from local HFO which is cheaper and less of a drain on the national resources.
- The Ministry of Energy should strengthen energy efficiency campaigns.

Health

- The causes of delays in delivery of drugs by NMS must be explored immediately and solutions sought. A study should be commissioned to examine the procurement processes and establish the bottlenecks.
- The recent strategy by the sector to improve emoluments for health personnel must give special consideration to those in remote areas. In addition the sector should hasten its recruitment drive.

- District capacity for procuring construction contracts should be strengthened. In addition districts should be encouraged to establish realistic construction output targets, by considering the procurement processes to be an integral part of construction. This should then influence the budget requests and releases.

Roads

- For the Kampala Northern by-pass, and Lire-Dokolo UNRA needs to move fast and resolve all pending land acquisition issues so as to avail the requires sites to the contractors and thus avoid further delays and associated claims.
- For Kampala northern bypass, and Jinja Bugiri road, UNRA with the Contractors and the Consultants need to agree on a time frame with a clear roadmap of how the disagreement on asphalt specifications will be resolved.
- For Masaka- Mbarara road, as well as Kawempe-Luwero road the Contractor should be compelled under the contract to submit a revised work programme so as to normalize operations and enable reasonable projection of final completion time and cost.
- The payment chain should be proactively streamlined with a view of minimizing delays in settlement of IPCs as a way of enabling the contractors to perform and pre-empting claims from delayed payments.
- For Kawempe- Luwero road, UNRA should urgently compel the consultant to maintain a competent team on site at all times as a way of quality assurance and panelize them for professional negligence where necessary.

Water and Sanitation

The sector should be assisted to improve on its formulation of quarterly outputs and targets. Since it is evident that there is low absorptive capacity releases should be scaled accordingly

1.0 Introduction

Government is stepping up its monitoring efforts for enhanced programme implementation. To this effect, a Budget Monitoring and Accountability Unit was established in June 2008 to spearhead these efforts. The budget monitoring is concerned with tracking implementation of selected government programs or projects and with **observing how values of different indicators against stated goals and targets change over time**. The monitoring is confined to the levels of inputs- outputs in five areas namely:

1. Agriculture
2. Infrastructure (Energy and roads)
3. Industrialization
4. Social Services (Education, Health, and water and sanitation)

1.1 Process

This report is based on a few selected programmes in the mentioned sectors. Selection was based on a number of criteria:

- The significance of the budget allocations to the votes within the sector budgets, with focus being on large expenditure programmes. Preference was given to development expenditure except in health and education sectors where some recurrent costs were tracked.
- The programmes that had submitted annual work-plans by the end of September 2008, were followed as they had specified outputs and targets for the quarter, especially if these were funded.

1.2 Limitations of the report

1. The Unit became fully operational on 15th September 2008, when recruited staff came on board. The limited time within which the report has had to be prepared had limited the scope and depth of reporting. This was worsened in some cases by difficulty of obtaining information from the implementers.
2. There have been several challenges in obtaining information on work plans, where it is not clear how outputs, activities and inputs have been divided into quarters or geographical location. This has made it challenging to meaningfully monitor progress in the field by quarter. This information should have been captured in the Performance Contract A of 2008/09, but this was not correctly completed by many institutions. To compensate for this, several visits have been made to the sector offices to collect specific information on outputs and activities for Q1. Even then, this information has not been received in a comprehensive manner.

3. Information on donor releases was not readily available for all programmes and hence financial performance may have been underestimated.

1.3 Structure of the report

The report has four chapters. The second chapter reviews the financial performance while chapter three focuses on the physical performance of the selected programmes. Chapter 4 concludes and gives recommendations.

Chapter 2: Financial Performance

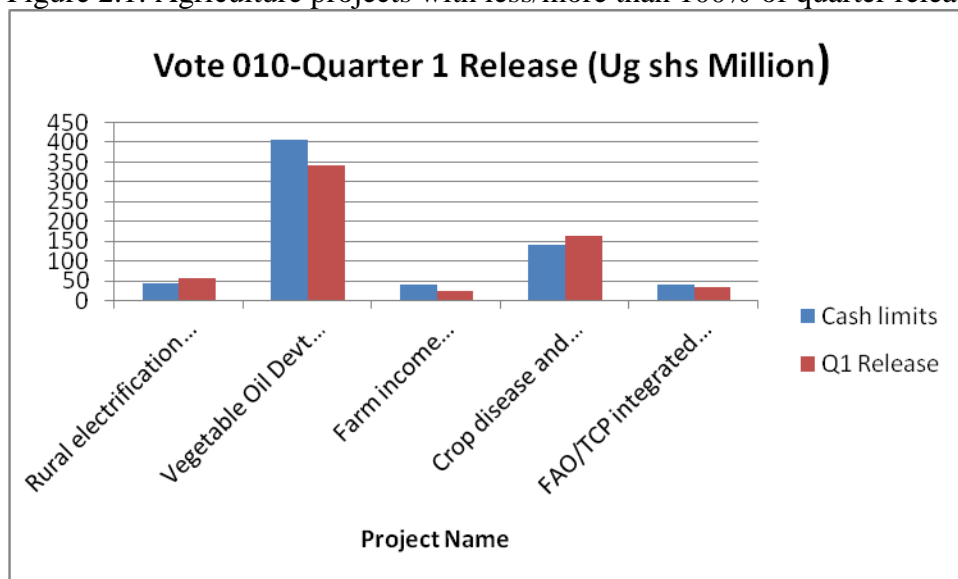
This section reports on domestic development budget releases to the Ministries of Agriculture, NAADS, Ministries of Education, Energy, Health , Mulago Hospital Complex, Butabika Hospital, Ministry of Works and Transport, Uganda National Road Authority, Ministry of Water and Environment, and local governments. It covers the cash limits for the period July – September 2008 and the amounts released for the same period.

2.1 Agriculture

(a)Vote 010 Ministry of Agriculture, animal industries and fisheries.

The total Capital development GOU budget support amounts to shs 9.08 billion for the financial year. Most of the projects received 100% of the cash limits set, save for the a few projects which either received above 100% or less than the cash limits provided as shown in the figure 2.1 below;

Figure 2.1: Agriculture projects with less/more than 100% of quarter releases



Source: MFPED

The Rural electrification –ERT Ministry of Agriculture; and the crop disease and pest control (Project code 0970); both received more than 100% of their cash limits. On the other hand, the farm income enhancement project; Vegetable oil development project and the FAO integrated pest and disease control received less than 100%.

(b) NAADS

- The total GOU development budget for the financial year amounts to Ug. Shs 11.3 billion. NAADs received a total of 2.7 billion for the quarter which was 100% of the cash limit.

2.2 Education

(a)Vote 013- Ministry of Education and Sports

The total domestic development budget for the financial year 2008/2009 amounts to Ug. Shs. 39.7 billion. All the projects received 100% of the cash limits set for the period (see table 2.1 below).

Table 2.1: Cash releases to the Education Projects (July-September 2008)

VOTE	PROJECT	PROJNAME	GOU	Cash Limit QTR 1	Releases 1st QTR (Jul- Sep)	Q1 Release	%
013	0176	CHILD FRIENDLY BASIC EDUCATION	100,000.000	24,634	24,634	100	
013	0191	REH.NAT.HEALTH SERV.&DEPT.TRAIN.INS	2,600,000.000	640,476	640,476	100	
013	0210	WFP/KARAMOJA	700,000.000	172,436	172,434	100	
013	0897	DEVELOPMENT OF SECONDARY EDUCATION	13,457,886.358	3,315,173	3,315,173	100	
013	0942	DEVELOPMENT OF BTVET	3,230,000.000	795,668	795,668	100	
013	0943	EMERGENCY CONST.& REH.PRIM.SCHOOLS	2,800,000.000	689,743	689,743	100	
013	0944	DEVELOPMENT OF PRIM.TEACHERS'COLL.	5,501,000.000	1,352,104	1,352,104	100	
013	0949	ADB III POSTPRIMARY EDUC & TRAINING	5,518,000.000	1,352,400	1,352,400	100.	
013	0971	DEVT TVET P7 GRAD. ENROLLING INSTIT	2,300,000.000	566,575	566,575	100.	
013	0984	RELOCATION OF SHIMONI PTC & PRI.SCH	3,538,000.000	869,613	869,613	100	
		TOTAL	39,744,886.358	9,778,820	9,778,820		

Source: MFPED

2.3 Energy

(a)Vote 017-Ministry of Energy and Mineral Development.

A total of Ug. Shs. 109.28 billion under the domestic development budget was allocated for energy funds under Vote 017 while a total of Ug.Shs. 140.88 billion was allocated for energy and minerals. All the funds as per the cash limits for the first quarter were released to the Ministry (see table 2. 2)

Table 2.2: Cash releases to Ministry of Energy and mineral development for the quarter.

VOTE	PROJE CT	PROJNAME	GOU	Cash Limit QTR 1	Releases 1st QTR (Jul-Sep)	Q1 Release	%
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017	0325	ENERGY FOR RURAL TRANS. - MEMD	198,770.000	48,856	48,856	100
017	0328	SUSTAINABLE MGT. MINERAL RESOURCES	639,172.158	157,104	157,104	100
017	0329	PETROLEUM EXPLORATION PROMOTION	2,653,555.000	652,224	652,224	100
017	0331	RURAL ELECTRIFICATION	10,076,043.000	2,476,615	2,476,615	100
017	0940	SUPPORT TO THERMAL POWER GENERATION	92,000,000.000	26,900,000	26,900,000	100
017	0941	SUPPORT TO THE ENERGY FUND	-	-	-	
017	0999	POWER SECTOR DEVELOPMENT PROGRAMME	100,856.000	24,790	24,790	100
017	1023	PROMOTION OF RENEWABLE ENERGY	210,000.000	51,616	51,615	100
017	1024	BUJAGALI INTERCONNECTION PROJECT	-	-	-	
017	1025	KARUMA INTERCONNECTION PROJECT	-	-	-	
017	1026	MPUTA INTERCONNECTION PROJECT	35,000,000.000	8,602,734	8,602,734	100
		TOTAL	140,878,396.158	38,913,938	38,913,938	

Source: MFPED

2.4 Health

(a)Vote 014 -Health-Development Release

The total domestic development budget for the financial year amounts to Ug shs12.88 billion. However, no funds were released to the Ministry of health for the first quarter because the annual work plans were not submitted.

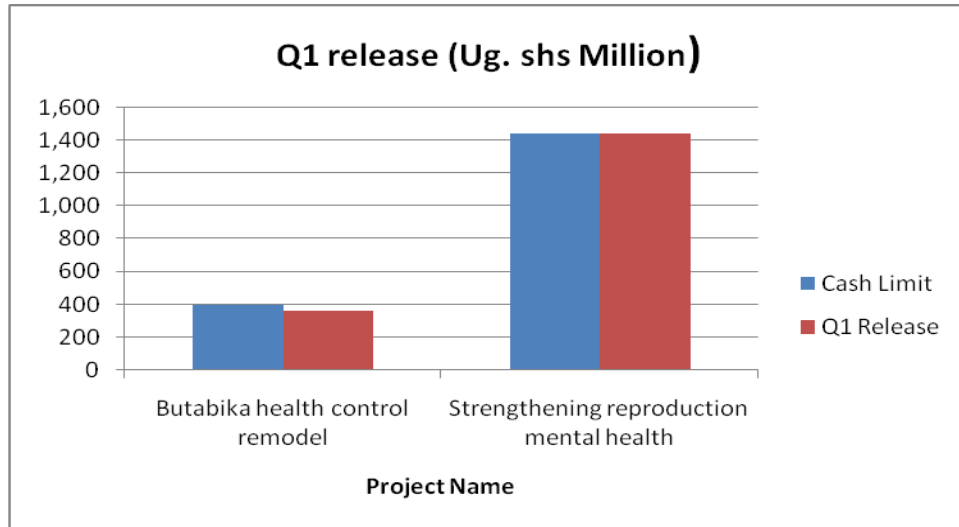
(b)Vote 161 – Mulago Hospital Complex.

The total domestic development budget for the financial year amounts to Ug. shs 8.5 billion. A cash limit of shs 2,097,756,000 was provided for the first quarter and shs 2,083,405,000 was released.

(c) Vote 162- Butabika Hospital

A total of Ug shs7.4 billion was provided for under the GOU support budget for the financial year for two projects under Butabika hospital and figure 2.2 below compares the release for each project to the cash limits.

Figure2.2: Cash releases against cash limits for Butabika Hospital projects



Source: MFPED

2.5 Roads

(a) Vote 016- Ministry of Works and Transport.

The total domestic development budget for the financial year amounts to Ug. Shs.62.17 billion. The Ministry of Works and Transport did not receive any domestic development release for the first quarter due to delayed submission of the work plans and request for the money.

(b) UNRA

The total domestic development budget for the financial year 2008/2009 amounts to Ug. Shs.411.26 billion whereby a total of Ug shs 320.26 is for transport corridor project. A total of shs 304.64 is expected from development partners.

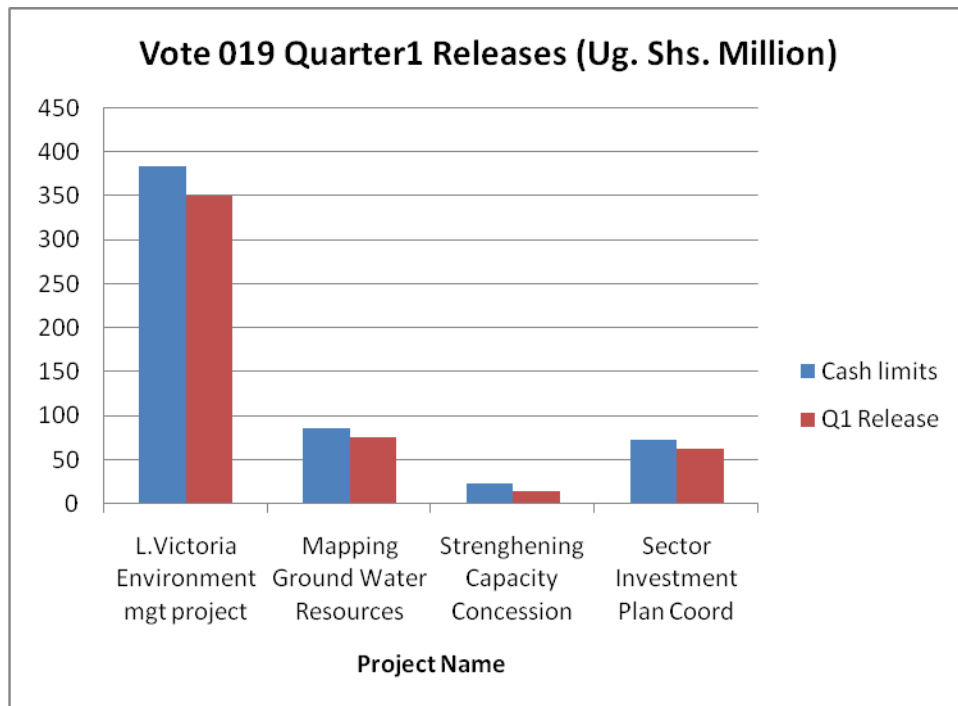
During the quarter, most of the projects received 100% of funding (Annex 2.1). However the Transport corridor project received shs15 billion out of the Ug shs 20 billion cash limit. On the other hand, the Kabale –Kisoro road received shs 1,940,912,000 out of shs 2,580,820,000 cash limit.

2.6 Water and Environment

(a)Vote 019–Ministry of Water and Environment

A total of Ug.shs 76.54 billion was allocated to Water for the financial year under the domestic development budget while a total of Ug.Shs 2.97 billion was allocated to Environment. Most of the projects received 100% of the cash limits set, save for a few projects which received less than the cash limits shown in figure 2.3 below.

Figure 2.3: Energy projects that received less than 100% of their quarter cash limits



Source: MFPED

2.7: Local government releases for non-wage and development expenditures

The releases were classified under the following:

- Primary Health Care (PHC) non wage.
- NGO (PHC) Non wage.
- District Hospitals
- UPE Capitation Grant.
- District and urban roads.
- Plan for Modernisation of Agriculture
- Urban Water O&M.
- Rural Water.
- LGDP
- PHC development
- School facilities grant.
- NAADS

Apart from the PMA and NAADS grants that were disbursed to the participating districts, all districts received funding under the other classifications where applicable. The detail of the releases is attached (Annex 2.2)

Chapter 3: Physical Performance

3.1 Agriculture

During this quarter, monitoring efforts in the agriculture sector focused on the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and specifically on two projects/interventions: the Vegetable Oil Development Project (VODP) and the North West Smallholder Agricultural Development Project (NSADP). The choice of these two projects for gauging sector performance was guided by four key factors:

- They are heavily financed both by GoU and donors and a substantial amount of expenditure was planned for the first quarter;
- Project outreach and poverty reduction is likely to be widespread if they are effectively implemented given their focus on infrastructure development, input supply to small and large scale farmers and farmer training.
- Production of oil palm domestically has large potential for reducing importation of cooking oils and associated products.
- The NSADP which targets the West Nile Region is likely to improve the economies of the targeted districts and thus counteract the effects due to past insurgencies.

Within the VODP, the monitoring work focused on the Oil Palm Component in Kalangala district. Presently, oil palm is mainly grown on Bugala island in Kalangala district. Two (Arua and Nebbi) out of six districts benefitting from the NSADP were sampled for the monitoring work.

3.1.1 Vegetable Oil Development Project

The Vegetable Oil Development Project (VODP), a GOU-IFAD-Private Sector financed intervention that commenced in 2003, aims at expanding production of oil bearing crops with emphasis on the participation of small holders and private sector processors. The VODP has three main project components: 1) Oil Palm Development 2) Traditional Oil Seed Crops Enhancement 3) Essential Oils Crop Plants Development. The monitoring work in this quarter focused on the Oil Palm Development Component.

Implementation of the Oil Palm Component at district level involves a tripartite agreement between three parties: GoU-MAAIF, the Oil Palm Uganda Limited (OPUL) and Kalangala Oil Palm Growers Trust (KOPGT). The District Production Officer coordinates the project at district level. OPUL is a consortium of private companies (Wilmar Plantation Services, BIDCO, Josovina) that are partners in project. The target for OPUL is to develop 6,500 Ha of nucleus estate while supporting small holders to establish and develop an additional 3,500 Ha. KOPGT Secretariat operationalises and supports the activities of the outgrowers and smallholders on Bugala Island.

The Oil Palm Component during Q1 of FY 2008/09 had the following main planned activities:

- i. Procurement of 8 motorcycles for KOPGT staff

- ii. Construction of an office block for KOPGT Secretariat
- iii. Procurement of furniture for KOPGT Office
- iv. Construction of a store for KOPGT materials
- v. Land clearing for smallholder and outgrower schemes
- vi. Field maintenance and provision of fertilizer to smallholder and outgrower schemes
- vii. Construction and maintenance of link road network
- viii. Acquiring land for the nucleus estate while surveying and titling other land

Findings

a) Budget releases and expenditures

• VODP National Secretariat

The budget that was approved for the Oil Palm component for quarter 1 of FY 2008/09 was Ushs 2,999,728,840 including both GoU and donor resources. Of this, Ushs 1,974,387,040 or 65.8% of the requested funds were released. Of the resources that were released, Ushs 1,419,058,709¹ or 72% was earmarked for acquiring land for the nucleus estate.

• District Agricultural Office-Kalangala District Local Government

No funds had been released for the District Agricultural office for the quarter because of delayed submission of the workplan. At the time of the monitoring visit (end of Q1 for FY 2008/09), the district was still using funds from the previous financial year, indicating a low absorption capacity at that level.

• Kalangala Oil Palm Growers Trust

KOPGT had received 100% release of the budgeted funds for quarter one and part of quarter two equivalent to Ushs 498,333,100. This included Ushs. 131,790,500 for the Secretariat's operational costs in Q1 and Ushs. 366,542,600 for the Farmers Loan Imprest intended for farmers' land clearance and maintenance costs for Q1 and Q2. The funds received by KOPGT accounted for 90% of the 555,328,331/= at the VODP National Secretariat minus the money earmarked for purchase of land for the nucleus estate. This suggests efficient budget performance for the VODP Oil palm project component in terms of resource transfer from the Centre to the district.

b) Outputs

Table 3.1 shows the progress in implementation of the various activities, extent of achievement of outputs and the main outstanding challenges. The bulk of the resources that were released to VODP (1.119bn) earmarked for purchase of land for the nucleus estate has been well utilized whereby 2,250 acres or 910.6 Ha have been acquired. The target for the quarter was 500Ha. The activities that are undertaken by KOPGT for which 100% release was made have been achieved – including land clearing and maintenance.

¹ Ushs 1.119bn was rolled over from FY 2007/08.

Table 3.1: Status of achievement of Q1 outputs under the Oil palm Component

Output indicator	Status of Implementation	Implementation Challenges
8 motorcycles procured	6 procured & to be delivered to Kalangala	58.97m released instead of budgeted 73.6
KOPGT Office block constructed	75% of construction completed	Delays due to District Engineer being too busy to issue certificate in time
KOPGT offices furnished	Procurement process has started	
Store constructed	Procurement has started; delivery of output in Q4	The budgeted 80m was not released. There are challenges of getting land title
Lowloader procured	Procurement has started	Budgeted 432m was not released
Double cabin pickup procured	Procurement has started	Budgeted 60m was not released
290 acres of land cleared	Target has been achieved. 58 farmers are benefitting	
1,699 acres of land maintained	Target has been achieved. 603 farmers have benefitted	Scarcity of fertilizers yet the palms need this input over the next 5 years
500 ha of land acquired for nucleus estate	2,250 acres or 910.6Ha acquired in Buvuma islands in Mukono using the 1.14bn rolled over from FY 2007/09. 182% achievement of target	
400ha of land surveyed and titled	226Ha have been surveyed and titled. 57% achievement of target	

Source: Field findings

Close to a half of the output targets that were set for the Oil palm Component were not achieved although processes have been initiated to start implementation of the lagging activities. There are a number of factors that were identified during the monitoring visits that individually or in combination explain the non-achievement of some of the outputs:

1. Non-release or limited release of the budgeted funds from MFPED and MAAIF due to late submissions of work plans. This is worsened by delays in transfer of funds from the centre to the district that were taking an average 2 months from time of submission of budget request.
2. Incorrect or over ambitious work plans whereby outputs that are expected in later quarters are included in the first quarter.
3. Lengthy and stringent procurement processes by PPDA and District Procurement committees.
4. Misalignment between the ministry and district work plans.

3.1.2 NorthWest Smallholder Agricultural Development Project(NSADP)

The NSADP that commenced in 2003 and is funded by African Development Bank (ADB) (87.2%) and GoU (12.8%) aims at improving agricultural productivity and marketing and reducing poverty in the Northern region through enhancing production and market opportunities by expansion of rural infrastructure, input supply and provision of extension service. The project operates in 6 districts in the West Nile region i.e. Arua, Adjumani, Nebbi, Moyo, Yumbe and Koboko.

To date, disbursements are as follows: Ushs 9bn for roads and bridges; Ushs 4.2bn for construction of 2 DFIs; Ushs 1.1bn for rehabilitation of 2 DFIs; Ushs 2.2bn for construction of 22 water points; Ushs 13.5bn for construction of 22 markets; Ushs 1.39bn for microcredit. For quarter 1 July – Sept 2008, all donor finances have been disbursed as requested. The challenge is with counterpart funding whereby the project only received shs 24 million out of the 600 million it had requested for. This basically covers support staff and vehicle maintenance. In addition, tax payments remain a problem.

Findings

There were variations in the degree of achievement of outputs between Arua and Nebbi. Hence the findings from the two districts are presented separately and conclusions made thereafter about the overall project budget implementation.

1. Arua District

The district is also handling the project activities in new district Malacha-Terego (curved out of Arua) as it does not have a headquarter yet.

a) Workplan and budget releases

The first quarter work plan included delivering the following activities:

- Routine rehabilitation of 329km of community access roads in Arua and Malacha-Terego
- Rehabilitation of 2 feeder roads: Arua-Arivu road and Jayia Opia road
- Construction of 4 markets: Rhino camp market and Ejupala market in Arua and Nyadri market and Kubala in Malacha-Terego
- Construction of 2 bridges
- Rehabilitation of Abi District Farm Institute
- Water supply in Kubala market

The NSADP is a highly centralized project whereby contracting for infrastructure development and payments are done directly by MAAIF with the exception of District farm institutes for which contractors are paid directly by ADB Headquarters. Districts undertake a supervisory role and provide certification for completed works so that MAAIF effects payments. Hence, the district officials were not aware of the resources that were being spent on the individual project components since they are paid directly to the contractors.

Although it was noted at the national project coordination unit that all donor funds had been released, funds had not yet been released for the contractors of markets and bridges in Arua district. Funds for the community roads were released in September 08. The project design

whereby funds are disbursed by MAAIF instead of the districts was noted to be faulty as it creates excessive bureaucracy and leads to late payment of contractors. Because of these challenges, the relationship between MAAIF and the local government was not good in terms of budget management and monitoring project performance.

b) Outputs

In general, progress in implementation of the planned activities was slow in Arua district with some of the projects having come to a halt.

(i) Markets

Works on Ejupala market in Vurra subcounty and Rhino camp market in Rhino camp sub-county in Arua district is ongoing although it is not satisfactory. For Ejupala market, the contract period expired yet only 40% of the works are done. The work was supposed to have been completed last year. Similarly, only 32% of the works on Rhino camp market have been completed. A number of challenges were identified explaining the poor performance including:

- Low capacity of the contractor – M/s MAREZ Services Company Ltd
- Unrealistic time period (5 months) allocated to the works
- Delays in payment of contractor by MAAIF
- Delays in submission of accountability and payment requests by the contractors
- Difficulty in accessing building materials due to rains that make earth roads impassable and distance.
- Soils being too loose and making building difficult



Market buildings at Rhino Camp, first half at ring beam and second half at hardcore and blinding level

Overall, the output performance on these two markets is poor. Works on Nyadri market in Nyadri sub-county and Kubala market in Omuga sub-county in Malacha-Terego district is ongoing. Only about 45% of the works have been completed yet the contract has expired. The low capacity of the building contractor for the two markets – M/s PRIME IK LTD – was a major bottleneck to output achievement. The multi-sectoral approach to project implementation involving many ministries, since MAAIF lacks the requisite capacity, was also noted to have increased bureaucracy tremendously leading to project delays.

(ii) Bridges

Construction work on the bridges is also facing similar challenges like those for the markets, although much more progress has been made. Works on the two bridges have delayed for 2 years and only 71% of construction has been completed yet the contract has expired. These bridges are being constructed by M/s Byiringiro Building Services Limited. It was noted that the capacity of the contractor was low. A warning letter was issued to the contractor in September 2008 to complete the works quickly. So far, work has stalled on the bridges. It is expected that if materials are delivered on site within October, work could be completed in 3 months time.

(iii) District Farm Institute (DFI)

All the works on rehabilitating Abi DFI were completed including construction of a new dormitory, classroom block and a gate house, renovation of administration block and staff houses, improvement in access roads and fencing the premises.



Completed dormitory block at Abi DFI

(iv) Water Supply

Construction of the water supply system for Kubala market was near completion.

(v) Routine road maintenance

A total of Ushs 61m was released during early September for routine maintenance of the 329 km of community access roads. This was used to pay off arrears for work already done. About 80% of the road network is in a fair condition. However, delays in disbursing funds in subsequent quarters will imply that a large proportion of roads may be damaged by rains and hence of a poor quality. A major challenge identified was the low capacity of the contractors. Maintenance during Q1 was being undertaken by 61 local contractors. Construction of two box culverts is near completion. Works were 100% completed for the Anguru village box culverts during this quarter while construction is at 75% completion for the box culvert in Jayia village.

2. Nebbi District

a) Workplan and budget releases

The following outputs were planned to be implemented in this quarter:

- Construction of 4 bridges – Ojong 1, Ojong 2, Ojong 3 and Omol bridges
- Construction of a new DFI – Zeu DFI
- Construction of 5 markets in the villages of Panyimur, Nyaravur, Erussi, Warr and Alangi
- Installation of 3 water systems – one each in two markets and one at Zeu DFI
- Construction of 3 district class 1 roads equivalent to 40km – Alego-Boro road (14.7km), Aberi-Zombo road (16km) and Omua-Alangi road (8km)
- Maintenance of 350 km of community access roads

The following disbursements have been made:

- The contract value for constructing the DFI is Ushs 2.6bn. To date, the contractor has been paid Shs 1bn.
- All the funds for the bridges have been paid and savings equivalent to 120m made on this intervention.
- Shs 63m was received in Q1 for paying contractors for 3 roads, which was used to pay arrears for the previous quarter.
- Shs 36m was received 8 months ago for procuring 80 bulls for animal traction. Purchases are being undertaken in Q1 of FY 2008/09.

b) Outputs

Overall, progress in implementation of the various NSADP components in Nebbi district is fast and many of the outputs have been achieved or are near completion as planned.

(i) Markets



About 75% of the construction works have been done for all the five markets, although there has been a two years delay in completion. All the markets have been roofed though yet to be plastered. Work has stalled during the quarter due to non-availability of funds needed to complete construction.

Erussi Market

(ii) Bridges

The three bridges Ojong 1, 2 and 3 are 100% complete and savings of 120m have been made on the contract. This has been used in paying for other works that had not been budgeted for. The fourth bridge – Omol bridge – is 90% complete. Completion has been delayed as the road contractor has to first fill some spots of the road.

(iii) District Farm Institute

Construction of Zeu DFI is in final stages



with 85% of the works completed. These included construction of a guest house, two blocks of staff houses, administration block, assembly hall, dining block with kitchen, two dormitories, pit latrines, access roads, motorised borehole and fencing. The procurement process for furniture and equipment for the DFI has been initiated. The main challenge is that unlike Abi DFI in Arua which is already operational and has staff assigned by NARO, Zeu DFI is new with no staff. MAAIF has been requested to handle the staffing issue but progress is yet to be made on this issue. In the absence of staff, the DFI faces threats of being converted into district headquarters for the to-be created new district Zombo.

(iv) Water supply



About 75% of the construction works for installing a water supply system at Zeu DFI is complete. Water provision for markets is 100% complete and the handover to the district is expected in October 2008.

(v) Road maintenance

The 59 community access roads equivalent to 350km are in a fairly good condition. Maintenance work is ongoing although some parts have not been worked on during this quarter due to late release of funds to pay the contractors. About 75% of the road network is in fair condition.

Water tank in Alangi market

Emerging Issues in the Agricultural Sector

The two projects – VODP and NSADP – provide useful insights in the budget execution in the agricultural sector. Both projects show reasonably good performance in some areas and poor performance in others. Four key issues emerge from the field findings that require close attention by policy makers:

1. A lot of infrastructure has been created under the NSADP in the West Nile region including 1600km of community access roads, 16 bridges, 4 DFIs, 22 markets and water systems for the 22 markets and 4 DFIs. Some of the projects may be fully completed while others may still be incomplete by the time the project winds down at the end of this year. Resources for completion and recurrent maintenance of these infrastructures need to be allocated and integrated in the district budgets. Any time lag in taking action may result in erosion of the roads and wastage of the various infrastructures.
2. The absence of standards for infrastructures such as markets in Uganda undermines delivery of the right product within the available amounts. For example, it was mentioned in Nebbi that although the markets are near completion, there are some parts that are missing compared to the original blue print of the markets. But since there are no standards for markets in Uganda, this problem goes unnoticed.

3.2 Education

The strategic objectives of the sector are embraced in three themes i.e. Access, Quality and Efficiency. Under access sector intends to increase the net enrolment ratios and transition rates. Under quality the sector aims at improving the learning achievements and reducing pupil teacher ratios while under efficiency the sector aims at improving efficiency/quality in Business, Technical, Vocational Education and Training; and Public Enterprises.

Activities were sampled out under primary, secondary and skills development sub sectors. The selected schools were from the districts of Gulu, Abim, Amolatar, Nakapiripirit, Kumi, Mubende and Mityana.

Under primary education, four schools were purposively sampled. Laroo Primary School in Gulu District, a Boarding Primary School for traumatized children; Sekanyonyi P/S, under the Emergency Construction and rehabilitation of Primary Schools component, and two primary schools in districts categorised as hard to reach (Abim and Nakapiripirit.) to assess payment of hardship allowances.

Under secondary education, Sir Samuel Baker Senior Secondary school that was to be rehabilitated; and Bishop Ilukor senior Secondary school in Kumi district a presidential pledge were purposively selected. Three USE schools were randomly sampled to assess progress in construction under the component.

Under skills development, one health training institution; and one technical school were selected to assess progress of construction under the sub sector.

Findings:

3.2.1 Primary Education:

1. Laroo Primary School (Gulu District)

This quarter the school had requisitioned for shs176,698,540. However, the school received shs 220,013,109. The additional funds were agreed upon by MoES and school authorities to cater for costs of utilities such as electricity, water, telephone incurred since the start of the school. However, by the time of the monitoring visit this money had not been spent and was still lying on the school account. This is because the school headmaster was interdicted and had handed over the school on September 5th, 2008. He was making requisitions basing on the initial enrolment of 673 of July 2006 yet a head count of all the students sometime this year found the student numbers to be lower. A new caretaker headmaster a former inspector of schools has been appointed and by the time of the visit and they were in the process of regularizing his appointment and signatures in the banks.

This school started in July 2006 and is operational. The school started with 673 formally abducted children aged 6-17 years recruited from the districts of Gulu, Lira, Oyam, Dokolo, Amolata, Amuru, Pader Kitgum and Apac. Some of these children had been rescued while others escaped from areas controlled by the LRAs. Some of them had gone through reception centres before being enrolled in this school. Many of them had failed to cope with life in their communities and are undergoing rehabilitation and being helped to recover from trauma. By the time of the visit number of students in the school had dropped to 318.



Pupils at Laroo PBS in class

Challenges faced by the school

- The teachers complained of non receipt of supplementary allowances promised to them by MoES. The teachers who had been attracted to the school by this additional allowance are now dropping off.
- Members of the School Management Committee are scattered in the 9 districts of Gulu, Lira, Oyam, Dokolo, Amolata, Amuru, Pader, Kitgum and Apac. which makes hampers emergency meetings as there are no allowances to reimburse their costs.
- Capitation grants for children's upkeep are inadequate since it is calculated at the same rate with normal children in other schools. Most traumatized children do not go for holidays and the spend 365 days at school. This poses a challenge to provide for all their needs with that fixed budget.
- The school workshops are not fully equipped.
- The school lacks trained staff to handle the vocational side. Currently it is being handled by Grade IIIs and Vs.

2. Emergency Construction and Rehabilitation of Primary Schools in Uganda.

(Sekanyonyi P/S-Mityana District)

This FY 2008/09 government is spending 1,800,000,000/= on Emergency construction and rehabilitation of Primary Schools in Uganda. The ministry committed to rehabilitate Sekanyonyi P/S in Mityana District in the first quarter at a cost of Ushs 195,000,000/=

Findings indicated that construction work for this school had not started. Both the CAO and the DEO of Mityana District expressed ignorance about this activity. The team learnt that MoE had not sent them any information about it nor asked them to make any supervision. However, the headmaster of the school was aware of the activity. He said that the President promised to build them a seven-classroom block in 2005. However, he too did not know that the school was to be worked on during the quarter.

3. Payment of hardship allowances in hard to reach areas.

This FY, government is spending shs303,000,000 on paying hardship allowances in hard to reach districts of which Abim and Nakapiripirit were visited.

(a) Abim District:

There are 414 primary school teachers in the district spread in 47 schools that are benefiting from the hardship allowances. Requisitions for this money are made on quarterly basis and it is credited to the district account as a lump sum. It was noted that requisitions for quarter one allowances, were approved by the Permanent Secretary of MoES, on the 2nd September 2008 as follows (table 3.2):

Table 3.2: Hardship allowances for Abim district. Q1 FY 2008/09

Category	Number	rate	Total
Old teachers	339	20,500 x 3	20,848,500
Newly recruited teachers	75	20,500 x 3	4,612,500
		Grand Total	25,461,000

Source: ABIM, ACAO

However these allowances had not been disbursed to the district by the time of the monitoring visit.

The head teacher of Kiru Primary school confirmed that teachers in his school had been receiving the hardship allowances with each teacher getting Ush. 20,500/= per month. He also noted that these allowances are received on a quarterly basis and that the last time they received them was in June 2008. He however complained that government had not given arrears for this allowances following the creation of Abim district from Kotido district in July 2006, where all teachers in Abim district missed out on this hard to reach allowances for one full year. These allowances were remitted to Kotido district which failed to send them to rightful beneficiaries in the newly created district of Abim.

It was also reported that some of the newly recruited teachers were laying down their tools because they were taking long to access the payroll. Some of them had worked for as many as nine months without any salary.

(b) Nakapiripirit District:

There are 217 teachers spread in the 54 primary schools in the district who have been receiving the hardship allowances. However, the allowances for quarter one FY 2008/09 have not been received. This is because some teachers had not filled the required details regarding their banks,

branches and account numbers. Because of this the requisitions for the first quarter hardship allowances had not been submitted by the time of the visit.

The Director of Studies in Nakapiripirit Primary School, reported that teachers in that school had been receiving these allowances, albeit late.

3.2.2 Secondary Education:

1. Sir Samuel Baker Senior Secondary School (Gulu District)

This FY Government is spending 3.006 billion to rehabilitate Sir Samuel Baker Senior Secondary School. This project is being co-funded by the Belgium government. Construction work was scheduled to start in quarter one FY 2008/09. However, by the time of the monitoring visit no construction had started but the consultancy work for the rehabilitation had been done.

The Belgian government had given a 'No objection', and the ministry had initiated the procurement process and awarding of the contracts.

2. Bishop Ilukor Senior Secondary School (Kumi District)

This FY government has set aside Ug. Shs 10 billion to implement the Presidential pledges in the education sector. Bishop Ilukor Girls Senior secondary in Kumi district is one of such schools to benefit. The initial Indicative Planning Figures indicated Ug. Shs 208,000,000/= was set aside to implement this presidential pledge.

By the time of the monitoring visit, no work had started. The CAO of Kumi district was aware of this project and reported a total amount released to the district of shs 110,858,000/=. Out of that, the district has remitted 46% to the school account amounting to Ug. Shs. 50,994,680/=

The Deputy Head teacher of the school confirmed that funds for school construction were supposed to be remitted to the school account. However, by the time of the visit these funds had not been reflected on the school account.

3. Mubende Light Senior Secondary School (Mubende District)

This FY 2008/09 government is spending Ug. Shs 3.312 billion on USE schools for classroom construction. Mubende Light Senior Secondary School is one of the school earmarked to benefit from the USE classroom construction. MoE workplan indicated that 2 classrooms were supposed to be build in Q1 to cater for the increased numbers of students.

The construction work had not started. The Deputy Headmaster reported that the school administration received a letter from MoE notifying them of their selection to benefit from construction under USE. However, later they received another communication to the effect that they will benefit from the second phase.

4. Mukula Memorial Senior Secondary School (Kumi District)

Mukula Memorial Senior Secondary school is a USE school. According to the MoE work plan, two classrooms were supposed to be constructed at the school in Q1. The CAO of Kumi district expressed ignorance about any plans by MoE to construct any buildings at the school. However, the head teacher was aware that government was planning to construct and furnish 2 classrooms. However, construction work for the two additional classrooms had not started by the time of the visit.

Findings indicated that a contract committee had been put in place. Currently the school has 884 students all of them day scholars. The USE component has a total of 540 students (i.e.282 for S.1 and 258 for S.2 respectively) who are crowded and need more teaching and learning space.

5. Myanzi Senior Secondary School: (Mubende District)

Myanzi Senior Secondary School is one of the schools that are benefiting from the USE arrangement. The head teacher had information that MoE would be constructing 2 blocks with 2 classes, and 2 pit latrines. The classrooms would be furnished, in addition to providing a water tank.

A contracts committee has been formed; and bids had been called to which 3 contractors responded. However, they have not been opened because MoE had not sent them funds so construction work has not commenced.

3.2.3 Skills Development

1. Namasale Technical Institute (Amolatar District)

A total of shs 180,250,000/= was provided to construct 2 workshops and 2 classes at Namasale Technical Institute in Amolata district. Work was scheduled to start in quarter one. Both the CAO and DEO of the district were not aware but the school administration was aware of this activity. It was reported that some engineers from the construction department of MoE visited the school and made their assessment. However, by the time of the visit, construction had not started.

In the picture is the boys' dormitory at Namasale Technical institute.



2. Ngora School of Enrolled and Comprehensive Nursing. (Kumi District)

This FY 08/09, government is spending Ug. Shs 10.1 bn for the rehabilitation of the 15 National Health and Departmental Training Institutions. Ug. Shs 674,000,000/= is earmarked for the rehabilitation of Ngora School of Enrolled and Comprehensive Nursing beginning in quarter one this FY.

Work had started and a lot of progress has been made on this activity. Work has been going on since October 2007. Phase one entails provision of new structures while renovation of some old structures is planned in phase two. According to the site engineer and the clerk of works, work is ahead of schedule. A new administration block has been put up, a new boy's dormitory, classroom block, a warden house with a kitchen, a new library, computer laboratory block and a new four stance VIP latrine. By the time of the visit they were fitting the ceilings. The structures will be handed to the school administration at the end of October 2008.



New boys' dormitory and new administration block at Ngora School of Enrolled and comprehensive Nursing.

It was also noted that 2 months ago, work on the renovations of old structures also started. Renovations included work on the dining hall, kitchen store and the girls' dormitory where asbestos roofings were replaced with new iron sheets. Under this phase, a new drainage system for the old buildings with a 100 user septic tank and soak pit have been put up.

Challenges:

- In all districts, the CAOs complained that MoE does not share information with them about the projects they are directly implementing in their districts. This was a big challenge as it may lead to shoddy work by some contractors who cannot be supervised by the districts.
- There are delays in disbursing USE funds to their schools.
- Implementation of the presidential pledges in the sector has taken long. Some of the pledges were made over three years ago.

3.3 Energy

The planned outputs for the quarter are attached as Annex 3.1. From the list, Kakira cogeneration; Bujagali hydro power; Mutundwe and Namanve thermal plants; and subsidizing of the power tariffs were selected and assessed.

3.3.1 Kakira Cogeneration

Background to Kakira Cogeneration

In 2000 Kakira Sugar works (KSW) factory approached the government and offered to supply the main grid with electricity in a private-public partnership (PPP) in a Build Own Operate (BOO) arrangement. In July 2003 Government agreed to this arrangement and signed a power purchase agreement (PPA) with Kakira to supply 6MW to the main grid for 6 hours during the peak hours and another PPA in November 2007 to supply 12MW for 18 hours in the non-peak hours to the main grid for 10 months of the year.

Findings

The activities scheduled for the first quarter included the constant generation of 6MW for 6 hours and 12 MW for 18 hours for 3 months to the main grid and completion of compensations to entities affected by the transmission network that joins Kakira Power Station to the main grid. Kakira Power House has generated electricity to the main grid for the 1st quarter of the FY.

It has however not been able to maintain the constant 6MW and 12MW. There have been fluctuations in their supply even on a daily basis. For instance, on a given day, generation fluctuates between 13.5MW and 10MW without maintaining a constant 12MW per hour. The failure to supply a constant 12MW to the main grid has been attributed to shortages in bagasse production due to heavy rains that limit transport of the cane from the fields to the factory and machinery technical problems.

It was established from the management of Kakira Power station that all affected entities of the transmission lines had been compensated in February 2008. An assessment of all affected parties had been made and all have been adequately compensated. To date there is no compliant on way-leaves compensation issues. This is an anomaly since this FY 2008/9 the first quarter workplan allocates 6 billion shillings for compensation of affected entities for two projects including Kakira.

Challenges to the Kakira Implementation.

KSW claim that they are able to provide the main grid with up to 16MW but are discouraged by the low price paid them by UETCL (4.9 cents and 6.1 cents) that prohibits further investment in electricity generation. According to Kakira a fairer price would be US 10 cents and not US 6 cents.

3.3.2 Bujagali HEP station

Background

The Bujagali Hydropower Project (BHP) is a future 250 megawatt power-generating hydro electric power generating facility presently under construction.

In 2005 Bujagali Energy Limited (BEL) a joint venture between Industrial Promotion Services (Kenya) Limited-(a member of the Aga Khan Development Network) and SG Bujagali Holding Ltd an affiliate of Sithe Global Power LLC (USA) was awarded the concession to construct and operate a 250M hydro electric power dam to supply the main Ugandan grid. This was under a PPP of Build-Own Operate and transfer BOOT arrangement. The estimated project cost for the Dam is USD \$850 million.

Salini Construction and Salini Hydro two Italian construction companies were contracted by BEL to construct the dam walls and provide the turbines respectively.

Findings

Construction works on the dam began in July 2007 and the project is due to be commissioned in June 2011. The activities scheduled for the first quarter were the power house excavations and procurements for Bujagali. It was established that the powerhouse excavations are 80% complete which is on schedule. Procurement is at 20% and is therefore ahead of schedule. Construction is progressing on schedule at 35%.

The procurement of the turbines is by Salini Hydro are currently being manufactured in India and Italy.

Figure :Works in Progress on Bujagali Dam Wall Construction October 2008



Source: BEL Project Manager

Funds of US\$37.2 million were received in September 2008, and a total of about USD\$145.9million has been received since January 2008. Funds are received on schedule therefore construction works are not impeded by financial constraints.

The USD\$8million to implement the environment and social mitigations fund (ESMF) was received in one tranche in February 2008. BEL has over 5 staff dedicated to implementing the ESMF. The team this quarter has implemented a number of programmes including, providing

improved housing for the resettled persons, provision of safe water, relocation of tourism activities down-stream from the falls, health care provision, tree planting along the banks of the river Nile and life skills training. A number of social programmes are contracted out to individuals and firms, while the staff of the districts are availed the funds to implement others.

Challenges to the Bujagali Dam Implementation.

- Arrival time of imported construction equipment is problematic and is causing delays.
- Identification and acquisition of local skilled labour is difficult.
- Delays and confusion in VAT exemption and refunds for sub-contractors and local suppliers is a difficult to organize and implement. The current situation is threatening to lead to cost overruns in the construction of the dam.
- The presence of Multi-lateral banks in the financial structure resulted in delays and red-tape. It makes accounting and reporting a gruesome task.
- Jyoti contracted to construct the transmission lines is not yet on ground. The delay in construction of the transmission lines may delay the commissioning of Bujagali dam.

3.3.3 Namanve Thermal Generation Power Station

Background

Jacobsen Electro a Norwegian power firm was awarded the concession to provide 50MW of electricity to the main grid from with-in the Namanve Industrial Park. This was under a public-private agreement of Build-Own Operate and transfer BOOT arrangement.

Findings

The power station was commissioned on September 15th 2008, 15 days behind schedule. It has an installed capacity of 50MW. The power generating engines use heavy fuel oil (HFO) which is cheaper than diesel which the other thermal generators (Aggreko Mutundwe/Kirra and WENRECO in West Nile) use. Heavy fuel oil is cheaper than diesel on the world market and yet generates almost as much electricity per unit as diesel. This plant has 7 HFO fueled engines that can generate up to 48.5MW per hour. The engines are concealed in a sound proof container.



Namanve themal plant

Jacobsen Environment and Social Mitigations

The buildings were new and those next to the generators were sound proofed. The generators were in sound proofed housing. However a lot of noise is still emitted from the generators. All those entering the area with the generators had to wear earmuffs. Residents have complained of

the noise emitted from the generators. Visitors are all obliged to wear helmets however the staff were not obliged to obey the safety regulations as a number were seen not wearing safety equipment.

Challenges to the Jacobsen Thermal Implementation

- VAT exemption was provided for HFO. Yet when generators are switched off (due to technical issues or non-demand from UETCL) to start up it requires to be fueled with diesel. The company does not have VAT exemption on diesel. This makes electricity generation by the company expensive whenever they must use diesel, this situation is leading to production cost overruns.
- UETCL gives Jacobsen hourly dispatch orders and which makes systems planning difficult. UETCL rarely uses the maximum installed capacity of 50MW. This reduces Jacobsen profit margin since UETCL pays for only actual dispatch.
- Jacobsen had had to grade and maintain over 3 kms of murram road from the power house to the Jinja-Kampala Highway. This was to enable the oil fuel tanks safe travel to the plant. The community are now using the road regularly especially those transporting building materials. This damages the road and there is constant need to maintain the road.

3.3.4 Aggreko Mutundwe Thermal Generation Power Station

Background

Aggreko Dubai power firm was awarded the concession to provide 50MW of electricity to the main grid. This was under a PPP it is a Build-Own Operate BOO arrangement.

Findings

Aggreko Mutundwe Thermal Generation Power Station was commissioned in September 2008 on schedule. It has an installed capacity of 50MW. It is established on one acre of land and has 70 mobile containerized generators each with an installed capacity of 0.8MW. Sixty two generators are required to produce the contracted capacity of 50MW and 8 are on standby.

Aggreko Mutundwe Environment and Social Mitigations

The power plant premises grounds and offices were still under construction. Reflective jackets but no helmets were issued to all persons entering the plant premises. The construction workers on the premises were merely wearing overalls and helmets and no other protective gear. The generators are not sound proofed. Another distinct feature is the overwhelming smell of burning diesel within the vicinity of the plant. The plant is located near an industrial area but it is in close proximity to a medium-density residential area and a school. This poses noise and air pollution threats to the residents. Residents have complained of the noise emitted by the generators.

3.3.5 Electricity Energy Subsidy

Background

Electricity prices increased in 2006 to shs 426 from shs 171 in 2005 an increase of over 200%. There was a public out-cry over simultaneous increased power outages and prices. ERA

announced that the prices would be further increases in electricity prices and power outages because of an electricity crisis. This resulted in government's intervention in the energy crisis.

The cause of the Energy crisis was three- fold: delays in increasing generation capacity to match the growing demand, a significant regional drought for the past few years, which has reduced the generation capacity of the hydro electricity power stations (Kirra and Nalubale) and annual demand growth for electricity of about 8% (due to increased industrialization and population).

Short- term measures to the electrical energy crisis have been the acquisition and utilization of thermal power generation plants. This has resulted in escalated end-user electricity tariffs and has necessitated government subsidizing the electricity tariffs. (Diesel thermal generated electricity is almost 20 times more expensive than hydro generated electric power). Given the price of crude oil thermal power is extremely expensive. Government has committed to financing energy by subsidizing the electricity tariffs as a stop-gap measure until 2011 when Bujagali hydro electric power shall be commissioned. The subsidy is to pay for the expensive thermal generated electricity which would otherwise make electricity unaffordable to the majority of Ugandans.

Findings

Government is currently subsidizing the electricity tariffs by shs 93 billion this financial year. During the first quarter 2008, shs 26billion was released to MEMD to subsidize the electricity tariffs. The current domestic end- user price of shs 430 and shs 550 for industrial are heavily subsidized otherwise they would be about shs 600 and 750 respectively.

Challenges

- The electricity tariffs are constantly rising due to several factors external and internal like the global financial crisis and weather. The constant fluctuations in the Global oil prices makes budgeting for thermal power difficult.
- The government's subsidizing the electricity tariffs is not sustainable as it drains the national budget.

3.4 Health

3.4.1 Ministry of Health

Development Budget

The Ministry of Health did not submit their annual workplan during the first quarter. Consequently no funds for development expenditure were requested and disbursed. There was no monitoring of project and program activities under the ministry.

Non wage recurrent expenditure (Drugs and Medicines)

During the quarter the ministry received 19,312,124,023 for procurement and distribution of drugs.. The ministry utilized Ushs 10 billion to pay the Government of Uganda's subscription fees in the Quality Chemicals. US\$ 6.5 billion was transferred to National Medical Stores (NMS) to order for drugs to several health facilities.

3.4.2 Butabika National Referral Hospital

The hospital received 250 million shillings for this quarter under the non wage recurrent expenditure. Of this amount, US\$ 134 million has been committed to the supply of drugs. It was established that drugs worth US\$ 48 million had been delivered to date (October 2008).

Under the development budget component, the hospital received US\$ 361,427,000. These funds were allocated under the Remodeling of Butabika hospital project. *Although the remodeling project was closed 3 years ago, development expenditure allocations continue to be released under the project code.* Of the quarter's disbursement, approximately 68 million has been spent on procurement of: non medical sundries, civil maintenance equipment such as water pipes and a blood pressure machine. Information on expenditures was not readily available to the team.

3.4.3 Primary Health Care Activities in Districts

Seven districts were purposively selected for monitoring progress of implementation of PHC activities.

(a) Kyenjojo District

During the quarter, the District received Ushs 104,032,948 for non wage recurrent expenditure and US\$ 65,349,000 for development expenditure. From the workplan, the district scheduled the following development expenditure activities for quarter 1: construction of the pediatric ward as part of the upgrading of Kyenjojo HCIV into a general hospital (US\$ 180,000,000); procurement of beds, mattresses and related supplies and procurement of essential equipments for health units.

The field visit, (early October 2008); found no development expenditure activities implemented. The delay was due to late finalization of bills of quantities for the construction works. Service providers had been prequalified but the district had not yet advertised for the PHC services.

For drugs under the PHC non wage recurrent expenditure, review of the drug requisitions by health facilities, delivery notes and invoices; confirmed that drugs worth US\$ 50,238,911 were procured for the 3 Health Sub Districts: Kyegegwa; Kyalusuzi and Kyenjojo during the quarter. It was also confirmed that drugs worth US\$ 18,000,000 had been delivered by the NMS under the credit line supply.

Challenges to the Implementation of PHC activities in Kyenjojo District

1. **Inadequate staffing levels.** It was reported that the staff establishment has consistently not been met due to budget constraints at the ministry level for recruitment of health workers.
2. **High staff turnover.** It was reported that partly due to remoteness, it is becoming increasingly difficult for the district to attract and retain health workers. The district loses staff to NGOs and facilities based in urban areas.
3. **Stock outs for drugs:** The district has had adequate supply for drugs this quarter, but reported frequent stock-outs in previous financial years for an assortment of drugs including anti-malarials and immunization vaccines.

(b) Kamwenge District

The district received US\$ 82,284,000 non wage recurrent expenditure, and shs 44,866,000 for development expenditure. Although the workplan does not breakdown the activities to be carried out per quarter, the activities for the FY include: construction of staff house and completion of a maternity centre at Biguli, completion of maternity ward at Mayhoro, construction of staff house at Kyakarafa; construction of Malele HC II; construction of Mabale HC II; and renovation of Nyabbani HCIII. However, no capital development activity has been undertaken because the district considers the releases for development expenditure low and not sufficient to enter into construction contracts.

The district planned to procure drugs under the non wage recurrent expenditure; and to order for drugs from NMS under the credit line. Review of delivery notes, requisitions and invoices confirmed that drugs worth US\$ 50,238,911 were procured during the quarter.

It was reported that PHC allocations to Health centres have not been disbursed. This follows an instruction from the MoH to open up bank accounts for Health Centres. The process of opening up bank accounts is protracted and has led to delays in transfer of funds to health centres.

Challenges to the implementation of PHC activities in Kamwenge District

1. **Limited funding:** The district lacks adequate funds to operationalise HCIIIs due to limited funding.

2. **Remoteness.** The district has HCIVs run on generators—which have high fuel costs. In addition, ambulance and vehicle maintenance is a huge challenge
3. **High staff turnover and understaffing:** The district officials attributed the high staff turn over to remoteness of the district which makes it difficult to attract and retain medical staff. Except the district medical officer, the district has no medical officer! Overall staffing levels were also estimated at only 50% of the establishment.
4. **Lack of accommodation for health workers.** The district has limited housing facilities at health centres which also affects the retention of the health workers.
5. **Stock outs for essential drugs:** It was reported that the district last received immunization drugs on 21 July 2008 and had run out of stock at the time of the visit.(early October). Although the district expects to receive immunization drugs on a monthly basis, the supply is reportedly erratic. The district further reported stock outs for ARVs and anti-malarials save for pediatric anti-malarials whose stock was also reported to be low.
6. **Differences in priorities:** HCIIIs identified as priority for construction by the district in some instances differ from those approved by the MoH and these differences are not harmonized.

©Ibanda District

The District received shs 82,284,000 for non wage recurrent expenditure, and shs 44,964,000 development.

The district has scheduled to construct a Medical Store at the District Headquarters throughout the FY (US\$ 100,000,000). The district has pre-qualified service providers for the financial year 2008/09. However no calls for bids for these services had been made because the procurement department had not yet received funds for placing adverts in the media. The delay in release of funds for procurement is reportedly halting progress on PHC activities. *The district received funds as per the cash limit and having no funds for procurement is more of prioritization at district level than non release.*

At the time of the visit, the district had requisitioned for drugs worth US\$ 26million from the Joint Medical Stores and delivery of the drugs was being awaited.

Challenges to the implementation of PHC activities in Ibanda District

- **Low staffing levels:** District Officials reported that staffing levels stand at only 23% of the establishment. At the district headquarters there are only 2 (18%) staff namely: a Stenographer and a Records Assistant against the establishment of 11 staff (comprising only 18%). It was further reported that the district currently has 4 Senior Clinical Officers and only 3 Medical Officers including the District Medical Officer. Ibanda district has 2 HCIVs, 7 HCIIIs and 26 HCIIIs.

- **Delayed deliveries of Drugs by NMS:** It was reported that NMS deliver drugs late and in some cases supply less quantities than is requisitioned. It was also reported that in some instances some essential drugs are entirely not delivered.
- **Non operational facilities:** For instance, Rococo HCIV in Ibanda town with a theatre which was officially launched in year 2004 has not been operationalised to-date (October 2008). The district officials reported lack of adequate funding to buy medical equipment required in the theatre and other health facilities in the district.

(d)Isingiro District

The district received shs 85,104,000 for non wage, and shs 41,725,720 for development.

During the quarter, the district was to construct a maternity unit and staff house at Ruborogota. The bills of quantities for the construction of the facility have not been finalized and no call for bids has been issued as yet. Consequently the funds disbursed have not been spent.

Construction is ongoing for 2 HCIVs and 2 HCIIIs are being constructed under the Support to the Health Sector Strategic Plan project.

The district had placed orders for supply of drugs from Joint Medical Stores and the respective Health Sub Districts were following up the orders. For drugs under the credit line, it was established that during the month of August, NMS delivered drugs against orders for the months of March, April and June 2008. The sum of the order for the respective months was US\$ 52,219,970. Of this, NMS delivered drugs worth US\$ 24,650,876 (47%) while drugs worth US\$ 27,569,094 (53%) remain outstanding. According to the District Health Office, the lag between placing the order and delivery is the main cause for the stock outs. In addition to the delays, NMS delivers fewer drugs than is requisitioned.

Challenges in implementing PHC in Isingiro district

1. **Drug stock outs due to delays in the delivery of drugs by NMS.**
2. **Under staffing and high staff turnover:** Currently, there are no public Medical Officers in the district save for the District Health Officer. For the whole district, there are only 2 Medical Officers working in Isingiro South at the Millennium Villages Project managed by UNDP. Health Centre IIIs are the most affected by the under staffing situation. It was reported by the District Health Officer that most HCIIIs in Isingiro District are manned by Nursing Assistants. The staff list for Isingiro District dated September 2008, showed 1 Senior Clinical Officer, and 12 Clinical Officers. The district has 3 HCIVs, 13 HCIIIs and 30 HCIIIs.

(e)Bududa District

The district received shs 47,326,510 for non wage and shs 33,195,000 for development.

The district plans to undertake the following activities: construction of a maternity centre at Bushy HCII and construction of a maternity centre at Bukibokolo HCII. These projects were rolled on from last financial year and therefore ongoing. The district does not intend to take on new projects so as to finalise on-going projects.

The district submitted orders for drugs under the credit line and Primary Health Care to National Medical Stores for the months of August and September 2008. The District Health Officer noted that NMs delays to deliver drugs taking on average 3 months following submission of orders.

Challenges in implementing PHC in Bududa

1. **Under staffing:** It was reported that the staffing levels for health stand at only 45.7% of the establishment. There is one hospital in the district, 7 HCIIIs and 4 HCIIIs. Staffing levels were reported to be far too low at lower level health facilities. For instance Bukibokolo HCII has only 3 instead of 18 health workers; Bufuma HCII also has 3 health workers instead of 18 while Bushika HCIII has 6 instead of 18 health workers. Bukigai HC III which is in a local town has 12 out of the approved 18 health workers. Remoteness complicates staffing levels as health workers are reluctant to work in remote areas.
2. **Stock outs and delays in delivery of drugs:** The District Health Officer reported long delays by NMS in delivering drugs. It was also reported that there are instances when NMS distributes drugs which are due to expire. From our review of the records, the district last received drugs from NMS in February 2008.

3.Lack of storage space for drugs: The district lacks a substantive drug store. Expired drugs were stored in the same store with drugs under use. Expired drugs and used up bottles and vials dating to 15 years ago were taking up most of the available storage space



Drug Store in Bududa Hospital



(f)Tororo District

The district received shs 96,672,000 for non wage and shs 65,744,000 for development expenditure. Although the district work-plan does not specify which activities are to be implemented per quarter, the planned capital development activities during the FY include:

Construction of staff house in Tororo Hospital; Completion of Panyangasi HCIII; completion of Kayoro HCII; completion of Namwanya HCII; and construction of staff house at Mulanda HCIV. The construction of Kayoro HCII started in 2003/04 and stalled in 2005/06, 2006/07 and has been revived. The district has not embarked on any capital developments during the 1st quarter. No sufficient explanation was given for the delay to implement scheduled activities. The district has prequalified all service providers in the district.

Under the non wage recurrent expenditure, the district has procured drugs worth US\$ 13,000,000 out of the July release. Plans were underway to procure drugs for the August and September release. The District Health Officer acknowledged receipt of drugs under the credit line during the month of September 2008.

Challenges of implementing PHC in Tororo district

1. **Under staffing:** Staffing levels for health workers in the district are estimated at 50% of the establishment with HCIIIs worst hit by the staffing deficiency. The district has only 3 Medical Doctors and has a population estimated at 427,000.
2. **Lack of accommodation:** The district lacks adequate accommodation facilities for health workers at health centres with HCIIIs being the most affected.
3. **Slow procurement processes:** There are delays to call for bids for the services which is stalling implementation of scheduled activities. The US\$ 65 million released to the district has not been utilized due to delays in finalizing bills of quantities and calling for bids for construction works.

(g) Mayuge District

The district received shs 89,150,815 for non wage and shs 56,537,000 for development expenditure.

The district has scheduled the following capital development activities: Completion of a General Ward at Kigandalo HCIV (40m); construction of an Out Patient Department; and a staff house at Buyugu HCII; construction of a new staff house at Baitambogwe HCIII (40m) and solar system installations at Buwaiswa HCIII (40m). Nothing had been done on capital developments.

The district had not procured any drugs under PHC. However the district officials reported to have awarded contracts to suppliers for the drugs but no deliveries had been made.

Challenges in implementing PHC in Mayuge district

1. **Lack of Equipment in health facilities:** Several health facilities lack adequate equipment and staffing and this is attributed to funding limitations.
2. **Delays in delivery of credit line supplies:** The District Officials attributed the delays to NMS' distribution patterns among other reasons. Prior to making deliveries, the NMS waits until all districts have submitted requisitions following which they make supplies. This frustrates districts/ health facilities that prepare and submit their orders on time.

3.5 Roads

Monitoring activities were focused on UNRA projects as the ministry of works got no funding for development expenditure during the quarter. The planned activities under UNRA are shown in table 3.3 below.

Table 3.3: Planned Activities under UNRA for Q1

#	Planned Activities	Targeted Outputs for Quarter 1
1	Maintenance of National roads to all weather standards	10,800 Kms
2	Gravelling of Unpaved Roads	1,40 Kms
3	Construction of Kampala Northern By-pass	10%
4	Upgrading of Kabale – Kisoro – Bunagana road	8%
5	Strengthening and Upgrading of Kampala – Gayaza – Ziobwe road	5%
6	Upgrading of Soroti – Dokolo road	7%
7	Upgrading of Dokolo – Lira road	2%
8	Rehabilitation of Jinja –Bugiri road	10%
9	Reconstruction of Masaka – Mbarara road	4%
10	Rehabilitation of Kawempe – Luwero road	15%
11	Rehabilitation of Luwero – Kafu road	15%
12	Rehabilitation of Hoima – Kaiso – Tonya Road	50%
13	Rehabilitation of Hoima – Kizirafumbi road	50%

Source: UNRA

Projects monitored for performance during the first quarter of FY 2008/09 included: Construction of Kampala Northern By-Pass, Reconstruction of Masaka – Mbarara road, Rehabilitation of Jinja – Bugiri road, Upgrading of Soroti – Dokolo road, Upgrading of Dokolo – Lira Road, and Rehabilitation of Kawempe – Luwero and Luwero – Kafu roads.

Findings

3.5.1 Construction of Kampala Northern By-Pass

Observations During the Site Visit

- Ongoing works included lining of side drains in some sections, and repair and grassing of eroded side slopes. No other works and no major machine works were ongoing i.e. the site was largely inactive.
- Cracks on the newly constructed approaches to the Bridge at Bwaise were observed on one side of the dual carriage ramp to the bridge. The Resident Engineer confirmed that

tests were underway to establish the cause of the cracks before corrective measures could be instructed.



BMAU officers inspecting cracks observed on the approaches to the bridge at Bwaise

- Major outstanding works included completion of the 2nd layer of Asphaltic concrete surfacing, reworking of the crushed stone base and surfacing of the shoulders along the entire road, repair works and grassing of the side slopes, road markings and installation of traffic road signs, construction of community access roads including paving of sections of through roads at junctions, and finish works on bridges and pedestrian walkways.
- Progress of works was estimated at 87% representing 7% progress during Q1 against the 10% projected in the work plans, and 124% contract time progress. The project output for the quarter was not achieved, and the project lags behind contract time progress. The contractor had no revised work programme necessary for proper supervision and monitoring of works.

Challenges and Setbacks Experienced by the Project

- Land acquisition issues have never been completed and therefore the Contractor has never got complete possession of the site. This is likely to cause delays in completion of works and also to introduce claims for prolonged partial handover of the site.
- Disagreements on the asphalt specifications caused the Contractor to suspend asphalt works in January 2008 and have never been resolved. Completion date for this project cannot therefore be reasonably projected until these disagreements are resolved. This has caused tremendous loss in project time beyond expiry of the date corresponding to the maximum limit of liquidated damages applicable under the Contract (12 May 2008).
- The Contract has no approved revised programme necessary for supervision and monitoring purposes. This has led to haphazard activity on site making supervision difficult and hence disagreements on technical issues between the Contractor and the Consultant, which are further introducing delays in the execution of works.

- Construction of alternative community access roads within affected communities was also delayed by land acquisition issues that remain unresolved.
- There are projected cost overruns to the tune of 20.5% of the original contract price, resulting from increased costs of works and utilities, increased swamp works, and revision of prices following increased duties on fuels, and custom tariffs.

3.5.2 Reconstruction of Masaka – Mbarara Road

Scope of Works

Construction works on Masaka – Mbarara road cover a package of roads totaling 154.5Km comprising of a section that starts 2.4Km north of Masaka bypass junction and ends approximately 6.5Km west of Mbarara town, and a separate 5.5Km section of Masaka – Kyotera road.

The scope essentially comprises of the following activities:

- Site clearance; earthworks including widening and realigning of the road to Class I road specifications, reconstruction of 154.5Km of road pavement with a cement stabilized sub-base and a graded crushed stone base, construction of a dense bitumen macadam course, and double bituminous surface treatment across the carriageway and shoulders.
- Drainage works including: new culverts installation, extension of existing culverts, construction of headwalls, lined and unlined ditches, and drainage at junctions consisting of pipes and gully systems; and
- Ancillary works including: retaining structures, traffic signs, guardrails, road markings and reflectorised road studs, kerbing and footpaths, street lighting at junctions and interchanges, landscaping and environmental mitigation works.

Observations During the Site Visit:

- Ongoing works included site clearance and earthworks for widening of the existing road by 3.6m on one side, installation of new corrugated metal culvert crossings, placing of gravel material for the sub-base, rock blasting and stone crushing for the base material, and aggregates and quarry dust for surfacing.



Photos show earthworks and stone quarry works in progress during the site visit

- Progress of works was estimated at 1%, representing the total progress during 1st quarter, against the 4% projected in the work plans, and 24.4% contract time progress. Therefore the project output for the 1st quarter was not achieved, and the project far lags behind contract time progress. The contractor had no revised work programme necessary for proper supervision and monitoring of the works.
- The contractor had mobilized all necessary equipment and personnel and was fully established on site but rate of progress of works was very low for unexplained reasons.

Challenges and Setbacks Experienced by the Project

- The Contractor and the Consultant reported that all trial tests for achieving specifications of the stabilized sub-base using the locally available gravel materials failed.
- The Contractor had delays in mobilizing and setting up of the stone crusher and the asphalt batching plant, which in turn delayed commencement of construction of the pavement layers. This equipment had however been delivered and was up and running at the time of the field visit.
- The Consultant reported that the project had experienced delays related to bad weather, delays at Mombasa port during the Kenya elections and the subsequent events, changes in designs, and strikes by workers on site.
- Payment of the 1st and 2nd Interim Payment Certificates (IPC) took 3 months each from the date of certification by the consultant. This time is too long and beyond the contractual period hence had introduced claims for interest on delayed payments.
- There are anticipated cost overruns due to increased input costs, claims for idle equipment during the period when the design was revised, and additional work including the introduction of climbing lanes.

Rehabilitation of Jinja – Bugiri Road

Scope of Works

The current contract for the rehabilitation of Jinja - Bugiri road comprises of major improvement works on the main road, service roads in Iganga and Bugiri towns, widening and bituminization of the Magamaga bypass, and improvements of the major junctions and intersections at Musita, Iganga, Nakalama, and the entrance to Kakira sugar works.

Works on the main road covering a stretch of 72.8Km of which 11.7Km is an urban dual carriageway, consists of the strengthening and widening of the existing road pavement, rock-fills in swamps, the improvement of both cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

Observations During the Site Visit

- Ongoing works included site clearance and earthworks, installation of new corrugated metal culvert crossings, construction of the road pavement layers in sections at different levels of completion, placement of dense bitumen macadam layer, and placement of the asphaltic concrete surfacing.



Photos show culvert installation and GCS base construction works in progress during the site visit

- Progress of works was estimated at 71.5%, representing a 12.5% progress during 1st quarter against the 10% projected in the work plans. Therefore the progress of works was ahead of the projected output for the 1st quarter but was still behind the project time progress estimated at 90% of the original contract period.

Challenges and Setbacks Experienced by the Project

- Technical specifications for the asphalt layer could not be achieved causing disagreements and delays in construction of the asphalt layer. Following the disagreements, the Consultant sought expert review from the Technical University of Munich and testing of the asphalt layer placed in trial sections was undertaken. On the basis of the conclusions made by the bitumen expert, the consultant issued an instruction for works to proceed ahead of authorization from the supervising agency (UNRA). Laying of the asphalt layer was thus in progress at the time of the site visit.
- Tremendous project time was lost due to inclement weather from heavy rains, shortage of fuel following the Kenya election events, strikes in Mombasa port that made it difficult for the contractor to clear equipment in good time, and difficulties in obtaining explosives for blasting rocks.
- Delays in effecting payments of certified IPCs, which was straining the contractor's cash flow and affecting their capacity to expedite works as to complete the project on time.
- There are cost overruns anticipated as a result of price adjustments following increase in costs of fuel and bitumen, changes in design that altered: the scope of works for sections previously designed for overlays to reconstruction of the sub-base and base using graded crushed stones; and the thickness of the asphalt layer surfacing from 35mm to 60mm; and

additional works from increase in access culverts to residences and roads, and increase in quantities for stone pitching, pedestrian slabs and selected sub-grade.

Upgrading of Soroti – Dokolo Road

Scope of Works

The scope of works essentially comprises of upgrading to paved standard of an existing road 62.6Km long to a carriageway width of 6.0m and shoulder width of 1.5m either side. The works include construction of double surface bituminous treatment on a graded crushed stone base 250mm thick, on a cement stabilized sub-grade 250mm thick, on a selected a sub-grade road, rock-fills in swamps, construction of new cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

Observations During the Site Visit

- Ongoing works included site clearance and earthworks up to sub-grade level at more than 90% completion using two independent teams working from either side of the road, stone quarry works, and installation of metal corrugated cross culverts.



Photos show earthworks and stone quarry works that were in progress during the site visit

- Progress of works was estimated at 45.4%, representing a 40.4% progress during 1st quarter against the 7% projected in the work plans, and 36.7% contract time progress. Therefore the project was ahead of schedule and was projected to be completed within the original contract period.
- The contractor had mobilized all necessary equipment for the on-going works but was yet to mobilize road surfacing equipment and bitumen materials.

Challenges and Setbacks Experienced by the Project

- There are anticipated cost overruns estimated at 29 billion, due to price adjustments following increase in costs of fuel and bitumen, emerging land acquisition issues for culvert outflow channels originally not foreseen during inception and design of the project; additional works requiring a change from single surface treatment to double

surface treatment of the shoulders along the entire road, and a drainage system robust enough to handle floods experienced in the region last year (with a 50 year return period as opposed to the 20 year return period designed for); and claims for interest on delayed payments .

3.5.5 Upgrading of Dokolo – Lira Road

Scope of Works

The works essentially comprises of upgrading to paved standard of an existing road 60.4Km long to a carriageway width of 6.0m and shoulder width of 1.5m either side. The works include construction of double surface bituminous treatment on a graded crushed stone base 250mm thick, on a cement stabilized sub-grade 250mm thick, on a selected a sub-grade road, rock-fills in swamps, construction of new cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

Observations During the Site Visit

- Ongoing works included site clearance and earthworks up to sub-grade level using two teams working from either side of the road, rock fills in swamps, stone quarry works, and installation of metal corrugated cross culverts.



works in progress during the site visit: extension of existing culverts and rock-fills in swamps

- Progress of works was estimated at 2.7%, representing the total progress during 1st quarter, against the 2% projected in the work plans, and 13.3% contract time progress. Therefore the project output for the 1st quarter was achieved, but the project still lags behind contract time progress.
- The contractor had mobilized all necessary equipment for the on-going works but was yet to mobilize road surfacing equipment and bitumen materials.

Challenges and Setbacks Experienced by the Project

- Land acquisition issues related with compensation of affected people were holding up planning and execution of works.
- Costs for relocation of utilities (water and electricity) within the urban sections of the road had more than tripled compared to the provisional rates in the bills of quantities. This was yet to be resolved and was a source of delays to works in the affected sections.

3.5.6.Rehabilitation of Luwero – Kafu Road

Scope of Works

The works in the issued contract for the rehabilitation of Luwero – Kafu road comprises of major improvement works covering a stretch of 106.5Km of an existing Class II paved road and consisting of the strengthening and widening of the existing road pavement, raising of swamps and valleys, the improvement of both cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

Observations During the Site Visit

- Ongoing works included site clearance and earthworks, installation of new corrugated metal culvert crossings, construction of the road pavement layers and surfacing operations in sections at different levels of completion.



Photos show ongoing works during the site visit: Mechanical stabilization of the sub-base

- Progress of works was estimated at 68.4%, representing a 20.4% progress during 1st quarter against the 15% projected in the work plans. Therefore the progress of works was ahead of the projected output for the 1st quarter but was still behind the project time progress estimated at 86.8% of the revised contract period.

Challenges and Setbacks Experienced by the Project

- Tremendous project time was lost due to inclement weather from heavy rains, and changes in designs of the sub-base that required extensive tests, trials and consultation. The project time is projected to delay by 4 months beyond the current revised project time.

- Delays in effecting payments of the GoU component of certified IPCs, which was straining the contractor's cash flow and affecting their capacity to expedite works as to complete the project on time.
- There is a cost overrun of 236% amounting to 30.5 billion due to the changes in scope of works from resealing/ pot hole patching to complete strengthening and rehabilitation of the road pavement and drainage systems.

3.5.7 Rehabilitation of Kawempe – Luwero Road

The scope of works in the issued contract for the rehabilitation of Kawempe – Luwero road comprises of major improvement works covering a stretch of 66Km of an existing Class II paved road and consisting of the strengthening and widening of the existing road pavement, raising of swamps and valleys, the improvement of both cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

Observations During the Site Visit

- Ongoing works included installation of new access culverts, construction works for lining of drains and culvert end structures, and surfacing operations in sections at different levels of completion. Site clearance works, earthworks, installation of cross culverts and construction of the pavement layers were complete along the entire road.



Photos show on going quarry works and erosion of the shoulders due to laxity in protecting completed works

- Progress of works was estimated at 87.0%, representing a 17% progress during 1st quarter against the 15% projected in the work plans. Therefore the progress of works was ahead of the projected output for the 1st quarter but was still behind the project time progress estimated at 115.7% of the original contract period.
- The Contract has no approved revised work programme necessary for supervision and monitoring purposes, and the Contractor was yet to request for extension of time. Projection of time for completion of the project was therefore difficult, and application of the liquidated damages clause was yet to be enforced.

- It was observed that the site was under the technical supervision of a Senior Materials Technician, which was a very low technical personnel presence of the consultant's team. Shoddy works were generally observed in the installation of access culverts as the installed culverts were not jointed, backfills on culverts was not compacted and there was little effort in protection of completed works as required in the specifications.

Challenges and Setbacks Experienced by the Project

- Tremendous project time was lost due to inclement weather from heavy rains, fuel crisis in the country following the Kenya elections in early 2008 (2 months were lost), clarification of designs of components to the works as existing designs had been overtaken by the rapid deterioration of the road.
- Delays in effecting payments of the GoU component of certified IPCs, which was straining the contractor's cash flow.
- There is a cost overrun of 166.7% amounting to shs 28.5 billion, due to changes in scope of works from mechanical stabilization of the existing base, to a combination of new cement stabilized sub-base and crusher run base for the first 4.5Km of the road and all low lying areas along the entire stretch.

3.6 Industrialization

Uganda is aspiring to be a leading exporter to high value markets in the region and globally and its comparative advantage will be rooted in its modern, competitive and dynamic industrial sector. One of the ways of repositioning itself as an attractive investment destination is through development of industrial parks. Establishing well-designed infrastructure and logistics platform is therefore necessary to project an image of modernity of Uganda's physical business infrastructure. Uganda intends to develop a portfolio of industrial parks to cater sectors such as agro-processing, information and technology, etc. that will enable us to exploit the regional comparative advantages.

Priority has been given to parks in Namanve, Mbarara, Soroti, Gulu and Mbale. The planned activities include earth works, cadastral and topographical surveys as well as Environment Impact assessment studies.

The Uganda Investment Authority (UIA) is the leading Government agency for investment promotion and facilitation for establishing business parks projects in Uganda. To undertake this role the UIA has established the Industrial Park Development Division (IPDD). IPDD will identify high potential locations both private and state owned for industrial export processing zones, business and logistics parks. The UIA will commission feasibility, location and site studies and develop plans to provide off-site infrastructure to identified sites.

Progress in Implementation

During the quarter, shs 4,842,110,000 was disbursed for development of industrial parks.

3.6.1 Namanve Industrial Park

Contract for earth/roads was awarded to Spencon services limited and works started this financial year. Currently earthworks are proceeding very well and are actually ahead of schedule. Procurement of the major contractor is in the process and should be onboard before April 2009 (This will include bituminizing the roads; construction of a power substation that is in place, sewerage treatment plant water reservoir; and street lighting). Uganda Investment Authority is in the final stages of preparing an appropriate Pricing Policy for the park. This will pave the way for allocation of the land to investors.

3.6.2 Mbarara Industrial Park

Uganda Investment Authority has acquired a 12 acre Industrial Estate. The 12 acre already has 5 blocks of buildings providing 3,685 square meters of workspace for SME investors to set up manufacturing enterprises. The Authority is in the process of acquiring the 640 acres for industrial park establishment and this is planned to be completed by end of December 2008.

3.6.3 Soroti Industrial Park

Land valued at 951.8 m Ushs has been identified in Temele Arapai to set up the park and land title processing is in the finale stages at the Ministry of Lands. Currently there are no squatters and thus a road network will be opened immediately.

3.6.4 Gulu Industrial park

Gulu University council has offered 124 acres and the district council has also committed to providing 300 acres. Both lands have no squatters and cadastral surveys are ongoing.

3.6.5.Nakasongola Industrial Park

Efforts are underway to reactivate the industrial park project at wabisi-wajala (adjacent to air force base). The land had earlier been identified as a site for international free trade zone since the airport was still in good condition.

3.6.6 Rakai

Land has been identified. Uganda Investment Authority is working with local authorities in Rakai and Masaka for the success of this enterprise.

3.6.7 Mbale Industrial Park

Uganda Investment Authority has acquired 619 acres of land at Mutoto, 1 km from the town council. A cadastral survey of the land has been completed while a topographic survey is ongoing. Semei Kakungulu family estate has expressed willingness to offer 1,000 acres and an evaluation of this land offer is underway.

3.6.8 Hoima Industrial Park

District council has offered land to UIA for Industrial Development and a cadastral survey is in progress.

3.6.9Fort Portal Industrial Park

The kingdom of Toro has invited UIA to start a partnership in industrial development. The kingdom will provide land parcels for the development of the requisite infrastructure. Assessment of the lands is underway.

3.7 Water and Sanitation

The focus for the first quarter’s water and sanitation budget monitoring activities has been on defining the scope of work and conducting field visits to monitor progress in achieving planned outputs for quarter 1. Three Vote Functions were selected which include Urban Water and Sanitation, Rural Water and Sanitation and Water for Production. Output indicators have been selected for each of these Vote Functions, which will be monitored throughout the year. Subject to the information available, planned outputs for this quarter have also been extracted at the central and district levels, where 53% of district work plans have been received.

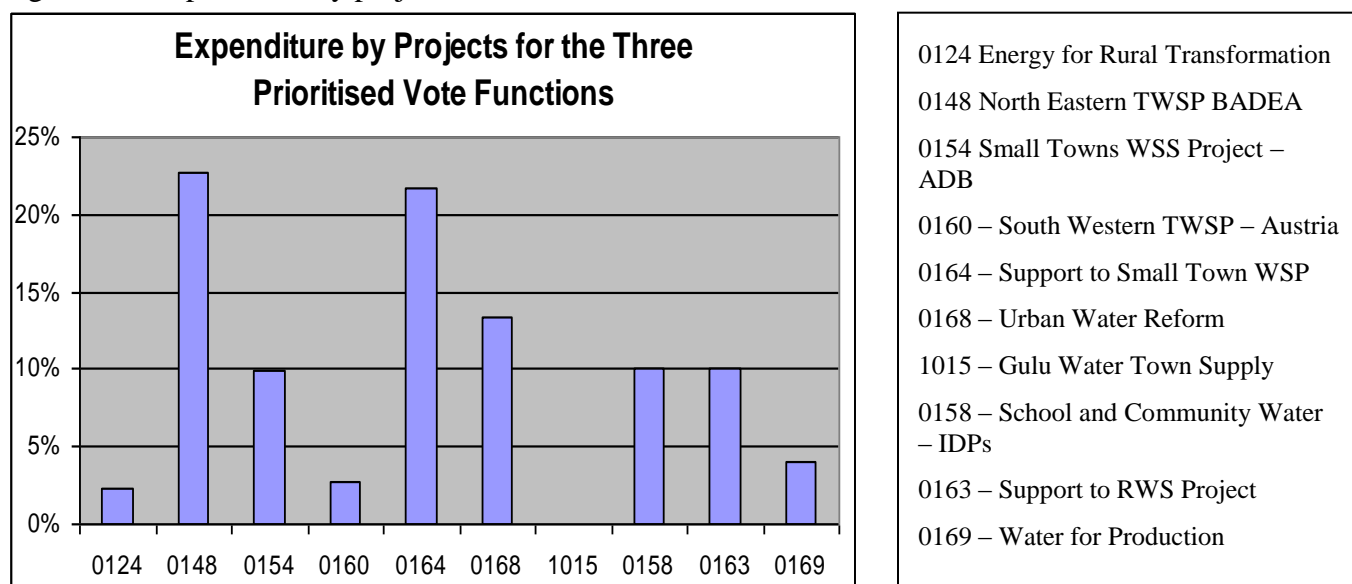
During this quarter, development projects in five districts of Soroti, Mpigi, Ssembabule, Mbarara and Kamwenge were visited. For two of the projects visited, works were under construction and so the objective was to assess progress in implementation.

Findings

In general, the monitoring visits showed that all of the projects were behind schedule as detailed out in the sections below, despite the fact that cash limits had been met for most projects.

For all projects under Urban Water Supply and Sanitation, the expenditure data shows that of the possible 25% of the budget that was released, only 14% was spent. For Rural Water Supply and Sanitation, of the 25% of the budget released for two development projects, only 14% was spent. And for WFP, only 4% of the possible 25% budget released was spent. For each development project for the three Vote Functions under analysis, of the possible 25% budget release, the expenditure in % is graphically represented in figure 3.1 below:

Figure 3.1: Expenditure by project for the three Vote functions



Source: DWD

Given that full budget releases and arrears payments up to the cash limit for Q1 were made, in theory activities and outputs should be implemented as scheduled in the work plan. However, the expenditure data reveals that not all of the releases have been spent. The implication here is that the management of projects and absorptive capacity needs to be improved. However, it is important to note that this does not apply for all of the projects. In particular, two projects that were monitored this quarter under Urban Water and Sanitation (0148 North Eastern Towns BADEA project and 0164 Support to Small Towns WSP) had spent up to nearly 25%.

Field visits

3.7.1 Rural Water and Sanitation

There are two development projects that fall under this Vote Function and all the planned outputs are programmed for completion in Q4. Therefore, activities for Q1 have mainly focused on the procurement and supervision of consultants.

During the quarter monitoring focused on project 0156, Rural Water and Sanitation conditional Grant. This project was supposed to install 120 rainwater harvest systems in Mbarara district. However, only 30% of rainwater harvest systems were completed as funds for Q1 were received in August.. However, an analysis of the MoFPED budget release figures shows that in July a release of 58,142,000 was made and in August the release was 113,728,000. Overall the full release for Q1 was made. The district water office had pushed forward the construction of the remaining 70% to Q2.

It is clear that the rainwater harvest systems are being constructed and are functioning well in the community. Regarding the release of funds, the implication is that this should have been front loaded to the first month of the quarter.



Beneficiary (Natuhwera Jackline) of a rainwater harvest tank standing in front of a tank on her land. Rugando Subcounty, Kitunguru Parish, Mbarara

3.7.2 Urban Water Supply and Sanitation

There are five development projects that fall under this Vote Function. In the Performance Contract A 2008/09 FY, the timing of these outputs has been listed as Q1-4, with no specific reference to Q1. Therefore, the limited individual project work plans received from MoWE have been used to complete this information.

During the quarter, the following projects were assessed; Urban Water and Sanitation

0148 North Eastern Towns Water and Sanitation Project – BADEA and Urban Water and Sanitation 0164 Support to Small Towns Water Supply and Sanitation

Table 3.4: Urban Water Supply and Sanitation Planned Outputs and Achievement for Q1

Output description	Output indicators	Annual planned target	Target for Q1	Achievement for Q1
Piped water schemes constructed	No. of schemes	42 ²	7 ³ (Yumbe, Kamwenge, Kibaale, and small towns of Otuboi, Kalaki and Atirir) Completion of the extension of water supply enroute centres in Atirir, Kalaki and Otuboi.	Kamwenge, Otuboi, Kalaki and Atirir are still under construction (verified by site visit) <ul style="list-style-type: none"> • Atirir, Otuboi and Kalaki are not complete – should be ready by the end of November • Soroti – water tank still being completed and is behind schedule • Sironko – water supply system largely working. • Kaberamido – ongoing maintenance problems that are being resolved by the contractor • Kamwenge Works are behind schedule – should be complete by end of Dec 08.

(a) Project: 0148 North Eastern Towns Water and Sanitation Project – BADEA

The purpose of this project is to expand the water supply capacity of various municipalities in the towns of Soroti, Sironko and Kabermaido and carry out feasibility studies for provision of water in other North Eastern Towns. The project is due to be complete in 2008-9.⁴

The field visit was to assess whether the water supply systems were completed in Atirir, Kalaki and Otuboi, as indicated in the project work plan.

Management and supervision of the project

² Ministry of Water and Environment Annual Performance Plan 2008/09 FY

³ Individual project work plans for Q1 provided by Urban Water and Sanitation, which only cover projects 0164 and 0148

⁴ 0148 North Eastern Towns Water and Sanitation Project – BADEA Project Profile

The Department for Water Development (DWD) is responsible for the overall management of the BADEA project. There is also a local Area Manager based in the National Water and Sewerage Corporation (NWSC). The construction company is Spencon Ltd and the project is being supervised by the Resident Engineer from M&E Associates. The NWSC also takes a role in supervising the project and will take over responsibility for operations and maintenance once the construction is complete.

Current status of works

The work in the enroute centres of Atirir, Kalaki and Otuboi is still ongoing. The planned output was for the water supply systems to be complete by the end of September 2008. However, due to ongoing delays, it was estimated that people will have access to water by the end of 2008.

Atirir: The water line stops at the health system and is currently not operational. The system has been installed in the trading centre but the household connections have not been made. The explanation given was that the contractors were not able to procure the necessary materials to deliver on time. Once works are complete, around 30 households should benefit.

Otuboi: The air valves for distribution and inlet have been constructed. However, the constructors are still fabricating the water tank. Once works are complete, around 120 households should benefit.

Kalaki: The booster tank which should have been ready by the end of September is not in place. The house is ready and has pumps but there is no overhead tank. The line has water that is going back to Otuboi but as the tank isn't in place water is not being supplied. Once works are complete, around 50 households should benefit.

Regarding the works in the large towns included in the project, the water supply systems in Soroti, Sironko and Kaberamido are largely working. In Kabermaido the water supply system is experiencing ongoing maintenance problems that are being resolved by the Contractor. In Soroti the water tank is still under the process of completion and should be ready by December 2008. The work is satisfactory as was vetted by the Resident Engineer from M&E Consultants.

Challenges faced by the project

Spencon Contractors Ltd explained that delays have been caused by procurement and transport problems. The works in Atirir, Otuboi and Kalaki should be complete by November 2008. Taking into account the other works, overall the project is likely to be delayed by 3-4 months.

(b) Project: 0164 Support to Small Towns Water Supply and Sanitation

This is a country wide project, which is supported by GoU and the Government of Denmark. The development objective of the project is to improve living conditions of people living in small towns through provision of safe clean water at a cost effective, sustainable and gender responsive manner.⁵ During the quarter the output was completion of the water supply system in Kamwenge

Management and supervision of the project

⁵ 0164 Project Profile

This is a project managed by DWD with the contractors being Ambitious Construction Company and Consultant Alias who is responsible for quality control of the project. The district water office also takes responsibility for supervising the project.

Current status of works

Ambitious Construction Company was awarded a 12 month contract to complete the water supply system, which should have ended in September 2008. The project is currently 85% complete and should be finished in December 2008. Once the works are complete more than 50,000 individuals should benefit from access to clean water. The challenges leading to the delays were attributed to the late release of funds. However, an analysis of MoFPED data shows that a full release of funds was made for Q1 and that there are no budgeted arrears.



Ongoing construction works at Kamwenge water supply system

3.7.3 Water for Production

The projects under this Vote Function refer to the design and construction of large dams, valley tanks, bulk water supply schemes and strategic reservoirs. During the quarter, water for production projects (0169) Bwanalaki dam and Kakinga dam in Ssembabule district and Buleera dam under construction in Mpigi district were visited.

Table 3.5: Water for Production Planned Outputs and Achievement for Q1

Output description	Output indicators	Annual planned target	Target for Q1	Achievement for Q1
Commissioning of completed WFP facilities in Luweero and Mbarara	No. of commissioned WFP facilities	18 ⁶	2	No WFP facilities have been commissioned in Mbarara No information has been received for Luweero
Large dams construction completed	No. of dams constructed	3 (Kakinga)	1	<ul style="list-style-type: none"> Bwanalaki dam – not complete.

⁶ Individual project work plans for Q1 provided by Water for Production

(Bwanalaki dam in Mpigi, , Kailong dam and Kulwodong dam, Kakinga dam in Ssembabule)		dam is a roll over from 2007-08 FY activities)		Works should finish by Nov 08 <ul style="list-style-type: none"> • Kakinga dam – complete. Contractors left in last week of Sept 08 • No information has been received on other dams
Large dams under construction (Kobeibei, Longoritopoc, Kawomeri, Alerek, Leye, Kagango, Mayikalo and Buleera)	No. of dams constructed	8		Works have not started for Buleera dam No information has been received on the progress of the other dams

Project: 0169 Water for production

Water for Production (WFP) refers to water supply for multi-purpose use including water for agricultural development (Irrigation, livestock and fisheries), wildlife, hydropower generation, rural industries, transport other social needs. The focus of the project is on providing dams, valley tanks and large water reservoirs for increased water storage especially for use during the dry seasons⁷.

Management and supervision of the dams

The project is being managed by DWD with contractors for Bwanalaki dam being Coronation Developers (U) Ltd.; while Kakinga dam has Summit Projekt Limited. There is currently no contractor for Buleera dam. The local government has played a minimal role in supervising the construction of the dams and were not aware of the current status of works.

Current status of works

Bwanalaki dam: According to the Q1 work plan, Bwanalaki dam should have been completed. The works are behind schedule and will be finished by the end of November 2008. The main works remaining include an Embarkment Point and toilet facilities. There was no explanation for the delay since disbursements had been fully made by the ministry of finance.



Bwanalaki dam is almost complete, although there are ongoing construction works

⁷ Water for Production Project Profile

Buleera dam: Contrary to the information in the work plan, a visit to the site showed that there are currently no works under progress for Buleera dam. This was confirmed with discussions with several local people. The Ministry for water noted that the bids were still being evaluated and that no contract had been entered. In fact the ministry was contemplating abandoning the dam because of a lack of funds and that they were seeking supplementary funds. However, this clearly contradicts the information provided in the Performance Form A and the Ministerial Policy Statement, where there is an approved budget for Buleera dam, as one of the large dams to be constructed this year. A further discrepancy is that according to MoFPED data there are currently no arrears for water for production.

Kakinga dam: According to the project profiles, the completion of Kakinga dam was also listed as an output for 2007/08 FY. However, in a more detailed work plan provided by MoWE, it was also included as an output to be complete in Q1 of 2008/09 FY. This is most probably to make allowances for the Defects and Liability period. A visit to the site showed that the dam was complete and the local people indicated that the contractors had left in the last week of September 2008.

During a follow up meeting with MoWE, it was explained that the project was 95% complete in April. The Defects Liability Period ended on 11th October, which is when a Completion Certificate should be issued.



Site board for Kakinga dam



Kakinga dam completed

Commissioning of Water for Production Facilities in Mbarara

The information on the Water For Production project work plan showed that facilities were to be commissioned in Mbarara. However, there was limited information to support this in the BFP, Ministerial Policy Statement and the WFP project profiles. The purpose of the visit therefore was to ascertain which WFP facilities were being commissioned (or what plans were in place) and assess how these were being commissioned.

Contrary to the information provided in the work plan, no WFP facilities were being commissioned in Mbarara, and nor was the Mbarara District Water Office aware of any plans to

commission such facilities. At WFP it was explained that valley tanks had been completed in 2003 or 2004 and that the political commissioning of this had been scheduled for August 2008. However, there were no reasons provided for why commissioning would take place four to five years after a WFP facility is in place or why such a programmed activity did not happen.

The monitoring visit revealed discrepancies between information included in the work plan at MoWE and the findings from the field visit, which suggests both a lack of communication at the two levels but also a possibility of a financing anomaly.

Chapter 4: Conclusions and Recommendations

4.1 Conclusions

Financial flows

The Ministry of Finance had effectively disbursed funds to most institutions. However, for the institutions that delayed in preparation of work-plans no disbursements were made for development expenditure which must have affected performance of programmes.

There were still instances of financial anomalies with projects that are supposed to have been closed still receiving funds. There was also a case where a completed activity (compensation for persons displaced by Kakira) had been budgeted for again. In the water sector the ministry programmed commissioning of a valley dam that had been completed 4 years ago, without the knowledge of the relevant local government.

Agriculture

Overall, the Vegetable Oil Development Project – Oil Palm Component is progressing well with a reasonable level of success in achievement of the planned outputs.

The NSADP has lagged behind in implementation for a period of two years. Progress in budget execution and programme implementation varies in the NSADP target districts. Performance is good in Nebbi and poor in Arua. The main differences in performance are associated with the low capacity of contractors in Arua district.

The 2-3 months delay in release of funds to districts from MAAIF is significantly affecting activity programming and budget execution at district level. The underlying causes of the delays including late submission of budget requests and workplans by the districts, the lengthy bureaucratic processes of budget approval.

Centralized projects such as NSADP make close supervision by the district extremely difficult. The contractors that are contracted by MAAIF do not pay allegiance to the district such that even when they error, the district finds it difficult to take any action.

Education

Generally construction works in the sector was behind schedule for the quarter. This is a big challenge for the crowded USE schools which may compromise quality as was the case in UPE.

The centralized system for construction with poor communication of the relevant information to the beneficiary local governments was an issue.

The hardship allowances were being received, although there are challenges when new districts are created.

Energy

Construction and installation of power plants is progressing well. There are contradictions with some suppliers being unable to supply the required power ratios to UETCL; while others were complaining of UETCL's limited demand for generated power.

There were issues of VAT that need to be addressed with the contracting firms.

It was also evident that government is not doing enough to encourage cheaper energy sources (e.g using biomass) as well as enhancing efficient energy uses.

Health

1. Under the health sector, the districts singled out three key constraints namely:
 - Delays by the NMS to deliver drugs, as well as capacity to deliver adequate amounts as requisitioned. Stock outs were reported for critical drugs like anti-malarials, ARVs and immunization vaccines.
 - Under staffing that is worsened by high staff turn overs, especially in the remote areas
 - Poor equipping of health units that has rendered some of them un operational
2. There were delays in construction work in districts due to slow procurement processes. However, these had not been considered by the districts when setting targets for their output indicators. In other cases districts noted that the disbursed funds were too small to allow for commitment to contractual agreements. This is an indication that government is spreading its resources too thin on the ground for meaningful impact.
3. Prioritisation for development expenditures were not harmonized between the ministry and district. Despite funding limitations, districts embark on new works without completing ongoing facilities. There were instances in the 7 districts visited where new construction projects were undertaken without finalizing previous ones.

Roads

All road works was behind schedule except for Soroti-Dokolo road. The project is one of such that has demonstrated the achievements of good planning, a good project team, effective management and timely payments. This status quo ought to be maintained especially with respect to timely settlement of IPCs so as to avoid unnecessary delays and further claims of interest on delayed payments.

Of concern are the persistent cost overruns for each and every road. This is unacceptable especially if it is a result of "avoidable" circumstances like the sector placing designs that are altered midstream. This begs the question as to why the sector lacks capacity for proper planning an issue that seems not to be addressed.

Water and sanitation

In general, it was found that whilst the works are underway, the projects were not in line with the work plans (they were lagging behind), even though a full release of funds had been made and there were no arrears. Furthermore, there is a need to clarify why an identified output against an approved and released budget cannot be completed due to a lack of funds.

4.2 Recommendations

Financial flows

- Ministries and local governments should be assisted to better internalize the new formats of Forms A and B. In addition, requests for these should be early enough to allow for their production before the FY starts. *However, no releases should be made to institutions that have not the required work-plans.*
- The department of Budget should review the PIP and ensure that closed projects are not reflected in future projections.

Agriculture

1. The country lacks a facility for raising oil palm seedlings. OPUL imports pre-germinated seedlings from Malaysia which are then sold to KOPGT. Consideration should be given to establishing a facility for germinating oil palm seedlings in the country given the interest other parts of the country have shown in growing the commodity.

2 In the tripartite arrangement between GoU, OPUL and KOPGT, it was agreed that the private partner OPUL will establish a processing mill on Bugala Island for use by the nucleus estate as well as the outgrowers and smallholders. This is yet to be established. OPUL plans to build the processing mill in 2009. But already, fruits on the smallholders and outgrowers farms are ready and are just wasted since there is no processing facility. GoU should pressurize OPUL to start establishing the processing mill as soon as possible.

3. The Ministries of Finance and MAAIF should review funding mechanisms of projects in the sector to reduce on delays in disbursements.

4. The ministry of agriculture must find a solution to completing the construction of structures under NASDP in Arua district to save the public funds that have been sunk into these ventures.

Education

The Ministry of Education should be encouraged to share information about projects they are executing with the officials of the beneficiary districts. This will improve both accountability and execution of those projects.

Energy

- Kakira sugar works (KSW), REA and ERA should hold discussions on increased dispatch from KSW since bio-mass is cheaper than thermal. The discussions should include price revisions.
- KSW should be charged liquidated damages for dispatch fluctuations.
- KSW and MEMD should carry out an Energy Audit to determine ways in which KSW can save on factory electricity use and have more available to supply the main grid.
- Hold high level meetings between MFPED, MEMD, URA, BEL and subcontractors to resolve VAT issues. Similar meeting should be held with Jacobsen.
- The government should fast-track extraction of oil from the Albertine region to enable thermal power generation from local HFO which is cheaper and less of a drain on the national resources.
- The Ministry of Energy should strengthen energy efficiency campaigns.

Health

- The causes of delays in delivery of drugs by NMS must be explored immediately and solutions sought. A study should be commissioned to examine the procurement processes and establish the bottlenecks.
- The recent strategy by the sector to improve emoluments for health personnel must give special consideration to those in remote areas. In addition the sector should hasten its recruitment drive.
- The sector should not construct units without plans of providing the requisite equipment. It is better to have a few units that are adequately equipped than many that are poorly furnished and hence providing substandard services. In addition the MoH should ensure that ongoing works are completed and operationalised before taking on new ones.
- District capacity for procuring construction contracts should be strengthened. In addition districts should be encouraged to establish realistic construction output targets, by considering the procurement processes to be an integral part of construction. This should then influence the budget requests and releases.

Roads

- For the Kampala Northern by-pass, and Lire-Dokolo UNRA needs to move fast and resolve all pending land acquisition issues so as to avail the requires sites to the contractors and thus avoid further delays and associated claims.
- For Kampala northern bypass, and Jinja Bugiri road, UNRA with the Contractors and the Consultants need to agree on a time frame with a clear roadmap of how the disagreement on asphalt specifications will be resolved with a view of enforcing the Contract if the asphalt layer laid is consistently ascertained as defective, or regularizing the contract with alternative specifications that are agreeable by either side and in as long as no new costs are introduced to the disadvantage of the Client.

- For Masaka- Mbarara road, as well as Kawempe-Luwero road the Contractor should be compelled under the contract to submit a revised work programme so as to normalize operations and enable reasonable projection of final completion time and cost.
- The payment chain should be proactively streamlined with a view of minimizing delays in settlement of IPCs as a way of enabling the contractors to perform and pre-empting claims from delayed payments.
- For Kawempe- Luwero road, UNRA should urgently compel the consultant to maintain a competent team on site at all times as a way of quality assurance and penalize them for professional negligence where necessary.

Water and Sanitation

The sector should be assisted to improve on its formulation of quarterly outputs and targets. Since it is evident that there is low absorptive capacity releases should be scaled accordingly.

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Annexes

Annex Table 2.1: Cash limits and releases to the roads projects under UNRA for the quarter.

VOTE	PROJECT	PROJNAME	GOU	Cash Limit QTR 1	Releases 1st QTR (Jul-Sep)	Q1 % Release
113	0265	ATIAK-MOYO ROAD	1,200,000.000	300,000	300,000	100
113	0266	BUSEGA-MITYANA	2,000,000.000	491,585	491,585	100
113	0267	CONST. & IMPROVEMENT FERRY SERVICES	6,000,000.000	1,474,754	1,474,754	100
113	0268	CONSTRUCTION OF KAMPALA BY-PASS	1,000,000.000	245,792	245,792	100
113	0278	KABALE KISORO ROAD	10,500,000.000	2,580,820	1,940,912	75.2
113	0279	KAMPALA-URBAN-INTERFACE OF TRUNK	1,600,000.000	393,268	393,268	100
113	0280	KATUNGURU-KASESE-FORT PORTAL ROAD	3,000,000.000	737,377	737,377	100
113	0285	MATUGA-SEMUTO-KAPEKA ROAD	9,920,000.000	2,438,261	2,438,261	100
113	0292	RDP - BUSUNJU-KIBOGA-HOIMA ROAD	1,000,000.000	245,792	245,792	100
113	0293	RDP - CONSTRUCTION OF RD AGENCY HQS	100,000.000	25,000	25,000	100
113	0294	RDP - EXTERNAL AUDIT SERVICES	-	-	-	
113	0295	RDP - K'LA-GAYAZA-ZIROBWE-WOBULENZI	1,500,000.000	368,689	368,689	100
113	0298	RDP ACCIDENT BLACK SPOT IMPROVEMENT	1,000,000.000	245,792	245,792	100
113	0299	RDP -SOROTI-LIRA	1,000,000.000	245,792	245,792	100
113	0300	RDP-UPGRADING OF DISTRICT RDS - IDA	105,680.000	25,975	25,975	100
113	0302	RECONSTRUCTION JINJA-BUGIRI ROAD	100,000.000	24,579	24,579	100
113	0315	STRENGTHENING THE NORTHERN CORRIDOR	1,600,000.000	393,268	393,268	100
113	0321	UPGRADING OF F.PORTAL-BUNDIBUGYO RD	5,904,000.000	1,451,158	1,451,157	100
113	0952	UPGRADING MASAKA-BUKAKATA ROAD	100,000.000	25,000	25,000	100
113	0953	REHABILITATION OF KAWEMPE-KAFU ROAD	9,410,500.000	2,313,029	2,313,030	100
113	0955	UPGRADING NYAKAHITA-IBANDA-F/PORTAL	100,000.000	25,000	25,000	100
113	0956	PAVED NATIONAL RD B/LOG MAINTANANCE	-	-	-	
113	0957	CONSTRUCTION OF 2ND NILE BRIDGE	5,500,000.000	1,351,858	1,351,858	100
113	0958	REHAB. OF DISTRICT RDS IN 12 DISTR	100,000.000	25,000	25,000	100
113	1031	GULU-ATIAK-NIMULE ROAD	85,500.000	21,375	21,375	100
113	1032	ARUA-KOBOKO-ORABA-VURA ROAD	100,000.000	25,000	25,000	100
113	1033	HOIMA-KAISO-TONYA ROAD	20,000,000.000	4,915,848	4,915,847	100
113	1034	MUKONO-KATOSI ROAD	960,000.000	240,000	240,000	100
113	1035	MPIGI-KABULASOKE-MADDU ROAD	960,000.000	240,000	240,000	100
113	1036	MBALE-MAGALE-BUMBO ROAD	1,000,000.000	245,792	245,792	100
113	1037	MBARARA-KIKAGATI ROAD	1,500,000.000	375,000	375,000	100

113	1038	NTUNGAMO-KITUMBA/MIRAMA HILL ROAD	100,000.000	25,000	25,000	100
113	1039	IMPROVEMENT OF KAMPALA-ENTEBBE ROAD	1,440,000.000	360,000	360,000	100
113	1040	KAPCHORWA-SUAM ROAD	100,000.000	25,000	25,000	100
113	1041	KYENJOJO-HOIMA-MASINDI-KIGUMBA ROAD	960,000.000	240,000	240,000	100
113	1042	NYENDO-SEMBABULE ROAD	960,000.000	240,000	240,000	100
113	1044	ISHAKA-KAGAMBA ROAD	100,000.000	25,000	25,000	100
113	1056	TRANSPORT CORRIDOR PROJECT	320,260,000.000	20,000,000	15,054,107	75.2

Source: MFPED

**Annex 3.1 : ENERGY AND MINERAL DEVELOPMENT.
FIRST QUARTER OUTPUT INDICATORS**

Project	Code	Q1 Outputs	Location	Planned Activities	Targets	Work Done so far	Planned Expenditure Q1
Bujagali hydropower		Bujagali power house excavations, mobilisation and temporary works, and procurements for Bujagali	Jinja	Construction of the powerhouse excavations, procurements.	45%	Construction work is 35-45% on schedule. Powerhouse excavations are complete. procurement is ahead of schedule	40
Karuma hydro power		Karuma due diligence finalised, negotiations for acquisitions of intellectual properties held	Kampala	Procurement of consultants to do the feasibility study, follow up of feasibility study.			
Namanve HFO project		50MW HFO Namanve project commissioned	Mukono	Commissioning	50 MW	Producing and feeding 50MW to the grid was commissioned in September 2008.	67
Kaiso-tonya		Packaging of the 57MW Kaiso Tonya project progressed			57MW		
Mutundwe thermal plant		50MW Mutundwe thermal plant commissioned	Kampala	Commissioning.	50MW		
Nyagak H.E.P	32501	Completion of the civil works on Nyagak power house.	Nebbi	Completion of civil works			2,047
Kisizi H.E.P	32501	Completion of the Kisizi distribution network	Rukungiri	completion of the distribution lines			
Kakira congregation project	32503	Payment of affected parties at Kakira. (Kakira cogeneration)	Jinja		15MW	Supplying 12MW to the grid 24hours.	6,153

Rural Electrification

Project	Code	Q1 Outputs	Location	Planned Activities	Targets	Work Done so far	Planned Expenditure Q1
soroti-minakula line		Funds for implementation of the projects secured, signing of construction (soroti_kaberamaido, soroti_katakwi, Ayer_kamudin and Bobi_minakula)	soroti-kaberamaido, katakwi, Ayer, kamudin, bobi, minakula	procurement of contractors and materials	33kv lines completed		2432
		40 community schemes appraised.					2000
		20 community schemes constructed.					
Maziba HPP		Rehabilitation of maziba HPP.					9.5
Support to Thermal Generation	940	electricity tariff supported by subsidising the sector.	Kampala	Channel subsidies to UETCL to enable it to pay thermal power generators.			20
					procurement of Energy Audit consultant completed		
Support to energy fund	94101	energy fund established			energy fund provided		20
		procurement of Energy Audit consultant completed					60
Energy efficiency project		Preparatory work for energy efficiency investment in establishment started.	Kampala				632
Promotion of renewable Energy	102302	25,000 household, 50 institutional stoves disseminated					40
	102303	50 solar home systems disseminated					50

	102305	Technical support given to UNBS in preparation of Energy Efficiency Standards preparations for 10 energy audits in progress					40
Bujagali interconnection project	1024	construction of transmission lines begins		construction of transmission lines begins		Construction has begun from both sides; Jinja and Kawanda.	
Mputa interconnection project	1026	verification of beneficiaries		verification of beneficiaries	resettlement completed	Carrying out resettlement Action Plan	1000