THE REPUBLIC OF UGANDA

Budget Monitoring Report
Second Quarter-FY 2011/12

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Ministry of Finance, Planning and Economic Development
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ABBREVIATIONS AND ACRONYMS

ACAO	Assistant Chief Administrative Officer
ACCORD	Action for Community Research & Development
ACF	Agricultural Credit Facility
ADB	African Development Bank
ADB	African Development Bank
AI	Artificial Insemination
BCP	Brick Laying and Concrete Practice
BMAU	Budget Monitoring and Accountability Unit
Bn	Billion
BoG	Board of Governors
BoQs	Bills of Quantities
BoU	Bank of Uganda
BTVET	Business Technical and Vocational Education and Training
CAIIP	Community Agricultural Infrastructure Improvement Programme
CAO	Chief Administrative Officer
CBMS	Community Based Management System
CBN	Community Based Nursery
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CJ	Capentry and Joinery
CMU	Construction Management Unit
CP	Community Polytechnic
DCZ	Disease Control Zone
DED	German Development Service
DEO	District Education Officer
DHO	District Health Office
DLSP	Districts Livelihood Support Programme
DRC	Democratic Republic of Congo
DRWHTS	Domestic Rain Water Harvesting Tanks
DSIP	Development Strategy and Investment Plan
DUCAR	District, Urban and Community Access Roads
DUCARIP	District, Urban and Community Access Roads Investment Plan
DWD	Directorate of Water Development

DWO	District Water Officer
DWRM	Directorate of Water Resources Management
DWSCG	District Water and Sanitation Conditional Grant
ECODA	Environmental Concerns and Orphanage Development Agency
EFT	Electronic Funds Transfer
ERT	Energy for Rural Transformation
FGD	Focus Group Discussion
FY	Financial Year
GDP	Gross Domestic Product
GFS	Gravity Flow Scheme
GIZ	German Technical Cooperation
GoU	Government of Uganda
HC	Health Centre
HV	High Voltage Line
ICT	Information and Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFMS	Integrated Financial Management System
IPC	Interim Payment Certificate
IPF	Indicative Planning Figure
JICA	Japan International Cooperation Agency
KCCA	Kampala Capital City Authority
KACOFA	Kapchorwa Commercial Farmers Association
KIIDP	Kampala Institutional and Infrastructure Development Programme
Km	Kilometre
KVA	Kilo Volts
LC	Local Council
LG	Local Government
LGDP	Local Governments Development Programme
LGMSD	Local Government Management and Service Development Programme
LGMSDP	Local Government Managerial and Service Delivery Programme
LLGs	Lower Local Governments
LRC	Livestock Resource Centre
LRDP	Luwero – Rwenzori Development Programme
LV	Low Voltage Line

MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDAs	Ministries, departments and agencies
MDI	Micro Deposit Taking Institution
MEMD	Ministry of Energy and Mineral Development
MFIs	Microfinance financial institutions
MFPED	Ministry of Finance, Planning and Economic Development
MoES	Ministry of Education and Sports
MOH	Ministry of Health
MoICT	Ministry of Information and Commutations Technology
MOLG	Ministry of Local Government
MOU	Memorandum of Understanding
MoWE	Ministry of Water and Environment
MOWT	Ministry of Works and Transport
MPS	Ministerial Policy Statement
MSC	Microfinance Support Centre ltd
MT	Metric Tonnes
MTEF	Medium Term Expenditure Framework
MV	Motor Vehicle
MWE	Ministry of Water and Environment
NAGRC&DB	National Animal Genetic Resources Center & Data Bank
NARO	National Agricultural Research Organization
NCR	Northern Corridor Route
NEMA	National Environment Management Authority
NLPIP	National Livestock Productivity and Improvement Project
NMS	National Medical Stores
NTR	Non-Tax Revenue
NUREP	Northern Uganda Rehabilitation Programme
O&M	Operation and Maintenance
OHS	Occupational Health and Safety
OPD	Out Patient Department
OPM	Office of the Prime Minister
PDU	Procurement and Disposal Unit
PEDP	Petroleum Exploration, Development and Production
PEPD	Petroleum Exploration and Production Department
PFI	Participating Financial Institution

PHC	Primary Health Care
PIP	Public Investment Plan
PMA	Plan for Modernisation of Agriculture
PPP	Public Private Partnerships
PPDA	Public Procurement and Disposal of Public Assets Authority/Act
PRDP	Peace Recovery and Development Programme
PREEP	Promotion of Renewable Energy and Energy Efficiency
PTC	Primary Teachers' College
Q1	Quarter 1
Q2	Quarter 2
Q3	Quarter 3
Q4	Quarter 4
Qs	Quarters
RAP	Resettlement Action Plan
RE	Rural Electrification
REA	Rural Electrification Authority
RGCs	Rural Growth Centers
RRH	Regional Referral Hospital
RRP	Rural Roads Programme
RSSP	Road Sector Support Programme
RWSS	Rural Water Supply and Sanitation
S/C	Sub County
SACCO	Savings, Credit and Cooperative Organization
SFG	School Facilities Grant
SMEs	Small and medium enterprise
SSTWSP	Support to Small Towns Water Supply and Sanitation
T/C	Town Council
T/I	Technical Institute
TS	Technical School
TVET	Technical Vocational Education and Training
UA	Unit of Accounts
UBOS	Uganda Bureau of Statistics
UCA	Uganda Cooperative Alliance
UCC	Uganda College of Commerce
UCC	Uganda Communications Commission

UCSCU	Uganda Co-operative Savings and Credit Union
UDBL	Uganda Development Bank Ltd
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	Uganda Electricity Transmission Company Limited
UMEC	Uganda Meat Export Company
UMEDP	Uganda Meat Export Development Project
UMPCU	Uganda Meat Producers Cooperative Union Ltd
UNRA	Uganda National Roads Authority
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URF	Uganda Road Fund
USD	United States Dollars
USE	Universal Secondary Education
UShs	Uganda Shillings
UTC	Uganda Technical College
UTDA	Uganda Tea Development Agency
UVQF	Uganda Vocation Qualifications Framework.
UWSS	Urban Water Supply and Sanitation
VAT	Value Added Tax
VIP	Ventilated Improved Pit latrine
WB	World Bank
WfP	Water for Production
WFP	World Food Programme
WSDF-C	Water Sanitation and Development Facility Central
WSS	Water Supply System
WUCs	Water User Committees
ZARDI	Zonal Agricultural Research and Development Institute

Foreword

Government is bent on enhancing effectiveness of implementation of public programmes. To this effect budget monitoring reports are produced on a regular basis to inform policy decisions. The focus continues to be on the priority areas of agriculture; education; energy; health; ICT, industrialization; roads; microfinance and water and sanitation.

This quarterly budget monitoring report gives an overview of financial and physical performance for selected programmes in the noted areas. Within the sectors, development expenditures are prioritized except in cases of education and health where some recurrent costs are tracked.

The report findings from field observations give actual performance on the ground of the various spending agencies. The key implementation challenges identified should inform policy decisions in the various institutions.

It is hoped that the relevant sectors and departments will use the findings therein to ensure enhanced effectiveness of implementation with a view to attaining value for money for public expenditures.

Keith Muhakanizi

For Permanent Secretary / Secretary to the Treasury

Executive Summary

Background

Over the last three financial years, Government stepped up its monitoring efforts to enhance effectiveness of public expenditures. The focus is on agriculture; education; energy, health; industrialization; ICT; roads; micro-finance.; and water and sanitation.

This report is based on selected key programmes based on approved plans and significance of budget allocations to the votes within the sector budgets. The focus was on large expenditure programmes, with preference given to development expenditures except in the cases of education, road maintenance and health where some recurrent costs are tracked.

Findings

Financial Performance

(A) Central Government/Ministries

Releases

Government of Uganda (GoU) Approved development Budgets

The GoU development budget for Ministry of Energy for the FY 2011/12 increased by 418% as compared to FY 2010/11. The increase in the budget for MAAIF, MOES and MOWE were 15.3%, 4.7% and 5.6% respectively. MOFPED budget for FY 2011/12 was almost the same like the previous year with a decrease of only 0.5%. Ministry of health, MoICT and Ministry of Works and Transport experienced the biggest budget decreases at 25.7%, 31% and 18.9% respectively.

Releases

Most of the sector's releases were below 50% for the first half of the financial year with the exception of MOWE which has received 56% of its annual approved development budget. There was delayed release of funds from the MoFPED, the release for Q1 of FY 2011/12 was received in August 2011 and this has continued to delay implementation of the development projects.

Absorption of funds

Most of the sectors as at 30 November 2011 had a fair absorption rate in the range of 70% to 95% with the exception of the MoICT which had an absorption rate of 116%. The MoICT had a cash limit higher than the amount released and therefore had the warrant to spend in excess of the release. It was also observed that in most sectors the procurement process started late and this delayed programme/project implementation.

(B) Districts Local Government

Seven districts were monitored namely Lira, Kiruhura, Pader, Mayuge, Mbarara, Iganga and Isingiro. The period under review was the financial year 2010/11 and the first quarter of 2011/12. Selected districts were visited mainly to track the domestic development funds released by the MoFPED to the districts to verify whether the funds received were promptly remitted to the sectors and ascertain the absorption of funds by the sectors. The overall fund absorption for the FY 2010/11 was analyzed for the following sectors; health, education, agriculture (NAADS), water and sanitation, Works (Rural water and rural roads) and LGMSD.

Most of the quarters for the period reviewed showed that funds continue to be released late from the MoFPED to the districts and this has contributed to the delayed implementation of the developments projects. There was timely release of funds from the general fund accounts to the sectors accounts for most of the districts visited. Some few districts still continue to delay the remittance of funds to the sector accounts in the range of one to two weeks.

While the Q1 FY 2011/12 release was a vote on account that is 33.3% of the estimated budget, most districts received Q1 release of not more that 25% of their budget. Most of the districts visited had not yet awarded contracts and this was mainly attributed to the lengthy and bureaucratic procurement process.

Agriculture

Three projects were monitored in the agricultural sector namely: Agricultural Credit Facility (ACF); National Genetic Resources Centre and Data Bank (NAGRC&DB) and Uganda Meat Export Development Programme (UMEDP).

Agricultural Credit Facility

Generally, the ACF has been properly targeted to the intended beneficiaries although there are issues associated with regional imbalances with the Central and Western regions benefitting disproportionately more than the other regions. The following strategic policy issues are noted.

1. **Interest rate**: The interest rate of 10% to 12% is still high for nascent investments in the agricultural sector. Consideration should be given to reducing the rate to no more than 5%.

2. **Eligible projects and purposes**: It is recommended that the scope of eligible projects should be expanded to include production and input related projects and scaling up provision for working capital. New credit lines could be considered.

3. **Grace period**: should not only be limited to the principal but also cover payment of interest on the loan.

4. **Inter-Sectoral linkages**: There are barely any linkages with the institutions that are responsible for the agricultural sector, principally MAAIF. There is need to strengthen links with MAAIF, NAADS, NARO, Seed Companies, districts and other private sector farmer organizations.

5. **Viable business plans**: Many clients have got problems with their investments because their business plans were not good and they were not properly advised. BoU and commercial banks should be encouraged to recruit or use services of experts in agricultural lending.

6. **Micro-deposit Taking Institutions**: So far, MDIs and MFIs have not taken active part in the ACF scheme. It is proposed that a separate credit line could be designed where MDIs and

MFIs are not required to co-finance but act as a conduit to channel funds from BoU to small holder farmers.

National Genetic Resources Centre & Data Bank

Two issues of strategic importance are noted from the monitoring work:

1. **Low performance**: NAGRC&DB, including all its field stations, is underperforming (performance is rated at an average of 35%). This is attributable to a range of constraints including inadequate financing of the farms, poor farm infrastructure, low stocking levels and understaffing coupled with poor remuneration. Improvement of the farm infrastructure, particularly fencing and paddocking, pasture improvement and restocking should be prioritized.

2. **Poor allocative efficiency**: About 73% of all resources that are available for NAGRC&DB operations are unjustifiably spent at the Head Office. Farms have very limited operational and development expenses which largely explains the low performance. There is need to decentralize some of the finances from Head office to cater for development expenses on the 10 farms/ranches.

Uganda Meat Export Development Programme (UMEDP)

Three policy issues are noted by the BMAU team for further improvement of project efficiency and effectiveness:

1. **Low project effectiveness**: Overall, the UMEDP project has not performed well. Only one of the 4 components – IP2 - has reached some satisfactory performance in terms of the planned goals and targets. The main constraint to the project has been the slow disbursements from MAAIF and low commitment of MAAIF Staff to project implementation as they are heavily involved in other routine duties. Other modalities of quickening disbursements to the project in future are needed. Ministry staff that are committed to the project should be some remuneration and ample time to participate actively in project implementation.

2. **Low value for money**: All the funds that have been disbursed to MAAIF have been used for recurrent expenses, yet their goals and targets in the project that require development investments. MAAIF should improve allocative efficiency to increase funds disbursed for development expenditures so that the planned goals can be achieved.

3. **Project sustainability**: The project is also coming to the end of the interim phase, implying that funds that had been secured will also soon run out. The bulk of the planned activities are not implemented and there are no proper mechanisms through which the exisiting activities will be sustained. The project has weak linkages with other existing programmes with similar goals like NAADS, NAGRIC, Local Governments and the working relationship between MAAIF and the UMPCU is not solid. It is important that collaborative relationships are established with other entities with similar objectives for sustenance of project activities.

Education

This report reviews MoES' reported annual cumulative outputs achieved for projects and programmes under vote 013 by the end of FY 2010/11. Monitoring of the cumulative achieved outputs was undertaken during quarter two FY 2011/12.

Out of the three sampled schools under project 0943 Emergency Construction of Primary schools, one (i.e. Katente Primary School, Mubende district) did not receive the reported funds for Emergency construction during FY 2010/11. This was therefore a mis-reporting.

Under project 0897 Development of Secondary Edcuation MoES reported to have constructed 10 teachers houses in ten seed schools.[1] Findings from monitoring indicated that no teachers' houses were constructed in four of the ten sampled seed schools (i.e. Ruyonza, Lwabiyata, Bukonte and Butiaba during FY 2010/11 as reported. This was therefore mis-reporting. A teachers's house was however, at finishes level at Kabezi Seed. Three new seed schools were constructed at Burunga, Bulunguli and Paicho. However, there were not complete at the time of monitoring.

Under project 0942 MoES provided tools to a number of Technical Institutes. Findings from monitoring confirmed that Katonga and Mayuge TIs received the reported learning equipment.

Under project 0971 Development of TVET P7 Graduate, MoES reported that classrooms and twin workshops were constructed in a number of Technical Schools and Community Polytechniques. Findings from monitoring confirmed that the sampled institutions [2]received the funds from MoES although less than what was reported. Construction was at different stages.

Eleven institutions from MoES' prioritized list of Presidential Pledges for FY 2010/11 were monitored. While some institutions received the funds, a few did not. Those that received funds construction was at different stages. For instance, Kapeeka P/S had issues of poor quality of civil works that need to be addressed. Nkoowe High School and St. Mary's Kisubi did not receive funds for the Presidential Pledges as planned. Although MoES released funds to Rutooma S.S. and Rubongi Army as SFG to Mbarara and Tororo districts, those districts did not transfer all the funds to those schools.

Energy

Performance was monitored on Vote Function (VF) 0301 (Energy Planning, Management and Infrastructure Development) and VF 0303 (Petroleum Exploration, Development and Production). This is because; VF 0301 takes the biggest share of the budget. VF 0303, and in particular project 1184 (Construction of the oil refinery) is of interest because it is one of the flag ship projects that government is keen to implement.

Vote Function 0301: Energy Planning, Management and Infrastructure Development

a) Project 0325: Energy for Rural Transformation

[1] Bukonte, Butiaba, Ruyonza, Shitumi, Namasale, Jongokoro, Lwabiyata, Bussi, Kabezi and Karudandara Seed Schools

[2] Kakiika TS, Iyolwa TS, Ssanje CP, Wera TS and Kumi TS

By the end of Q1, project 0325 received 716 million (32.6%) of its 2.199 billion GoU budget for FY 2011/12. Expenditure for the quarter was 98% of funds released. Financial performance was therefore good.

Overall, progress has been slow. So far, Solar Connections have been made for health centres; The ICT, education and water institutions are not yet connected. Procurement delays are the main bottleneck to tangible progress.

BMAU visited solar photovoltaic (Solar PV) installations in Mubende under the health component of output 030153. The District Health Office (DHO) reported that 25 health centres received solar PV installations. The team visited 68% of the health centres and all of them received the installation save for one which received a solar panel for only a fridge. 94% of the beneficiary health centres visited reported to be happy with the solar installation.

The grid extension lines under ERT 11 were monitored. These were in the districts of Soroti, Katakwi, Amuria, Oyam Gulu, Ibanda and Kiruhura. All the lines are still under pole erection stage and overall, performance is good.

b) Project 0331: Rural Electrification

Release to project 0331 for Q1 was Ushs 6.05 billion, which represents 31.7% of approved budget for the financial year. Of the released funds, Ushs 5.63 billion (93% of release) was expended. Under the construction of power line component (Output 030104), Ushs 3.34 billion was expended in Q1 and this represents 91.5% of funds released. The consumption of expenditure on line items revealed that, allocative efficiency was good, as the biggest percentage (91%) was on general supply of goods and services.

A sample of four power lines was selected from the Q4 FY 2010/11 progress report. Of those visited, two were complete and awaiting commissioning and two were still under construction. Overall, performance was good and those under construction are on target to complete on time.

c) Project 1023: Promotion of Renewable Energy and Energy Efficiency Programme

Government of Uganda (GoU) release to project 1023 was Ushs 120 million which represented 26% of approved budget for the financial year. Of the released funds, the expenditure was 83%. Under output 030103, energy saving stoves and Solar PV components were monitored. By the end of Q1 FY 2011/12, Shs 0.11 billion was released which represents 25% of approved budget. Of the released funds, 91% was expended.

Under the improved household and institutional stoves component, monitoring was done in Kabale district where the programme had been implemented in the two sub-counties of Buhara and Kitumba. All of the interviewed beneficiaries were very satisfied with the scheme.

Under the Solar PVs in health centres component, Oyam district was sampled. Twelve health centres received the solar package in the district. 50% of the beneficiary health centres were visited. The package received included; solar panels, sockets, light bulbs, solar fridge and a delivery lamp. The institutions are happy with the installation as 67% of the beneficiaries interviewed were satisfied while 33% were very satisfied with the package.

Vote Function 0303: Petroleum Exploration and Promotion

Project 1184: Construction of the Oil Refinery

With the Oil Refinery Project, 33% of the approved budget was released by Q1 FY 2011/12 and of the released funds, 89% was expended. In terms of the composition of expenditure on line items, allocative efficiency was good with the bulk of expenditure on land purchase.

Land close to the oil fields was identified by Uganda Land Commission in Buseruka sub-county. It is about 29sq Km (5,000 acres) and also includes land for the airport and the road. Sensitization has been carried out. A consultant for the resettlement action plan was being acquired and. The department expects to conclude the RAP and land acquisition by the end of FY 2011/12. Generally the construction of the refinery project is so far 20% complete.

Health

Vote 014: Ministry of Health

Performance was monitored on vote function 0802, 'Health Systems Development', which receives the largest share of funding within the vote. During the Budget Monitoring and Accountability Unit (BMAU) fieldwork visit, the implementation of the District Infrastructure Support Programme (0216) was monitored at the following six hospitals: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo. Projects commencing in this financial year are mainly at the procurement stage.

Votes 163 – 175: Regional Referral Hospitals

Progress was monitored at five Regional Referral Hospitals (RRHs) during the fieldwork visit these were: Fort Portal, Kabale, Lira, Mbale and Mbarara. During the time of the monitoring visit, all five of the RRH's visited had received around 50% of their capital development budget for financial year 2011/12.

Physical performance at the five RRH's visited was good. For projects rolled over from financial year 2010/11 most were over 75% complete. Expenditure performance of capital development varied across the RRH's monitored. However, any expenditure figures are only indicative of end of year performance as funds are likely to be expended over the remaining quarters in the financial year.

Votes 501-850: Primary Health Care Development Grants

The BMAU team monitored progress of the PHC Development grants in nine districts[3] during the fieldwork visit. During the monitoring visit all nine districts had received around 50% of their annual capital development budget.

Most districts were in the procurement stages for projects commencing in this financial year. The majority of projects where physical progress has been made were rolled over from 2010/11. Of these many were making good progress towards completion. However in Kabale Local District renovation works which began in 2009 were still ongoing in Muko HCIV and civil works had been halted work

[3] Apac, Busia, Kabale, Kabarole, Kamwenge, Kyenjojo, Lira, Mbale and Ntungamo

altogether at Shebeya HCII after only foundations of the planned out-patients department had been laid.

Industrialization

- Withdrawal of World Bank funding for Kampala Industrial and Business Park (KIBP)-Namanve: The World Bank mission of November 2011 informed UIA that funding of this park would not be extended as initially planned and all outstanding obligations have to be concluded by the end of January 2012. The mission cited poor implementation, failure to fulfill the requirements of de-gazetting a forest with an alternative planted land of equal size and wetland encroachment among the reasons for non extension of funding.
- Intermittent power supply: Industrial development can only succeed with stable power supply, with intermittent power supply during the second half of 2011, many prospective investments have not been realized due to fear of making losses. For example, in Lira, the manager said; "The facility does not have a standby generator, as such, once power goes off with nuts in the roaster, the whole 400kgs are lost as they cannot be removed without power".
- Inadequate releases: As of November 2011, most of the GoU funded industrialization projects had taken two months without operations due to inadequate release of funds as such; they could not procure essential ingredients and undertake planned activities.
- Lack of specific guidelines on procurement of raw materials for research and development. This translates into cost overruns as the process is not tied to seasons yet production of raw materials is seasonal. Further still, there is inconsistent supply of raw material during off season leading to unscheduled plant closures thus operate at excess capacity.
- Low uptake of R&D innovations: The private sector and the general public have not yet appreciated the importance of value addition leading to low uptake of new innovations. Although the Uganda Industrial Research institute (UIRI) has attempted to address the technology barriers, there is limited private sector investment to go commercial.
- Inadequate extension services and agricultural research to ensure increased production and multiplication of high yield varieties.
- The cash flow of the projects under the Presidential Initiative on Banana Industrial Development (PIBID) is still worrying. By the time of the monitoring visit, M/s Dott services had two unpaid certificates and had suspended most of the works, the irrigation plant contractor had returned to court for redress. Delays related to failure to pay cleared certificates were likely to attract interest leading to cost overruns.
- Poor coordination: it was noted that different government departments were undertaking related projects and most of them having similar objectives for example, UIRI completed a fruit processing plant in Nabusanke-Mpigi (this facility is not in use) and UDC is grappling with Luweero Fruit Processing and Drying in Kasana-Luweero. UIRI's project has many lessons for Luweero which UDC ought to benefit from.

Information and Communications Technology

National Information Technology Authority:

- The team noted that underperformance in implementation of District Business Information Centres was attributed to both inadequate funding and poor planning.
- More than 70% of the GoU development budget to the National Information Technology Authority-Uganda (NITA-U) is spent on activities of recurrent nature which raises a question on allocative efficiency.
- Delayed transfer of funds; NITA-U operates as a subvention within MoICT vote. Funds are transferred from MFPED to MoICT before actual transfers are made to NITA-U. This delays progress of work as well as proper service delivery.

Uganda Communication Commission: Establishment of ICT laboratories in Government Secondary Schools

- Inadequate staffing; there is general lack of trained personnel to undertake both computer studies teaching and ICT equipment repairs and maintenance at school level.
- Learning software provided by Uganda Communications Commission (UCC) could not be broadcasted on some monitors.
- All equipment sent to secondary schools from UCC was not engraved. This posed a safety challenge to machines provided. Reports of stolen computers were noted.

Health ICT Facilities

- Theft and burglary; A number of computers had reportedly been lost to theft in Masindi hospital and Gulu Referral Hospital.
- None of the healthy facilities visited had access to Internet hence telemedicine could not be implemented as planned.
- Target users of the facilities in hospitals were not adequately trained and prepared to use the equipment in order to optimize benefits.
- None of the equipment seen in all health facilities visited was engraved. This posed safety challenges to equipments provided.

Ministry of Education and Sports: Establishment of ICT laboratories in selected Secondary Schools

- Most projects visited were at substantial completion of the main structure with outstanding works on door and window fittings, plastering of the buildings and ceiling installation, painting, electrical wiring, construction of the water tank, installation of gutters and furnishing. Only Sacred Heart SS Gulu had a complete structure though without furniture.

- Progress of works had been slowed down by intermittent power supply leading to slow welding of doors and windows, weather changes and unapproved variations.
- Inadequate communication from MoES to secondary schools/local governments regarding availability and use of capitation funds for FY 2011/12 by beneficiary schools leading to reallocations/misallocations of resources in some schools such as Kibibi SS.

Roads

Works under UNRA have generally taken a normal physical progression but have however been affected by late payments and releases, inadequate, dilapidated and insufficient equipment to implement works under force accounts and heavy rains experienced during the quarter especially in Eastern Uganda.

Late payments to contractors especially under the urgent repairs program for the additional road network inherited from the districts have led to instances of contractors abandoning sites till payments were made much as certification of the works was done on time. This in turn has resulted into sections worked upon by contractors to deteriorate from being exposed for long periods without gravel to traffic and heavy rains

Road contractors on most of the contracted works are not fully mobilized or frequently demobilize (temporarily withdrawing from site) their equipment due to delays or lack of capacity. This has been found as a major cause of time overruns on the road construction contracts.

The untimely and delayed release of funds has affected planned programmes especially force accounts works have had to start late and most of them were still ongoing at the time of monitoring. For example at Fort Portal station, the expenditure on force account operations at the end of first quarter was at 8.8% of the funds received.

The Interconnectivity Roads Improvement project under Ministry of Works and Transport (MoWT) designed to facilitate road improvements projects that are outside the mandate of UNRA or District Local Governments but are of strategic national importance is not achieving its objectives. The scoping works done to determine the required interventions was poorly done and a lot of road length is targeted with a limited budget failing to achieve connectivity hence no value for money for the intervention.

The district road maintenance programme is faced with implementation challenges of funds for equipment repairs available but due to the lengthy procurement process even for consumable items like tires, batteries and grader blades that require immediate response on occurrence of a break down cannot be responded to in a timely manner.

Water and Sanitation

i) Rural Water Supply and Sanitation (District Water Conditional Grant and Sanitation Grant)

A total of 10 districts were monitored under the two (2) grants and these included: Nakasongola, Masindi, Luwero, Lwengo, Kabarole, Kyenjojo, Mubende, Mayuge, Bugiri, and Sembabule. At the time of monitoring most of the activities reported as having been undertaken in Q1 were software activities. No district undertook substantial hardware activities in the quarter save for effecting payments against those hardware activities whose completion and or was rolled over from FY

2010/11 to FY 2011/12. Local governments argue that going by past experience where the lengthy procurement processes and late releases of funds by Ministry of Finance result in failure to contract out works and commence in Q1, they have opted to plan for all construction works to start from Q2 onwards. Consequently emphasis was put on activities whose implementation did not go through procurement, but were a precursor to the implementation of hardware activities.

As a result absorption of funds disbursed in Q1 waslow for all districts. For those local governments that had large expenditures, there were due to outstanding balances that had accrued from FY 2010/11 activities.

ii) Urban Water Supply and Sanitation

As a strategy towards supplying more people with safe water at reduced per capita unit costs, MWE is shifting away from point waters sources to piped water system, particularly in urban centers and Rural Growth Centers (RGCs). Most piped water supply systems and multi-year projects. Indeed both projects Tirinyi-Kibuku and Nakaseke piped water systems monitored in this quarter were rolled over from FY 2010/11. Both projects will be supplying a far larger number of people than point water sources (for the same amount of money. At the very initial stages at least 300 connections had been made for Kibuku and Tirinyi and for Nakaseke respectively.

The biggest challenge facing piped water supply systems is power. UMEME's hydro power has proved to be extremely unreliable in service and too expensive in cost, yet the systems are designed to serve poor semi-rural communities. MWE has a challenge of shifting away from hydro power to a more appropriate power source that is both cheap and more reliable. Only then will these systems meet the original objective of ensuring reliable water supply services at affordable costs.

iii) Water for Production

This vote function focuses on the development of water resources for productive use (crop irrigation, Livestock and aquaculture), rural industries, and other commercial uses. This is especially so in the cattle corridors of Uganda.

In Q2 FY 2011/12 monitoring, emphasis was put on the outputs that were reported to have been accomplished in Quarter 4 FY 2010/11 according to the Performance report by MWE. The outputs monitored (and reported as outputs in Q4 FY 2010/11 by MWE) were Mayikalo Dam and Nshenyi Valley tank estimated at Ushs 1,162,466,180 and Ushs 214,192,456 (VAT Exclusive) respectively. Discrepancy was discovered in these outputs to the effect that going by evidence from previous BMAU reports and existing project payment Certificates, the reported outputs seemed to have been completed 2 years back. **However payments are still being made.**

At the time of this monitoring, neither were any works nor was there any evidence of works that had been reported undertaken in Q4 FY 2010/11. To the contrary, the facilities were in such a bad shape with cattle troughs broken down and ecosan toilets almost collapsing in broken water reservoirs (at Nshenyi) and both dam/tank reservoirs choked with weeds. This was an indication of a totally failed Operation and Maintenance system for these facilities. The huge financial investments in the facilities have gone to waste and communities remained served.

iv) Water Resources Management.

This vote function which is a Directorate stationed in Entebbe is charged with, among others, the regulation of water abstraction and discharge of waste water into the environment. It issues abstraction and waste water discharge permits ,water service regulation for drilling, construction, dam safety, easement, compliance monitoring and enforcement of water laws and review of Environmental Impacts Assessment reports.

During Q2 FY 2011/12 monitoring largely focused on surface and ground water monitoring stations and issuance of permits by Directorate. Overall the Directorate ahs installed 98 Surface water quantity and 32 ground water monitoring stations at different vantage point on rivers, lakes and in different areas of the country respectively. These are now being used in monitoring the ground water potential and results are material for policy and decision-making for sustainable resources utilization in the Country to stem depletion and pollution.

The monitoring team also established that assessment studies had been conducted on low flow, hydrological and floods. Results from the assessments were found to be used by agencies like UNRA, NEMA in their policy formulation and planning.

Microfinance

MSC has a fairly good representation in the country through zonal offices that facilitate outreach to all registered entities such as SACCOs, MFIs, SMEs and individuals. These zonal offices have challenges among them are understaffing, labour turnover, lack of segregation of duties and inadequate funds for both operations and for loans.

A number of SACCOs do not have adequate funds, there is a poor culture of saving among the members, a low repayment rate, poor systems and documentation of records. Most SACCOs cannot afford to pay for rent, lack adequate transport facilities and other information and data management devices like computers, loan management software, printers and stationary.

RECOMMENDATIONS

Financial Performance

- MFPED should implement the recommendations that were highlighted in the core spending constraints in Uganda’s higher and lower local governments study conducted by BMAU. This will help to ensure timely release of funds to districts.
- The procurement process in local governments should be initiated at the start of the financial year; this will go a long way to improve the fund absorption rates of development grants.
- Regarding the ban on purchase of vehicles; districts should be considered on a case by case basis and those that do not have vehicles at all are considered in order to facilitate their operations and hence improve on their monitoring activities.
- Line ministries should inform districts immediately funds are remitted to their general fund account so that these funds can be timely remitted to benefiting sector.

Education

- MoES should provide clear accountability for funds reported to have been sent to Katente P/S which were never received.
- MoES should give an explanation for the cases of mis-reporting where teachers' houses under project 0897 were said to be constructed yet no teachers' houses were built in at least four seed schools visited. Mis-reporting is false accounting.

  The Auditor General should also take up this matter.
- MoES should follow up on contractors that have hitherto not completed civil works in schools to ensure that contracts are completed. These include Burunga Seed and Kabezi Seeds.s. Contractors for these two schools have gone beyond their contract periods. MoES should also ensure that civil works for the two new seed schools (i.e. Bulungi Seed and Paicho Seed s.s) are completed.
- MoES should explain the variation (under payment) of Ushs 22,718,310/= in funds paid to each of the following Technical Schools (Ssanje TS, Kumi TS, Wera TS, Iyolwa TS). The total variation adds up to Ushs 90,873,240/= for the four institutions. The ministry should also give a clear accountability of funds under project 0971 for FY 2010/11.
- MoES should follow up on all institutions under the priority list of 2010/11 whose funds were provided to ensure that they are fully implemented.

Health

i. The PHC development grant should be paid in full to Regional Referral Hospitals and Local District during Q2 of the financial year. This allows for payment to contractors as work is certified by the Ministry of Health and/or Ministry of Works and Transport. This will aid progress towards completion of more capital development projects.

ii. The remuneration package for hospital staff must be improved in order to recruit and retain the required number of staff. The Ministry of Health and the Ministry for Public Service must continue to work together to agree an increase the PHC wage ceiling so that additional staff can be recruited and remuneration of staff improved in healthcare services. The Ministry of Health must continue the work being carried out to revise the payment of the hard to reach allowance, so that *all* medical workers in a designated hard to reach district receives it.

iii. Timely production of cost estimates/bills of quantities by engineers, for projects planned to commence in the upcoming financial year. If cost estimates are made prior to the budget meetings, the District Health Officer (DHO) can advise the feasibility of any proposed amendments to the original planned activities. By having the cost estimates available during discussions, the DHO and councilors can work together to prioritise projects which have the greatest return to patients. Rather than the DHO agreeing to start several projects, only to realise later in the process, that the funds are not enough to finish many of them.

iv. When awarding contracts the Contracts Committee should seek advice from engineers. Engineers will have more specialist knowledge about the technical details of the bids submitted by potential contractors and can advice on which contractors are best placed to complete a project to schedule and the standard required.

v. When the National Medical Stores (NMS) is not able to provide the requested drugs, a report detailing reasons for this should be submitted to the relevant Health Centre/Hospital and to the Ministry of Health. This will better enable the recurrent issue of the NMS failing to deliver the requested drugs to be effectively dealt with once the source of the problem is identified.

Industrial Development

- GoU should take over the full funding and implementation of KIBP project and seek alternative sources of funding to take care of the entire project costs.
- UIA should be allowed to collect Non Tax Revenue (NTR) from investors' allocated land in the parks. At a conservative price of US$ 60,000 per acre, in Namanve's South A alone with 200 acres will raise US$12 million in lease premiums.
- There is need to review procurement procedures for raw materials under Research and Development to avoid implementation delays. Implementers should adequately plan for procurement of supplies to avoid stock outs.
- Uganda National Bureau of Standards together with the manufacturers association should encourage private sector businesses to take advantage of available facilities and take up outcomes of R&D for quality assurance and expansion of local and export market.
- A standard quality mark should be encouraged and enforced by UNBS on all products made in Uganda. Provision of nutritional information on each product should also be compulsory.
- The need to strengthen institutional linkages along the value chain is important. Institutions like NAADs, NARO and the private sector should be encouraged to actively participate in this process.
- Alternative power sources should be invested in to address the problem of intermittent power supply that has affected industrial growth in the country.
- Additional funds to meet the contractual obligations for PIBID should be provisioned to avoid cost overruns related to court cases.
- The PIBID contractor should be asked to revise the work schedule so that some outputs are phased into the medium term expenditure framework.
- PIBID should start the process of acquiring management for the processing plant.
- UDC, UIRI, NAADS and MAAIF should develop synergies with a view of sharing information on related agro-processing projects to avoid duplication and find solutions to implementation challenges through a review of lessons learnt.

Information, Communications Technology

- To optimise the benefits of the e-Government Infrastucture / National Backnone Infrastructure, NITA-U should design and implement a change management strategy/campaign and prove to Ministries, Departments andAgencies that the NBI network has the capacity, speed and stability to provide services currently sourced from private operators.

- NITA-U should finalise the pricing regime for the National Backbone Infrastructure (NBI) services
- MDAs should consider NBI network as the primary infrastructure for voice, data, Internet and email.
- NITA U should be made a vote to ease requisition and payment processes. NITA-U's finance division is currently equipped with skilled staff to manage the vote requirements.
- NITA-U should undertake an evaluation of DBICs performance against intended objectives to guide future rollout.
- Moes should review the staffing needs for computer studies at school level in light of the new policy for A level students to register for three principle subjects and two subsidiaries including computer studies.
- The MoES through a policy direction should guide Teacher Training Institutions/Universities in the development of new subject combinations for teachers to bridge the gap of lack of trained teachers in computer studies.
- UCC should provide installation software and user manuals to secondary schools/health centres to enable them undertake timely troubleshooting.
- UCC should ensure that all equipment delivered to schools and health facilities are engraved to control equipment losses.
- UCC should expeditiously procure and supply Internet services to all project health facilities and schools in order to achieve key project objectives.
- Management of hospitals and schools should ensure that lost/stolen equipment is replaced.
- A hands-on training for hospital personnel is paramount for effective use of IT equipments provided.

Roads

Following the gazzetting of an additional 9000kms of road, UNRA is experiencing inadequate resources in terms of personnel and equipment to manage its network of roads. The recommended plan of action is for UNRA to assess its capacity and needs in terms of equipment and personnel to come out with a strategy to respond to the gaps identified by this assessment.

UNRA stations and district Local Governments heavily rely on the private sector for major and minor repairs. This requires that they are subjected to long procurement processes that may not be appropriate in times of emergencies and may require that works are temporarily stopped for long periods. Therefore there is need for a mobile workshop unit to handle field related equipment repair works effectively or to have pre-qualified service providers to ease procurement.

In regard to the Interconnectivity project under MoWT it is recommended that smaller works in terms of the length of road are implemented but with the commensurate value for money and project objectives being met as is in other projects like CAIIP.

Water and Sanitation

i) Rural Water Supply and Sanitation (District Water Conditional Grant and the Sanitation Grant)

The performance of the district water officer (DWO) in all the local governments monitored was constrained by the long procurement procedures that hardly any hardware activities would take on then. This affected their absorptive capacity. It was not clear how to manage and utilize the new sanitation conditional grant.

Sustainability of investments under the conditional grant is threatened by the failing community-based O&M systems especially if no quick and better alternative approaches are identified and implemented.

Further progress in service provision particularly in rural water and sanitation is being curtailed by technological limitations.

Recommendations

- The procurement processes should be initiated as early as fourth quarter where funds permit so there can be adequate time for the implementation of the planned activities for the given Quarter.
- New approaches to O&M need to be identified and implemented in the place of the community-based systems.
- Streamline communication and coordination between the DWO and the district health inspector to enhance effectiveness and efficiency in implementation of sanitation and hygiene activities so that results match with outputs in the water activities.
- The district in liaison with the Appropriate Technology Center at Mukono should come up with alternative appropriate technologies for addressing the latrine challenge along the lake shores and areas with poor soil formation.

ii) Urban Water Supply and Sanitation

Findings from monitoring visits indicate that piped water systems are a very cost effective technology in supplying a bigger population in a given area. The per capita investment costs are less compared to point water sources. The facilities are easier to manage especially through private operator approach. They are a feasible alternative to the problematic point water sources whose sustainability is seriously threatened by the very high failure rates of community-based O&M systems.

Recommendation

- MWE should vigorously pursue this approach of installing piped water systems in all rural growth centres in the place of point sources

iii) Water for Production

The Vote function is dealing with a very critical contributor to the national economy. Success of the projects however is threatened by failures in O&M. The high failure rates of installed facilities hardly 3 years after completion is rendering investments in the area unjustifiable.

Recommendations

- MWE should focus on intensive community mobilization prior to making investments in new facilities.
- All old facilities should have their management committees re-constituted and re-trained/sensitized to make them functional. The issues of paying users fees by all users should be understood by all stakeholders including politicians who sometimes send out the wrong messages to the effect that government facilities are free and no user fees should be charged.
- The social workers at MWE, district and sub-county levels should be facilitated better to enable them undertake the above tasks effectively.

Microfinance

- The government needs to expedite the process of appointing a board of directors for MSC so that some issues like understaffing, labour turnover and low staff morale can be tackled.
- SACCO managers and board members need to be trained in financial management skills so that they are able to make appropriate investment decisions.
- The Bank of Uganda should come in and regulate the activities of these SACCOs in the country in order to safeguard member's savings and capital. Alternatively a regulatory authority can be set up to closely monitor the activities of these SACCOs.
- It should be mandatory for loans disbursed by SACCOs to be insured so that member's savings and capital is secured.
- UCSCU should fulfill their commitments with SACCOs particularly where they had already signed a memorandum of understanding to support these SACCOs.
- MSC together with government should review the package for agricultural loans to make it more attractive to SACCOs.

CHAPTER 1: INTRODUCTION

During the last three financial years, Government hasenhanced program monitoring efforts. To this effect, the Budget Monitoring and Accountability Unit (BMAU) prepare quarterly and annual monitoring reports. Budget monitoring is concerned with tracking implementation of selected government programs or projects 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 the following areas:

1. Agriculture
2. Infrastructure (Energy and Roads)
3. Industrialization and ICT
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 is 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 is given to development expenditure except in health, education and works sectors where some recurrent costs are tracked.
- The programmes that had submitted progress reports by the end of quarter four in FY 2010/11 were followed up for verification as they had specified output achievements for the quarter.
- Programmes that had been monitored in previous quarters especially those with major implementation issues were also revisited.
- Programmes with planned activities in FY 2011/12 were also sampled to assess progress as the FY activities got on the way.

1.2 Limitation of the report

Information on donor releases was not readily available for most of the programmes and hence financial performance may have been underestimated.

1.3 Structure of the report

The report has three chapters. The second chapter reviews the financial performance while chapter three focuses on the physical performance of the selected programmes.

CHAPTER 2: FINANCIAL PERFORMANCE

2.0 Introduction

The financial performance analysis consists of three components namely;

- The development budget performance for the selected sectors for Q1 and Q2 for the FY 2011/12 and analysis of the Government of Uganda (GoU) approved budget trend for FY 2010/11 and 2011/12.
- A review of the flow and levels of absorption of the development grant funds to the selected seven (7) districts for the FY 2010/11 and Q1 of FY 2011/12
- The performance of the Microfinance Support Centre activities through SACCO's.

The financial performance analysis consist mainly the general budget performance of the selected priority sectors of Agriculture; Education; Energy; Health; ICT; Water and Environment; and Works and Transport; as well as the micro finance sub sector.

2.1 Sectoral Financial Performance

This section reports on GoU approved annual domestic development budget, releases and absorption for the period July-November 2011; for the Ministries of Agriculture Animal Industry and Fisheries; Ministry of Education and Sports; Ministry of Information, Communication and Technology: Ministry of Energy and Mineral Development; Ministry of Health; Ministry of Works and Transport; and Ministry of Water and Environment.

2.1.1 Objective

- To provide analysis of the funds released to the sectors and absorbed against the approved budget.
- To establish the budget trends of the approved budget of financial years 20010/11 and 2011/12.

2.1.2 Scope and Methodology

The period under review is the FY 2010/11, Q1 of FY 2011/12 in respect of the GOU annual approved development grant budget, releases and expenditures. For the trend analysis of the budget growth, the report compares two financial years 2010/11 and 2011/12. The analysis largely used the integrated financial management system (IFMS) data.

Limitations

Under the IFMS data at the sector level; the ministries transfer funds to projects and this is reflected in the IFMS as an expenditure while in the actual sense it's not an expenditure. For the purposes of this analysis at the sector level transfers have been treated as expenditure.

2.2 *Sector Ministries*

1) Overall performance for the sectors under review

The total release performance for Q1 and Q2 2011/12 shows that no sector received a release above 50% other than Ministry of Water and Environment at 56%. The Ministry of Information, Communication and Technology had the lowest release at 28% as shown in table 2.1.

At the time of monitoring (November 13th- 5th December 2011), all the sectors had a moderate absorption rate 70%-86% with the exception of the Ministry of Energy at 95% and the Ministry of Information, Communication and Technology which shows absorption of 116% because of the unspent balances carried forward and was permitted to spend because of a higher cash limit.

Table 2.1 Sector GoU approved development budget, releases and expenditure Q1 and Q2 FY 2011/2012

Vote Code	Vote Name	Approved GOU Budget (A)	Releases (B)	Expenditure (C)	Release Perf. B/A	Absorption C/B
008	MFPED	158,139,917,585	59,643,885,545	51,404,540,542	38%	86%
010	MAAIF	34,575,561,086	13,168,839,998	9,479,605,021	38%	72%
013	MOES	53,060,017,003	22,645,431,666	15,217,601,023	43%	67%
014	MOH	19,866,432,001	5,848,862,962	4,074,274,218	29%	70%
016	MOWT	78,586,660,703	23,119,586,664	18,663,312,437	29%	81%
017	MEMD	1,325,162,600,000	381,684,878,269	363,600,069,740	29%	95%
019	MOWE	71,961,536,974	40,450,359,990	33,120,953,880	56%	82%
020	MoICT	11,949,937,580	3,379,450,520	3,904,239,508	28%	116%
Total		1,753,302,662,932	549,941,295,614	499,464,596,369	31%	91%

Source: IFMS data as at 30 November 2011

Budget Trends

Table 2.2 Shows three sectors among those analyzed had a slight budget increment; 15.3% for MAAIF, 4.7% for MOES and 5.6% for MOWE. Ministry of Energy shows a 418% budget increment as compares to FY 2010/11 and this is attributed to mainly two projects, project 940 Support to thermal generation had a budget of UShs 197 billion FY 2010/11 and FY 2011/12 UShs

613.6 billion. Project 1183 Karuma hydroelectricity Power Project, the budget FY 2011/12 is UShs 645 billion and this was not budgeted in FY 2010/11.

The other sectors had a budget decrease as shown in the table 2.2 below, with ICT experiencing the biggest budget cut of 31%.

Table 2.2 Compares GoU Approved budget FY 2011/12 against FY 2010/11

Vote Code	Vote Name	Approved GOU Budget FY 2010/2011	Approved GOU Budget FY 2011/2012	Increase/(Decrease) in Approved GOU Budget
008	MFPED	158,919,648,420	158,139,917,585	-0.5%
010	MAAIF	29,983,143,811	34,575,561,086	15.3%
013	MOES	50,684,052,853	53,060,017,003	4.7%
014	MOH	26,723,482,823	19,866,432,001	-25.7%
016	MOWT	96,842,700,349	78,586,660,703	-18.9%
017	MEMD	255,959,196,324	1,325,162,600,000	417.7%
019	MOWE	68,163,536,688	71,961,536,974	5.6%
020	MoICT	17,185,037,560	11,949,937,580	-30.5%

Source: IFMS

2) Vote 010 – Ministry of Agriculture, Animal Industries and Fisheries

Projects Release performance as at 30th November 2011

The sector had received UShs 13,168,839,998, a release performance of 38%. Most of the projects release performance was in the range of 19% to 50%.

The projects listed below had a release performance of more than 50%

- Project 88 NW Small Holder Agricultural Development, 73%.
- Project 1083 Uganda Meat Exports Development Project, 52%.
- Project 1088 Markets and Agricultural Trade Improvement, 52%
- Project 1166 Support to Fisheries Mechanisation, 56%

Project absorption performance as at 30th November 2011

The sector had an absorption rate of 72%, most of the projects absorption rates are in the range of 70% to 100%. The following projects had an absorption rate of less than 60%;

- Project 88 NW Small Holder Agricultural Development, 42%.
- Project 97 Support to Fisheries Development, 45%.
- Project 970 Crop disease and Pest Control, 52%.
- Project 1009 Sustainable Land Management Project, 59%.
- Project 1117 Export Goat Breeding and Production, 56%.
- Project 1170 Kabale Tea Factory, 19%.

3) Vote 013 – Ministry of Education and Sports (MoES)

Table 2.3 The MOES Projects GoU Approved budget, releases and expenditure FY 2011/12 as at 30 November 2011

Project Code	Project Name	GOU Approved Budget	Releases FY 2011/12	Expenditure FY 2011/12	Release as a % of the budget 2011/12	Expenditure as a % of Releases 2011/12
176	Child Friendly Basic Education	98,441,107	28,848,000	23,861,285	29	83
191	Rehabilitation Nat. Health Training College	2,260,182,498	1,077,111,000	555,046,500	48	52
210	WFP Karamoja	666,773,260	315,428,000	315,428,000	47	100
897	Development of Secondary Education	9,923,359,029	5,184,406,000	4,151,560,791	52	80
942	Development of BTVET	15,283,515,455	6,714,303,000	5,280,509,073	44	79
943	Emergency Construction of Primary School	1,906,353,435	935,486,000	515,050,800	49	55
944	Development of PTCs	7,443,663,687	2,118,610,000	1,439,573,482	28	68
949	ADB III Post Primary Education	1,064,455,894	534,649,000	8,480,000	50	2
971	Development of TVET P7 Graduate	3,528,102,902	1,434,631,000	1,241,060,777	41	87
984	Relocation of Shimoni PTC (0984)	993,263,093	279,969,000	276,863,750	28	99
1091	Support to USE (IDA)	2,222,495,217	844,831,666	536,938,141	38	64
1092	ADB IV Support to	5,569,411,426	2,670,619,000	704,381,424	48	26

Project Code	Project Name	GOU Approved Budget	Releases FY 2011/12	Expenditure FY 2011/12	Release as a % of the budget 2011/12	Expenditure as a % of Releases 2011/12
	USE (1092)					
1093	Nakawa Vocational Training Institute (1093)	900,000,000	168,847,000	168,847,000	19	100
1136	Support to Physical Education and Sports	1,200,000,000	337,693,000	-	28	0
Total		**53,060,017,003**	**22,645,431,666**	**15,217,601,023**	43	67

Source: IFMS

All the projects under vote 013 had a release performance in the range of 19% - 50%. Project 949-ADB III post primary education had the highest release of 50% and Nakawa Vocational Training Institute with the lowest at 19%.

Two projects (210 and 1093) had absorbed 100% of the funds releases as at 30th November 2011 while a few other projects registered a poor absorption of funds as shown in the table above.

4) Vote 017 – Ministry of Energy and Mineral Development

Table 2.4 Ministry of Energy and Mineral Development Project release and absorption as at 30 November 2011

Project Code	Project Name	GOU Budget	Releases FY 2011/12	Expenditure FY 2011/12	Release as a % of the budget 2011/12	Expenditure as a % of Releases 2011/12
325	Energy For Rural Transformation	2,198,600,001	737,304,158	710,855,854	34	96
329	Petroleum Exploration Promotion	-	-	173,931,590	-	-
331	Rural Electrification	19,061,000,000	7,046,168,435	6,444,654,187	37	91
940	Support To Thermal Power Generation	613,600,000,000	261,800,859,898	261,800,859,898	43	100
999	Power Sector Development Programme	353,999,999	99,618,999	64,471,200	28	65
1023	Promotion Of Renewable Energy	460,000,000	129,448,995	109,123,893	28	84

Project Code	Project Name	GOU Budget	Releases FY 2011/12	Expenditure FY 2011/12	Release as a % of the budget 2011/12	Expenditure as a % of Releases 2011/12
1024	Bujagali Interconnection Project	4,000,000,000	1,427,566,333	1,177,566,333	36	82
1026	Mputa Interconnection Project	14,000,000,000	5,106,418,667	3,500,000,000	36	69
1142	Management Of The Oil And Gas Sector In Uganda	10,650,000,000	3,667,083,423	2,114,478,508	34	58
1183	Karuma Hydroelectricity Power Project	645,000,000,000	92,600,000,000	82,900,000,000	14	90
1184	Construction Of Oil Refinery	14,700,000,000	8,599,999,996	4,455,788,014	59	52
1198	Modern Energy From Biomass For Rural Dev't	200,000,000	56,282,000	10,890,043	28	19
1199	Uganda Geothermal Resources Dev't	300,000,000	109,422,364	48,357,500	36	44
1200	Airborne Geophysical Survey Of Karamoja	339,000,000	154,705,001	57,605,720	46	37
1212	Electricity Sector Dev't Project	300,000,000	150,000,000	31,487,000	50	21
Table		**1,325,162,600,000**	**381,684,878,269**	**363,600,069,740**	**29**	**95**

Source: IFMS

Table 2.4 shows that the sector had a release performance of 29% at the time of monitoring. Most of the projects had an absorption rate of more than 80% and some other projects registering a low absorption rate below 50%.

5) Vote 008- Ministry of Finance, Planning and Economic Development (Selected projects)

Release performance as at 30th November 2011.

Most of the projects had a release performance in the range of 28% - 50%, The following projects received a very low release.

- Project 48 Private Sector Competitiveness received no release.
- Project 64 Support to Uganda Investment Authority, 25%.
- Project 111 Soroti Fruit Factory, 10%.
- Project 1128 Value Addition-Luwero Fruit Drying Factory, 25%.

Absorption of funds as at 30th November 2011

Most of the projects had an absorption rate above 75% save for the five listed below which had low absorption rates.

- Project 1080 Support to Macroeconomic Management, 58%.
- Project 1111 Soroti Fruit Factory, 55%.
- Project 939 Strengthening and Coordination of accountability Sector, 30%
- Project 1128 Value Addition-Luwero Fruit Drying Factory, 2%.
- Project 1209 Appropriate Renewable Technologies for Rural Uganda, 0%

6) Vote 014 – Ministry of Health (MoH)

Table 2.5 MOH Project release and absorption for FY 2011/2012 as at 30 November 2011

Project Code	Project Name	GOU Budget	Releases FY 2011/12	Expenditure for the FY 2011/12	Release as a % of the budget 2011/12	Expenditure as a % of Releases 2011/12
216	District Infrastructure Support Programme	4,081,554,503	333,333,333	333,333,333	8	100
220	Global Funds for Aids, TB And Malaria	4,718,934,109	1,564,032,968	677,542,775	33	43
224	Imaging Theatre and Equipment	426,016,727	507,633,998	439,909,515	119	87
891	Donor Support To The Health Sector	1,140,944,882	1,666,666,666	1,666,666,666	146	100
980	Dev't Of Social Health Initiative	1,808,667,474	424,085,998	185,283,475	23	44
1027	Institutional Support to Support to MOH	6,368,047,946	574,712,667	182,718,422	9	32
1094	Energy Rural Transformation Programme	366,752,050	65,833,333	20,742,382	18	32
1123	Health System Systems Strengthening	621,437,186	584,423,000	561,784,850	94	96
1148	TB Laboratory Strengthening Project	109,943,184	28,140,999	6,292,800	26	22
1185	Italian Support to HSSP and PRDP	224,133,940	100,000,000	-	45	-
	Table	**19,866,432,001**	**5,848,862,962**	**4,074,274,218**	**29**	**70**

Source: IFMS

Release performance; Projects 216, 980,1027, 1094 registered very low release rates of 8%, 23%, 9%, and 18% respectively.

Absorption rates; Table 2.5 shows project 1185 had not spent any money at the time of monitoring. Project 1027, 1094 and 1148 registered very low absorption rates as shown in the table above.

7) Vote 016 – Ministry of Works and Transport (MoWT)

Project Releases and absorption

The MOWT total releases as at 30th November 2011 was UShs 23,119,586,664 which is 29% of the GoU annual approved budget FY 2011/12. Project 1062 Karamoja Roads Development Programmes received no release and most of the projects received on average 28% to 46% of the projects annual budgets.

The sector absorbed 81% of the funds released as at 30the November 2011. The following projects listed below registered the lowest absorption.

- Project 515 Rehabilitation of Bugembe Workshop, 12%.
- Project 936 Redevelopment of State House Entebbe, 2%.
- Project 965 Redevelopment of Kyabazinga's Palace Iganga, 43%.
- Project 996 Support to Tourism, 19%.
- Project 1173 Construction of MoWT Headquarters Building, 19%.

8) Vote 020 – Ministry of Information, Communication and Technology (MoICT)

Table 2.6 Projects under the Ministry of ICT, releases and expenditure FY 2011/12 (July-November)

Project code	Project Name	GoU Approved Budget	Releases for the FY 2011/2012	Expenditure for the FY 2011/2012	Releases Performance (%)	Absorption Rate (%)
900	E-Government ICT Policy Implementation	1,586,100,000	502,250,000	455,391,792	32	91
990	Strengthening Ministry of ICT	1,216,000,000	287,496,333	255,755,529	24	89
1014	National Transmission Backbone Project	7,727,237,560	2,449,930,520	2,779,930,520	32	113
1053	District Business Information Centre	163,000,000	40,000,000	48,684,000	25	122

Project code	Project Name	GoU Approved Budget	Releases for the FY 2011/2012	Expenditure for the FY 2011/2012	Releases Performance (%)	Absorption Rate (%)
1054	National IT Authority Uganda	1,062,450,020	35,687,500	300,391,500	3	842
1055	Business Process Outsourcing	195,150,000	64,086,167	64,086,167	33	100
		11,949,937,580	**3,379,450,520**	**3,904,239,508**	**28**	**116**

Source: IFMS

The project releases were in the range of 24% to 33%. The absorption of funds at the project level was good. Some projects are showing an over expenditure which is arising from unspent balance from the previous year which was spent this year.

9) Vote 019 – Ministry of Water and Environment Project release and absorption for the period July 2011 to November 2012.

The release performance of most of the projects under vote 019 was in the range of 33% to 67% with the following projects receiving the lowest release.

- Project 1188 Protection of Lake Victoria Kampala & Sanitation Programme (33%)
- Project 1190 Support to Nabyeya Forestry College Project (40%)
- Project 1189 Lake Victoria Water and Sanitation Phase II Project (41%)
- Project 1193 Kampala Water Lake Victoria Water and Sanitation Project (33%)

The absorption performance of most of the projects under vote 019 performed fairly in the range of 70% to 100% with the exception of the ones listed below;

- Project 1021 Energy for Rural Transformation (44%)
- Project 146 National Wetland Project Phase II (32%)
- Project 1021 Mapping of Ground Water Resource (35%)
- Project 1022 Strengthening Capacity on concessions (42%)
- Project 1189 Sawlog Production Grant-Scheme Project (45%)
- Project 1190 Support to Nabyeya Forestry College Project (41%)

2.3 Financial Performance of Selected Districts

2.3.1 Introduction and Background

The period under review is the financial year 2010/11 and the first quarter of 2011/12. Selected districts were visited mainly to track the domestic development funds released by the MOFPED to the districts to verify whether the funds received were promptly remitted to the Sectors and to also ascertain the absorption of funds by the sectors. The overall fund absorption for FY 2010/11 was analyzed for the following sectors; health, education, agriculture (NAADS), water and sanitation, Works (Rural water and rural roads) and the Local Government Management and Service Development programme (LGMSD). The timely remittance of the finance releases to the sectors for the financial year 2010/2011 was also considered.

2.3.2 Approaches and Methodology

Through physical visits to the districts, the monitoring team held discussions with the following officers/persons: Chief Administrative Officers (CAOs), Chief Finance Officers (CFOs) and the Heads of department, who briefed the team on the status and efficiency of the cash flow management at the districts. A number of relevant documents and records were reviewed, which included sector cash books, general fund cash books, vote books, bank statements and bank reconciliation statements.

2.4 FINDINGS

2.4.1 Lira District Local Government

The district received the GoU development funds for the selected sectors of PHC Development, SFG, NAADS, Rural Water, Rural Roads and LGMSD in FY 2010/11. The funds were generally received late from the MOFPED in all quarter releases, funds were received in the second month of the quarter. It was observed that funds were timely remitted to the sectors accounts from the general fund account.

The release performance for the district development grants FY 2010/11 was at 81%. The release performance of the sectors of PHC Development, SFG, NAADS, Rural Water, Rural Roads and LGMSD was 76%, 78%, 92%, 46%, 86% and 100% respectively.

The absorption of funds for the FY 2010/11 by the district however was fair for some sectors rural water, rural roads and LGMSD with over 90% absorption while SFG and PHC Development were below 35%.

Year end unspent balances FY 2010/11

The District had a total unspent balance as at 30 June 2011 of Shs 1,005,249,499 and permission to utilize the unspent funds dated 6th September 2011was obtained from the Accountant General allowing the council to spend the funds. The district was required to utilize the funds following the mentioned guidelines;

(a) Make sure that the funds, which remained unspent, are declared to the district council for revoting.

(b) Ensure that the funds are only utilized for the commitments that existed at the close of the financial year and which relate to this authority.

(c) Proper accountability is made by 31 December 2011 to avoid cases of diversion of resources.

Table 2.7 The unspent balances brought forward as at year end 2010/11

Sector	Unspent balances as at 30 June 2011 (UGX)
Education	257,782,230
Health	612,953,201
Production	11,200,000
Community based Services	8,568,650
LGMSD – Sub counties	17,594,013
Sub counties NAADS	97,151,405

Source: Lira District General Fund Account

The cause of the unspent amount was mainly due to the on-going works at year end in the Education and Health sectors. The CFO further explained that the unspent balance was also due to the late initiation of the procurement process.

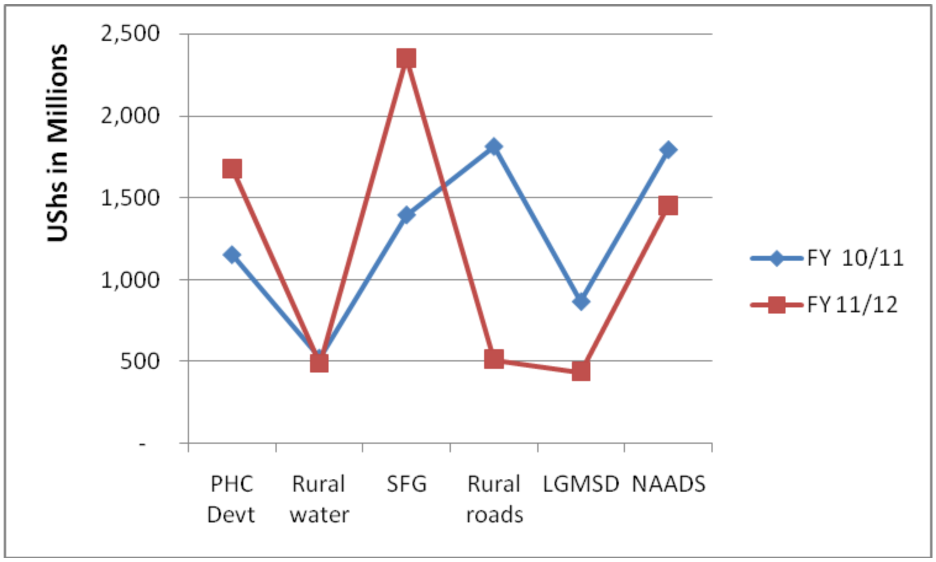
Table 2.8 Lira District Q1 FY 2011/12 Approved Budget, Releases and Expenditure

Grant Type	Approved budget	Amount received	%age release
PHC Devt	1,676,399,000	419,100,000	25%
Rural water	487,909,000	121,977,000	25%
SFG	2,351,777,000	587,944,000	25%
Rural roads	512,000,000	128,000,000	25%
LGMSD	436,939,000	109,236,000	25%
NAADS	1,452,662,000	484,220,000	33%

Source: Lira District.

The district received a quarter of the approved budget as shown in table 2.8 and by the time of the monitoring visit, the district had not spent any money in Q1 2011/12 because the contracts had not been awarded.

Figure 2.1 Lira Budget Trend Analysis FY 2010/11 and FY 2011/12



Source: Lira District

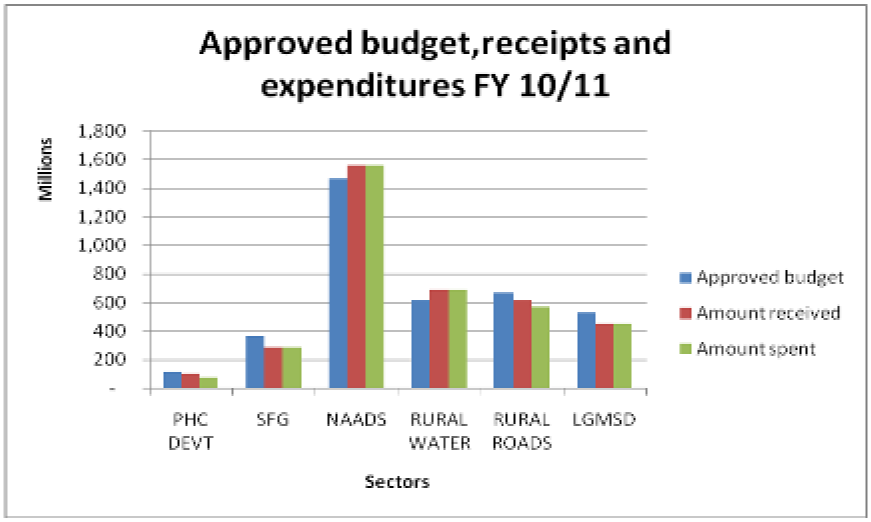
The figure 2.1 shows a significant decline in district development grant for the FY 2011/12 with major decline registered in LGMSD budget, rural roads and NAADS and a remarkable increase in PHC development and SFG, this increase is tagged to PRDP grant. There was therefore a general downward trend of the budget in FY 2011/12.

2.4.2 Kiruhura District Local Government

The district received development grants for rural Water and Sanitation, School Facilitation Grant (SFG), National Agricultural Advisory Services (NAADS), Primary Health Care (PHC) development and for the district rural roads which were timely remitted to the sectors for the FY 10/11 and the first quarter of FY 11/12. It was also established that all the funds received by the district were received by the sectors.

The release performance for the district development grants FY 2010/11 was at 97%. The performance release of the sectors of PHC Development, SFG, NAADS, Rural Water, Rural Roads and LGMSD was 85%, 65%, 106%, 112%, 91%, and 85% respectively.

Figure 2.2 Kiruhura District Approved budget, receipts and expenditure FY 2010/11



Source: Kiruhura District

In the FY 2010/11, SFG and NAADS fully absorbed the received funds reflecting 100% in fund utilization while PHC performed fairly with 72% in fund absorption, rural water and rural roads performed well above 90%.

In Q1 FY 2011/12, the district received funds for the first quarter in August 2011 and most of the sectors received less than 25% of the approved budget.PHC development received 23%,SFG 8% rural water 23% and rural roads 0% while NAADS and LGMSD received 39% and 26% of the approved budget respectively.

The district had unspent balance as at 30 June 2011 of UShs 89,672,141, mainly attributed to PHC development and rural roads works which were still ongoing at year end and retentions as required by the law that the 5% is paid after the performance appraisal of the project. It was also established that authority to spend the unspent balance was granted by the Accountant General.

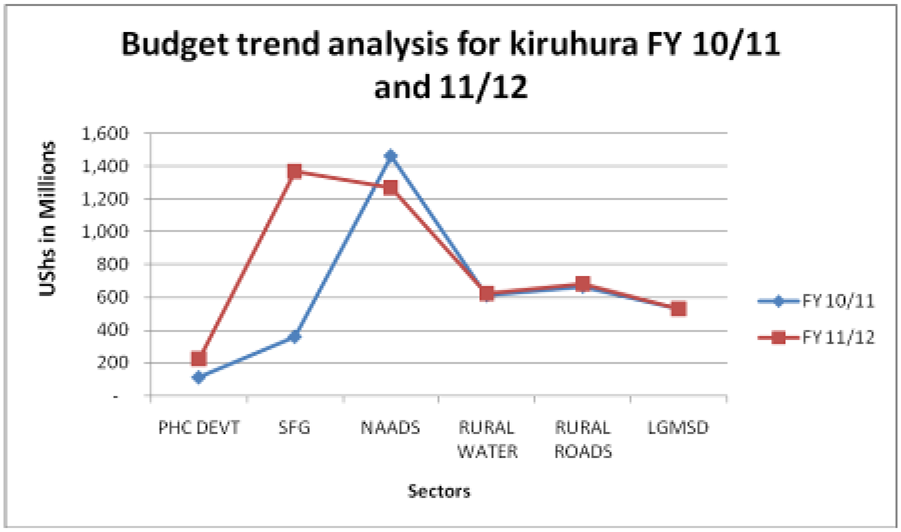
Table 2.9 Kiruhura District Q1 FY 2011/12 Approved Budget, Releases and Expenditure

Grant Type	Approved Budget	Release	Expenditure	% Release	% Expenditure
PHC	222,264,000	28,692,000	-	13	-
SFG	1,366,960,000	104,752,000	24,725,033	8	24
NAADS	1,265,070,000	498,696,000	432,732,500	39	87
Rural Water	623,172,000	-	-	-	-
Rural Roads	680,896,000	-	-	-	-
LGMSD	529,765,000	139,384,000	71,078,435	26	51
Total	4,688,127,000	771,524,000	528,535,968	17	67

Source: Kiruhura District

Q1 FY 2011/12, the district received funds for the first quarter in August 2011 and most of the sectors received less than 30% of the approved budget as shown in Table 2.2 with the exception of NAADS which received 39% of the approved budget. The absorption of funds in Q1 was still low in the sectors with the exception of NAADS at a fund utilization of 87%.

Figure 2.3 Kiruhura District Budget Trend Analysis FY 2010/11 and FY 2011/12



Source: Kiruhura District.

There was no significant change in the budget apart from PHC and SFG whose significant rise was tagged to PRDP funds.

Challenges

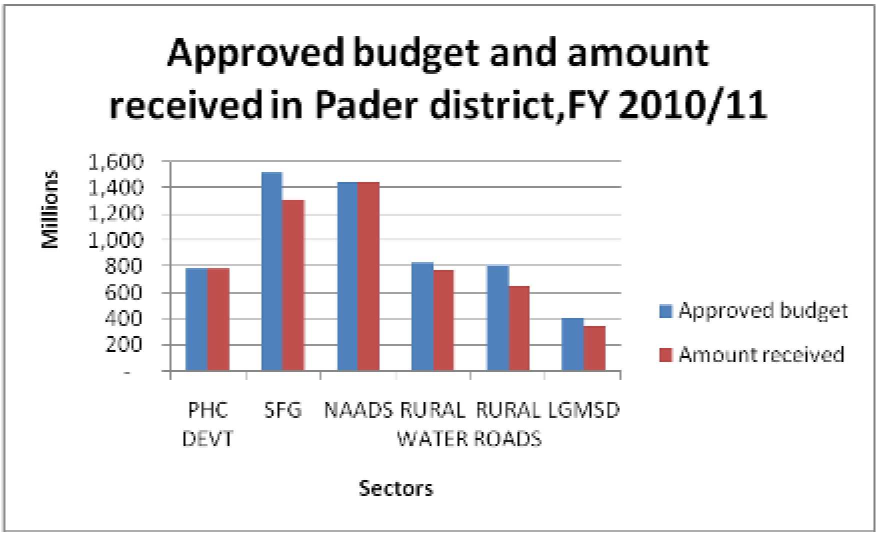
- The district bank accounts are in Mbarara and because of this; it takes the district about a week to transfer funds from the general fund account to the sector accounts.
- The district has failed to conduct monitoring work because of lack of transport. It has been difficult for them to acquire a vehicle because of the ban on buying new vehicles.

2.4.3 Pader District Local Government

Pader local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters FY 2010/11 and the first quarter FY 2011/12. All of the above sectors/ programmes received more than 80% of the FY 2010/11 approved budget. NAADS and PHC development received 100% while SFG, rural water, rural roads and LGMSD received 87%, 90%, 81%and 85% respectively. The district received the funds in all the quarters FY 2010/11 in the second month of the quarter. The statistics gathered from the district indicated that funds were timely remitted to the respective sector accounts. Funds were remitted to the sector accounts within one week of receipt of funds.

In the first quarter of FY 2011/12, all the selected sectors received 25% of their approved budgets apart from SFG which received 22%. The district had also received funds for the second quarter FY 2011/12 at the time of monitoring visit.

Figure 2.4 Shows the release performance of Pader District FY 2010/11



Source: Pader District

At the time the monitoring exercise was carried out; there were no expenditures incurred in respect of the funds received for the current financial year FY 2011/12 apart from costs towards the works that had not been completed last financial year FY 2010/11. The expenditures incurred were from the balances of last financial year 2010/11 of which the district sought authority from the Account General Office to retain the money and spend it in the current year had been granted.

The district had unspent balance totaling to Shs 1,385,334,126 at FY 2010/11 end as shown below;

Table 2.10 The unspent balance as at 30 June 2011.

Sector	Unspent balance
Works	718,313,726
Health	333,922,392
Education	286,225,801
NAADS	46,872,207
Total	1,385,334,126

Source: Pader District

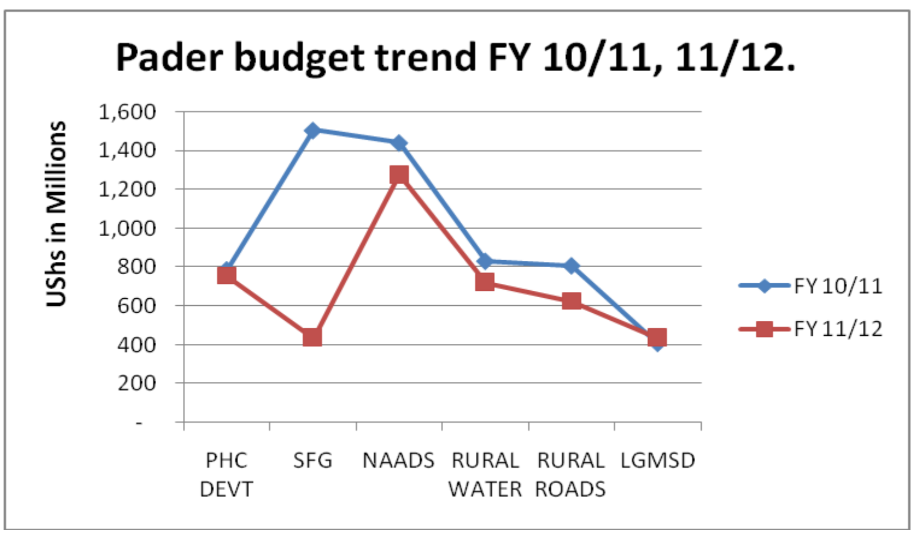
The unspent balance for the financial year 2010/11 arose as a result of the Q4 release which was received in May 2011 coupled with the delays in awarding contracts. The ACAO informed the team that the district had a land dispute where they were supposed to construct a residence of a sub county chief and sub county offices and this caused delays in the procurement of the land and money for the construction works was not spent.

A major challenge the district is facing as highlighted by the chief finance officer is inflation. The works budget needs more money than what is budgeted because the prices for the materials have more than doubled.

The other challenge highlighted by the CFO was that three health centers in Pader; St.Mary's in Pajule Catholic Parish HC 11, Rwakikoko ABC HC 11, and Puranga HC 11 did not receive any funds in Q1, Q2, and Q3 for FY 2010/11. This issue came up after Agago district was broken off from Pader district and the CFO suspects that funds meant for these health centers were sent to Agago district.

There was a general downward trend in the budget across all the selected sectors for Pader district as shown in the graph below.

Figure 2.5 Approved budget Trend for FY 2010/11 and 2011/12



Source: Pader District

2.4.4 Mayuge District Local Government

Mayuge local government received the development grant funds released by the MFPED for the four quarters of financial year 2010/11. The funds were released late to the district, in all the four quarters for the FY 2010/11 as funds were received in the second month of the quarter and in some instances in the third month of the quarter. The district documents reviewed indicated that funds were promptly remitted to the sectors of health, education, agriculture, water and sanitation and works at least within one week of receipt of funds.

The majority of the sectors received not more than 85% of their approved budgets with rural roads receiving the lowest at 59% of its approved budget for the FY 2010/11. This reflected poor release performance from Ministry of Finance for LGMSD. The district fund utilization FY 2010/11 for all the sectors was 100%.

Table 2.11 Mayuge District budget, release and absorption FY 2010/11.

Sector/Grant	Approved budget FY 2010/11	Amount received	Amount spent	Percentage release	Absorption
PHC DEVT	154,342,000	131,191,000	131,190,999	85%	100%
SFG	596,549,000	507,066,000	507,065,999	85%	100%
NAADS	1,296,973,600	1,457,350,600	1,457,350,599	112%	100%
RURAL WATER	613,690,000	521,636,000	521,636,000	85%	100%
RURAL ROADS	630,302,000	527,155,205	527,155,204	84%	100%
LGMSD	730,145,000	430,145,000	430,144,999	59%	100%

Source: Mayuge District.

Table 2.12 Mayuge District Approved budget, releases and expenditure for Q1 FY 2011/12

Sector/Grant	Approved budget	Receipts	Expenditure	Percentage Receipt	Absorption (% of receipts)
PHC DEVT	134,342,000	33,586,000	-	25	-
SFG	1,076,197,000	269,049,000	79,929,026	25	29.7
NAADS	1,530,691,000	430,715,000	419,127,932	28	97
RURAL WATER	579,207,000	144,802,000	-	25	-
RURAL ROADS	759,217,000	-	-	-	-
LGMSD	753,949,000	188,459,000	186,269,686	25	99
TOTAL	4,833,603,000	1,066,611,000	685,326,644	22	64

Source: Mayuge District

The district also received funds for the first quarter FY 2011/12, but no sector received more than 25% of the approved budget and there was no release to the rural roads sector. At the time of monitoring, 64% of the district development grant had been spent with zero expenditure under PHC Development and Rural water sectors. The low absorption in those sectors shown in Table 2.8 is attributed to the delayed procurement process. The ACAO informed the team that the bids had just been opened and was hoping that the contracts will be awarded by the end of December 2011.

Listed below are a few challenges highlighted by the ACAO in the process of budget implementation;

- Late receipt of development grants particularly Q4 releases. For example, Q4 2010/11 rural roads grant was received on 20 May 2011 and remitted to the sector on 6 June 2011. Late release of funds in Q4 has made it difficult to implement in Q4.
- Budget cuts were another problem sighted by the ACAO. Budget cuts are not officially communicated to the district and this leads to failure to make payments to contractors where commitments are already made.
- The procurement process particularly for large procurements is too lengthy and bureaucratic.
- Delays in reporting has been caused by the frequent changes in the format of the OBT, this requires frequent training of the accountants on how to use the new formats.

2.4.5 Mbarara District Local Government

Mbarara local government received the development grant funds released by the MFPED for the four quarters of financial year 2010/11. The funds were released to the district late. In all the four quarters for the FY 2010/11 funds were released in the second week of the second month of the respective quarters.

The district documents reviewed indicated that in FY 2010/11, it took the district an average of one to two weeks to transfer the funds to the respective sectors.

It was also established that all the funds received by the district were remitted to the respective sectors. The absorption of funds by the district however was excellent for all the sectors although there were some delays in the implementation of some activities due to the lengthy procurement process at the district. The district had an unspent balance of only Shs 151,137,922 mainly attributed to on-going works as at end of year.

For the current financial year 2011/12, they had awarded a few contracts under roads and rural water by the time of the monitoring visit.

I t was also established that the district had not received the School Facilitation Grant (SFG) for the last three financial years. They have received presidential pledges that appear on their SFG account yet those funds belong to other districts/programmes as explained below.

In FY 2009/10, Mbarara district received Ug Shs 263,000,000/= which belonged to Bulemba S.S in Kiruhura district. This money was passed on to Kiruhura in FY 2010/11. In FY 2010/11, the district also received funds under Education and they started spending it as per work plan, but along the way, the CAO was directed to spend the money as per presidential pledges yet they had spent a total of Ug Shs 124,000,000/= as budgeted. For the current financial year, 2011/12, Ug Shs 130,000,000/= was pegged to Rutooma S.S.S and nothing for SFG.

Therefore the district has not received funds under the SFG grant for the last three years. The CAO informed the team that as a result pupils are studying under trees and in churches, some schools have been hit by natural calamities, latrines are sinking and they are not receiving any funds that would help improve the situation.

Table 2.13 Mbarara District approved budget and release for the first quarter FY 2011/12.

Sector/Grant	Approved budget	Amount received	Percentage released
PHC Development	164,130,000	41,367,000	25%
SFG(presidential pledge)	128,234,000	125,970,000	98%
NAADS	1,607,168,000	535,222,000	33%
RURAL WATER	579,207,000	145,791,000	25%
RURAL ROADS	528,745,019	108,175,000	20%
LGMSD	540,757,830	120,405,000	22%

Source: Mbarara District

The CFO highlighted other challenges faced by the district in budget implementation namely:

- Contractors are reluctant to start construction work until they are sure that the district has sufficient funds. This has greatly delayed budget implementation.
- The district has frequently experienced poor connectively while using the integrated financial management system. In July 2011, the district did not have access to IFMS for the whole month and this actually caused a delay in reporting.
- The internal audit unit at the district is poorly funded. The local revenue which would assist in funding the internal audit unit is entirely used by the chairman and councilors for allowances, council movements and general operational expenses.
- The high bank charges especially on the EFT transactions are a drain on already scarce resources of the district.

2.4.6 Iganga District Local Government

The district received the funds for rural Water and Sanitation, School Facilitation Grant (SFG), National Agricultural Advisory Services (NAADS), Primary Health Care (PHC) development and for the district rural roads for FY 2010/11 and first quarter FY 2011/12 and these funds were duly remitted to the sectors

The release performance FY 2010/11 for all the sectors was above 90% of the approved budget.

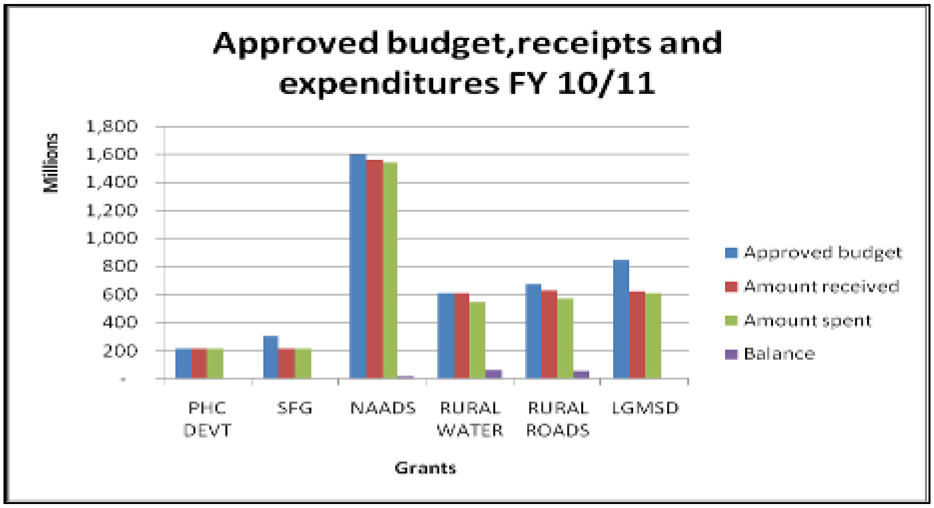
The absorption was commendable with 100%, 100%, 99%, 90%, 91% and 99% for PHC, SFG, NAADS, WATER, ROADS and LGMSD respectively.

The district had an unspent balance of UShs 89 million as at 30 June 2011 as follows; Water Sector Ushs 62m, NAADS UShs 19m and LGMSD UShs 8 million. The unspent balance is attributed to the late award of contracts and work was still on-going by year end.

For the first quarter of FY 2011/12, the selected sectors had received at least 25% of the approved budgets.

Figure 2.6 shows the budget performance for the financial year 2010/11

Figure 2.6 Iganga Approved budget, receipts and expenditure FY 2010/11

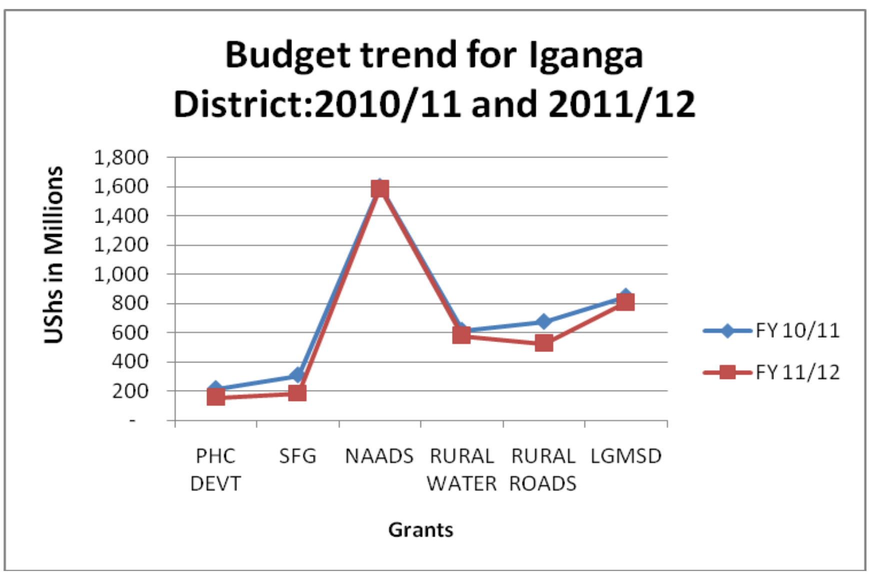


Source: Iganga District.

Budget trend analysis

There was a general decline in the approved budget for the FY 2011/12 as compared to 2010/11 as shown in the figure below for the grants of PHC development, rural water, rural roads, NAADS and LGMSD.

Figure 2.7 Iganga District Budget Trend FY 2010/11 and 2011/12



Source: Approved budget for 2010/11 and 2011/12.

The CAO highlighted the following challenges encountered in budget implementation

- Releases from line ministries, funds are sent to the general fund account and the line ministries do not bother to communicate the purpose and details of remittance and this causes delay to transfer funds to the respective sectors. Sometimes the line ministries communicate to the benefiting sectors and not the finance department.
- It was suggested that they should also inform the finance department so they are able to transfer it to respective sectors in time.
- The procurement process is too long and too bureaucratic and therefore this takes a lot of time and causes low absorption. The procurement process on average takes about 6 months by the time contracts are awarded.

2.4.7 Isingiro District Local Government

The district received the funds for rural Water and Sanitation, School Facilitation Grant (SFG), National Agricultural Advisory Services (NAADS), Primary Health Care (PHC) development and for the district rural roads for the FY 2010/11 and the first quarter of FY 11/12. It was also established that all the funds received by the district were duly remitted to the Sectors.

The funds were released to the district late. In all the four quarters for the FY 2010/11 funds were released in the second month of the respective quarters. The district documents reviewed indicated that in FY 2010/11, it took the district on average one month to transfer the funds to the respective sectors.

For the FY 2010/11, Water and NAADS fully absorbed the received funds reflecting 100%, 99% in fund utilization respectively. PHC performed well with 83% in fund absorption while rural roads and LGMSD performed very well with 93% and 89% respectively. SFG performed poorly with an absorption rate of 65% thus having big balances at the close of the financial year. It was also ascertained that balances for PHC development and rural roads were for ongoing works and retentions as required by the law that the 5% is paid after the performance appraisal of the project.

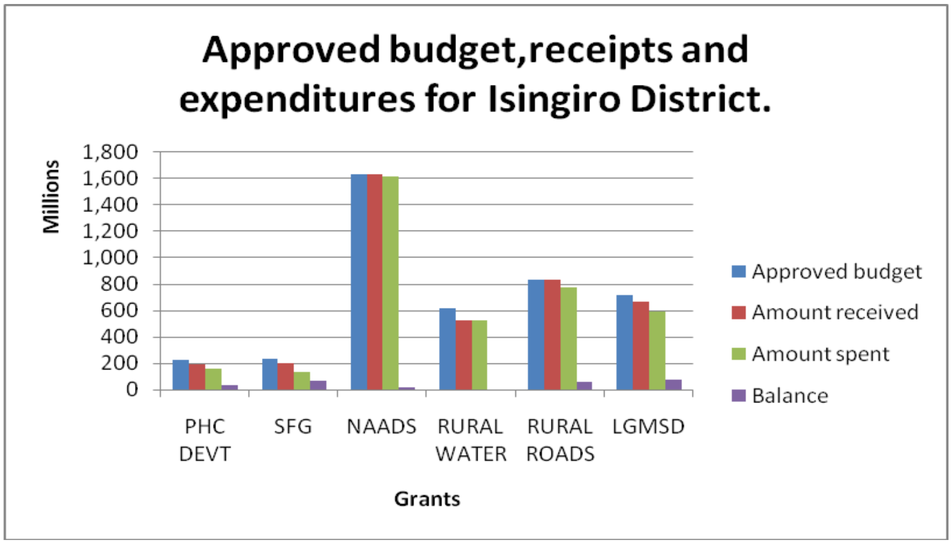
Table 2.15 Isingiro District LG unspent balances as at 30 June 2011.

Sector	Unspent balance (Ushs)
Health(PHC)	32,264,268
Education(SFG)	68,690,266
LRDP(Luwero Rwenzori Development Project)	16,640,292
Works(Road Fund)	60,035,286
LGMSD	72,733,984
Total	250,364,096

Source: Isingiro district.

There was a total of 250,364,096/= at the close of FY 2010/11 and this was attributed to some ongoing works that were not certified by year end.

Figure 2.8 Isingiro Approved budget, releases and expenditure FY 2010/11



Source: Isingiro district.

Table 2.16 Isingiro District Approved budget, releases and expenditure for Q1 FY 2011/12

Sector/Grant	Approved budget	Receipts	Release Performance (%)
PHC DEVT	182,609,000	45,652,000	25
SFG	380,151,000	95,038,000	25
NAADS	1,635,514,000	545,171,000	33
RURAL WATER	579,207,000	144,802,000	25
RURAL ROADS	837,270,000	-	-
LGMSD	623,812,000	155,953,000	25
TOTAL	**4,238,563,000**	**986,616,000**	**23**

Source: Isingiro District

Table 2.16 shows that for Q1 2011/12, all the sectors received a release of 25% of their annual approved budget with the exception of NAADS which received 33% and rural roads received no release.

At the time of the monitoring visit, the district procurement process was still ongoing and they were at the evaluation stage. They were working towards awarding the contracts before end of December 2011.

2.5 Conclusions

2.5.1 Financial Performance

Central Government/Ministries Gou Approved development Budgets

The GoU development budget for Ministry of Energy for the FY 2011/12 increased by 418% as compared to FY 2010/11. The increase in the budget for MAAIF, MOES and MOWE were 15.3%, 4.7% and 5.6% respectively. MOFPED budget for FY 2011/12 was almost the same like the previous year with a decrease of 0.5%. Ministry of health and Ministry of Works and Transport experienced the biggest budget decreases at 25.7% and 18.9% respectively.

Releases

Most of the sectors releases were below 50% for the first half of the financial year with the exception of MOWE which has received 56% of its annual budget. The sectors had the following performance rates; Ministry of Agriculture Animal Industry and Fisheries (38%); Ministry of Education and Sports (43%); Ministry of Information, Communication and Technology (28%); Ministry of Energy and Mineral Development (29%); Ministry of Health (29%); Ministry of Works and Transport (29).

Delayed release of funds from the MoFPED, as the release for Q1 FY 2011/12 was received in August 2011 and this has continued to delay implementation of the projects.

Absorption of funds

Most the sectors as at 30 November 2011 had moderate absorption rates in the range of 70% to 95% with the exception of the MoICT which has an absorption rate of 116% The MoICT had a cash limit higher than the amount released and therefore had the warrant to spend in excess of the release. It was also observed that in most sectors the procurement process started late and this delayed implementation.

Districts

Key cross cutting issues

- Most of the quarters for the period reviewed showed that funds continue to be released late from the MoFPED to the districts and this has contributed to the delayed implementation of the developments projects.
- There was timely release of funds from the general fund account to the sectors accounts for most of the districts visited. Some few districts still continue to delay the remittance of funds to the sector accounts in the range of one to two weeks.

- While the Q1 FY 2011/12 release was a vote on account that 33.3% of the estimated budget most districts received Q1 release of not more that 25% of their budget.
- A number of districts do not initiate the procurement process until quarter one funds are received. Most district procurement processes take four to six months to completion. This has been one of the major reasons why the implementation of development projects is delayed.
- The blanket ban on the purchase of vehicles this financial year affected some districts particularly the newly formed districts. An example is Kiruhura district that needs a vehicle to conduct monitoring activities but cannot buy one because of the ban.
- There was generally very low absorption of development grants received for the period in most of the districts. In some districts there was zero expenditure. The major reason for low absorption was late release of funds coupled with late initiation of the procurement process.
- Funds from line ministries to districts usually take long to be utilized because these ministries do not communicate the purpose when the funds are sent and as a result the districts delay to disburse the funds to the intended beneficiary.

Recommendations

- MFPED should implement the recommendations that were highlighted in the core spending constraints in Uganda's higher and lower local governments study conducted by BMAU. This will help to ensure timely release of funds to districts.
- The procurement process in local governments should be initiated at the start of the financial year; this will go a long way to improve the fund absorption rates of development grants.
- Regarding the ban on purchase of vehicles; districts should be considered on a case by case basis and those that do not have vehicles at all are considered in order to facilitate their operations and hence improve on their monitoring activities.
- Line ministries should inform districts immediately funds are remitted to their general fund accounts so that these funds can be timely remitted to benefiting sectors.

CHAPTER 3: PHYSICAL PERFORMANCE

3.1 AGRICULTURE

3.1.1 Introduction

Overview of the Agricultural Sector

International empirical evidence shows that agriculture contributes most directly to the reduction of income poverty in agrarian economies[4]. The majority of Ugandans (60 percent) derive their livelihood from agriculture[5]; this is the sector that provides raw materials for the industries and constitutes the largest source of export earnings. However, the performance of the agricultural sector has been dismal in recent years. The share of agriculture in total GDP has declined from 18.3 percent in FY 2005/06 to 13.9 percent in FY 2010/11; the sector growth rate declined from 2.9 percent in FY 2008/09 to 0.9% in FY 2010/11[6].

The mission of the agricultural sector is to "*Transform subsistence farming to commercial agriculture*". The sector development objectives are: 1) Increased rural incomes and livelihoods and 2) Increased household food and nutrition security. Among the key outcome indicators are: increasing the yield per hectare of coffee from 369kg/ha in 2005/06 to 406 kg/ha in 2012/13; value of agricultural exports from US$ 143m (fish) to US$ 157m (fish); yield per hectare of bananas from 369kg/ha to 406kg/ha; number of agro-based industries from 200 to 220; and average per capita farmer incomes nationwide from USh 400,000 to 440,000 per capita over the same period[7].

Scope of monitoring work

Three projects were monitored during this quarter, namely: Agricultural Credit Facility (ACF); National Genetic Resources Centre & Data Bank (NAGRC & DB); and Uganda Meat Export Development Programme (UMEDP). Table 3.1.1 presents the districts that were sampled.

Methodology

A four tiered approach was used to collect data and information from the relevant offices both at the Centre and Local Government level:

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[4] World Bank, 2007.

[5] UBOS, 2010.

[6] MFPED, 2011.

[7] MAAIF, 2010a.

1) Extensive review of secondary data sources including Ministerial Policy Statements, Approved Estimates of Revenue and Expenditure, Project Documents, Evaluation Reports, Performance Reports;
2) Review and analysis of data on the Integrated Financial Management System (IFMS).

Table 3.1.1: Agriculture programmes monitored in Q2 FY 2011/12

Vote	Programmes monitored	Sampled districts/institutions
008, project 0945, output 1401003	Agricultural Credit Facility	MFPED, Bank of Uganda, Amuru, Buhweju, Kampala, Kapchorwa, Kayunga, Lwengo, Lyantonde, Masaka, Masindi, Mbale, Mbarara, Mukono, Nwoya, Sironko, Wakiso,
010 – Output 010252	National Genetic Resources Centre & Data Bank	NAGRC Headquarters, Bulambuli, Apac, Kiruhura
1083	Uganda Meat Export Development Programme	Secretariat for Uganda Meat Producers Cooperative Union Ltd – Kampala; Luwero, Masaka, Mbarara

Source: Author

3) Key informant interviews and discussions held with project managers at Bank of Uganda, MAAIF, NAGRC & DB headquarters; and Uganda Meat Producers Cooperative Union Ltd.
4) Field visits and discussions held with project implementers and beneficiaries in various districts.

3.1.2 Agricultural Credit Facility

Background

The Agricultural Credit Facility (ACF) was established in 2009 by the Government of Uganda (GoU) for the purpose of commercializing agriculture through provision of subsidized medium and long term loans for projects engaged in agriculture, agro-processing, modernization and mechanization. In its first year of disbursement in 2010, the scheme had a revolving pool of funds amounting to UShs 60 billion financed equally by the GoU, represented by MFPED (UShs 30 billion) constituting a 50% risk cover; and participating credit and financial institutions (UShs 30 billion). FY 2009/10 constituted the pilot phase called ACF. Subsequent phases ACF -II and ACF-III are under underway to address emerging implementation challenges. A summary profile of the ACF is presented in Table 3.1.2.

Progress Update

As of November 2011, a total of 120 beneficiaries had accessed the ACF loans since its inception, according to Bank of Uganda (BoU) financial records. During the initial stages of implementation (ACF), commercial banks expressed concern that the interest rate of 10% was unfavourable compared to the high risk of lending to the agricultural sector.

Table 3.1.2: Summary profile of the Agricultural Credit Facility

Objective	Provision of soft loans for agricultural processing and commercialization
Lead Agency	Bank of Uganda
Implementation modality	PPP with Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions called Participating Financial Institutions
ACF I terms (FY 2009/10)	50% equal contribution to loan pool by GoU and PFIs; 10% interest rate
ACFII terms (FY 2010/11)	33.3% contribution to loan pool by GoU and 66.7% contribution by PFIs; 12% interest rate
ACF III terms (FY 2011/12)	50% equal contribution to loan pool by GoU and PFIs; 10% interest rate
Eligible projects	Acquisition of agricultural machinery, post handling equipment, storage facilities, agro-processing facilities and any other related equipment. Agricultural inputs do not exceed 20% of the total project cost.
Loan amount	Maximum Ushs 2.1 billion to a single borrower. Amount can increased to Ushs 5 billion for large projects that add significant value to the sector.
Grace period	Maximum of 3 years
Loan term	A range of 6 months to 8 years
Collateral	Primary security is machinery and equipment financed.

Source: ACF Procedure Guidelines; Discussions with BoU officials.

Negotiations between BoU and the PFIs resulted in the reviewing of interest rate upwards to 12% in ACFII. In addition, the Government's contribution was scaled down to 33.3% while that of commercial banks was increased to 66.7%.

The second phase ACFII did not perform to expectations due to the perceived high risk of lending to the agricultural sector. Commercial banks were hesitant to lend out which led to few individuals/firms benefitting under this phase. The poor performance led to a further review of the implementation modalities with the following key amendments being made, guiding the ongoing phase (ACFIII).

- PFIs are given block allocations for onward lending to beneficiaries. Previously, BoU reimbursed commercial banks after submission of requisitions worth UShs 250 million. This greatly slowed the financing process as BoU would wait for the total loan portfolio to rise to the required threshold before refunding the respective bank. Under ACFIII, funds are reimbursed as and when needed for requisitions that amount to UShs 10 million and above. This has quickened the lending process.

- The working capital for inputs was revised from the original 10% to 20% of the total cost to allow benefiting firms to meet some of the major recurrent expenses.
- The interest rate was reinstated to 10%
- The original arrangement of GoU and the PFIs of each guaranteeing 50% of the loanable funds was reinstated.

Financial Performance

For the three financial years 2009/10 up to FY 2011/12, the GoU has cumulatively released a total of UShs 48,063,913,048 to the Escrow Account in BoU for the ACF (Table 3.1.3).

Table 3.1.3: GoU releases to BoU for the Agricultural Credit Facility

Period/Phase	**Amount disbursed (UShs)**	**Note**
FY 2009/10 – ACFI	28,505,413,048	
FY 2010/11 – ACFII	12,058,500,000	*Only UShs. 1.6 billion was utilized during ACFII hence the rest of the funds were earmarked to ACFIII in FY 2011/12*
Balance on Escrow Account	7,500,000,000	
Total remittance	**48,063,913,048**	

Source: BoU financial records, November 2011.

By October 2011, BoU had transferred a total of UShs 40,563,913,048 from the Escrow Account to the Capital Account for onward lending. The status of the disbursements to commercial banks and the level of funds utilization are summarized in Table 3.1.4.

Table 3.1.4: Agriculture Credit Facility Disbursements and Commitments as of 30th October 2011

	Amount (UShs)

Transferred from Escrow Account	40,563,913,048
Total disbursements to date	(30,183,673,066)
Total Commitments to date	(5,560,262,987)
Repayments from the Participating Financial Institutions	4,129, 363,003
Cash Available	8,949,339,998

Source: BoU financial records, November 2011.

A major constraint that was noted was the slow absorption of funds under the facility. Although over UShs 35.7 billion had been disbursed to commercial banks, only UShs 5.5 billion or 15% of the disbursed funds had been committed to investments. The low absorption capacity was attributed to:

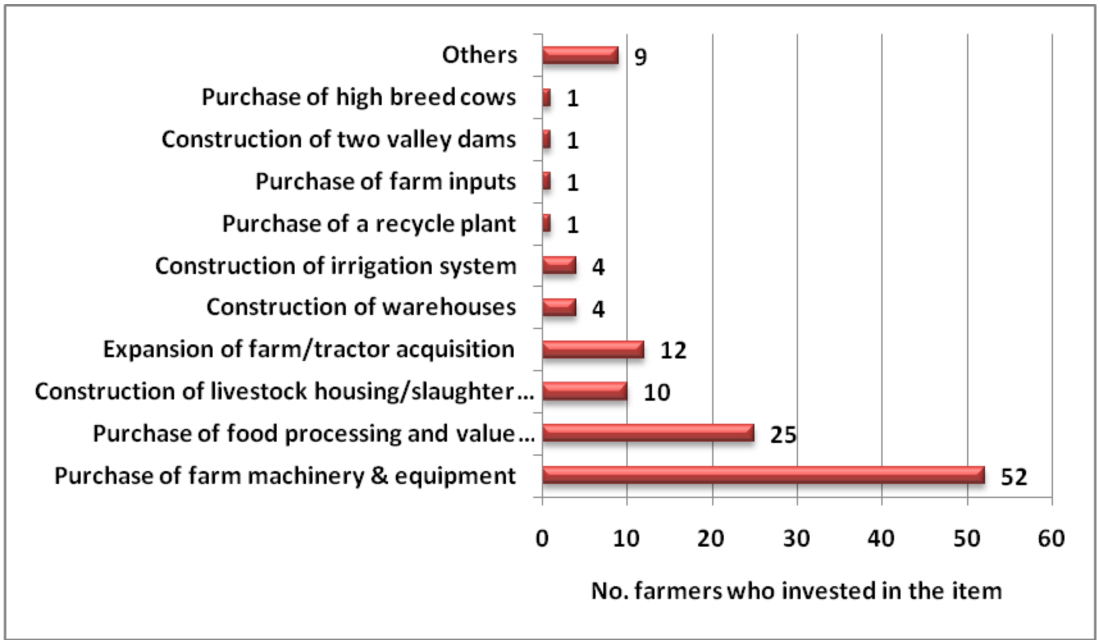
1) Slow processes and loss of time in commercial banks due to delayed start of background checks on potential customers. The background checks are done after the offer letter has been sent by BoU to commit funds rather than before. This leads to delays in disbursements by PFIs to beneficiaries, beyond the stipulated 14 days after getting the offer letter from BoU.
2) PFIs disbursing funds in installments rather than in block as required by their clients, as they fear losses and diversions.

Physical Performance

Overall performance

The majority of beneficiaries (52 farmers or 43%) have purchased farm machinery and equipment of assorted types including milking equipment, specialized tracks, hatcheries. This is followed by the category that has invested in food processing and value addition equipment (21%) including mills and processing equipment for milk and dairy products, seed oil, animal feeds, tea, coffee, maize, fish, wheat and cotton (Figure 3.1.1).

Figure 3.1.1: Investment areas by ACF beneficiaries during 2009 - 2011

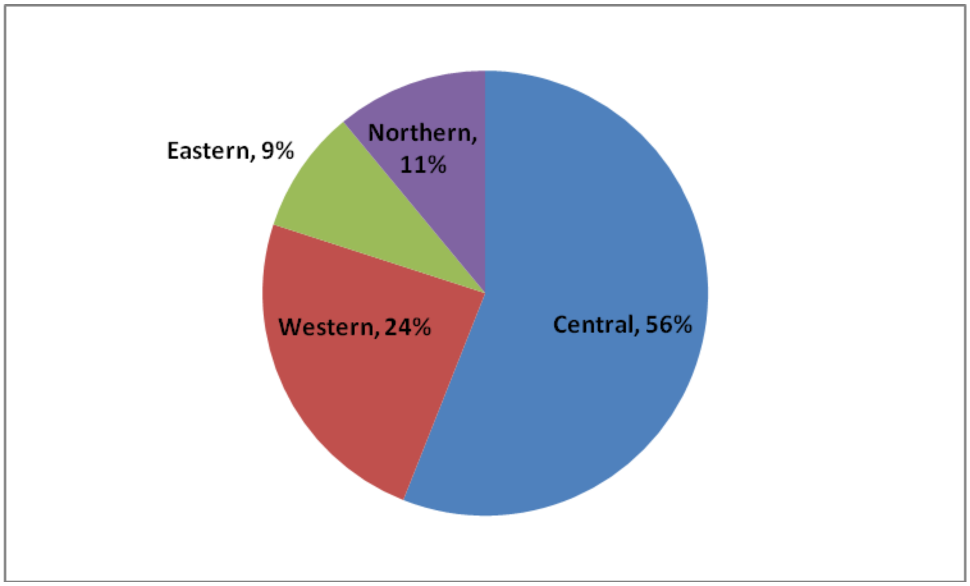


Source: Author's analysis from BoU financial data, November 2011.

Investments have also been made in acquisition of tractors to expand the farm area and construction of housing for piggery and poultry. ***It can therefore be concluded that the ACF has been well targeted to the eligible purposes of acquisition or purchase of agricultural machinery, post harvesting handling equipment and agro-processing machinery as was planned.***

In terms of regional balance, more than half (56%) of beneficiaries who have accessed the ACF are located in the Central region, followed by the Western region (24%). The Eastern and Northern region have benefitted least from the fund to date (Figure 3.1.2).

Figure 3.1.2: ACF beneficiaries by region



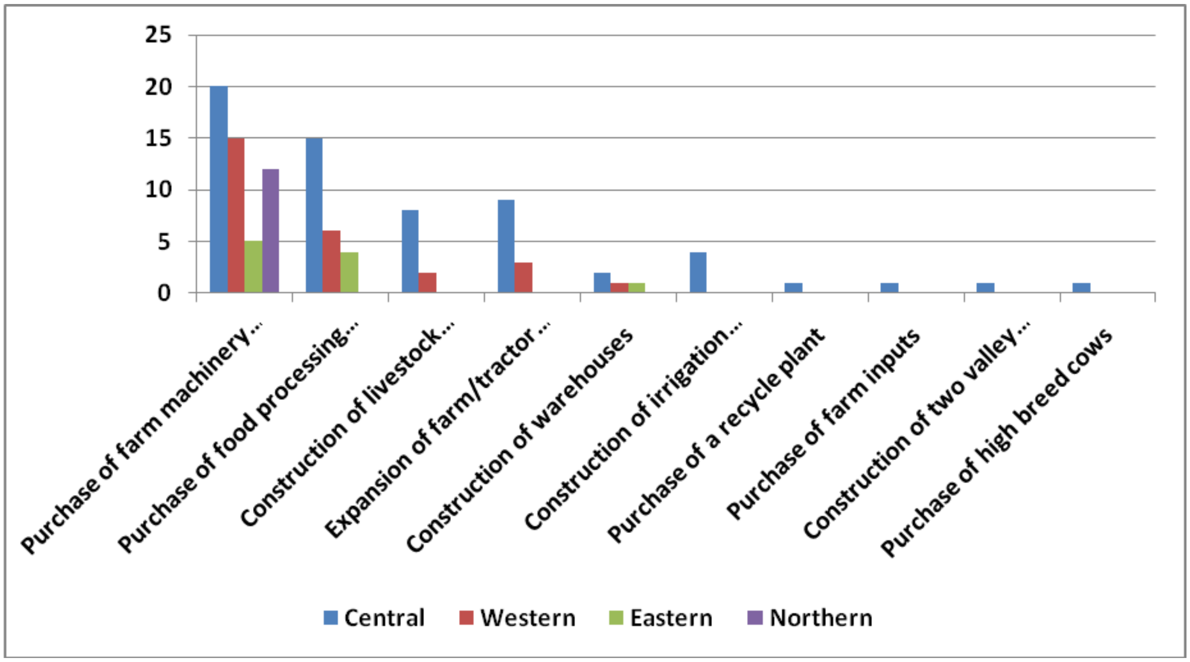
Source: Author's analysis from BoU financial data, November 2011.

During the field work, the monitoring team found the following reasons as partly explaining this unbalanced access to ACF:

- Ease of access to information about the ACF in the Central region compared to other regions. Many non-beneficiary farmers particularly in the North and East expressed ignorance of the ACF and how it can be accessed.
- The communal land system in Northern Uganda limits farmers' ability to access loans and exploit the available investment opportunities. Farmers do not know the boundaries of their land and hence cannot use it as collateral.
- Farmers in Northern Uganda are just resettling on their lands and consider such credits as highly risky and not easy to pay back.
- Skilled labourers are not easily available to hire in specialized agricultural investments. There are few people in the region who are skilled in repairing processing machines or tractors and the spares are not readily available. This poses challenges of maintaining the machinery.

Looking at the investments by region, the Central region stands out as having invested in all the eligible areas and mostly in farm machinery, processing facilities and tractors. The Western region has farmers who have invested substantially in these areas. Farmers in Northern Uganda have only invested in acquisition of farm machinery (Figure 3.1.3).

Figure 3.1.3: ACF investments by region



Source: Author's analysis from BoU financial data, November 2011.

Field findings

Note: For purposes of confidentiality that is a requirement under PPPs, the specific names of beneficiaries and commercial banks that advanced the loans are not included in this report. Names and locations of benefiting firms, where applicable, are included for authenticity of the findings.

The monitoring team sampled 20 beneficiaries of the ACF in 14 districts and visited their investments. The following general observations were made in the field:

- Overall, all the sampled beneficiaries apart from one, acknowledged having received the ACF loan as was documented in BoU records.
- The beneficiaries were given terms and conditions as set out in the BoU regulations and MoU with commercial banks, except in isolated incidences.
- Most beneficiaries found the terms and conditions of the loans quite unfavourable for medium and long-term investments. The ACF was noted to be geared towards short term investments were returns to pay back can be got immediately.

AMURU DISTRICT

Implementation status

The monitoring team visited a male beneficiary in Atapa village, Lamgoi Sub County, Amuru District who had recently established a farm of 700 acres. He reported having lodged an application of UShs 100 million in 2009 for a tractor to open up his farm. The BoU records indicated that he received a New Holland tractor worth UShs 81,587,250 in 2010 at the following lending terms: 10% initial deposit, 12% interest rate, loan period 3 years and no grace period.

The beneficiary used the tractor to open up 200 acres on his farm planted with simsim, cassava, millet and hiring it to his neighbors. He used the proceeds from renting out for purchasing pesticide, herbicides and hiring labourers on his farm.

Challenges

i. Crop losses due to locust invasion, heavy rains and lack of storage facilities, making loan repayment difficult. He requested the commercial bank to restructure the loan period from 3 to 5 years but this was not granted.
ii. The bank increased the interest rate in the middle of the loan period from 10% agreed at time of signing agreement to 12%.
iii. The tractor lacked accessories like planter or weeder. Use of manual labour makes the investment too costly and unprofitable.

Recommendations

i. Given the seasonal nature of agriculture and high losses before and after harvest, agricultural loans should have softer terms – longer repayment period and seasonal repayment schedules.
ii. Interest rates should not be varied during the loan period.
iii. Banks should offer proper advice to farmers on acquisition of a full set of equipment including planters, weeder and post harvest handling facilities.

BUHWEJU DISTRICT

Background

The monitoring team visited Buhweju Tea Factory in Burere village, Burere Sub-county in Buhweju district that benefitted from the ACF. Buhweju Tea Factory is a subsidiary of Igara Growers Tea Factory Ltd that is located in Bushenyi district. During the period 1994 to 2001, the Uganda Tea Growers Association was privatized to form four factories namely; Mpanga Growers Tea Factory, Mabaale Growers Tea Factory, Igara Growers Tea Factory and Kayonza Tea factory.

Igara and Kayonza tea factories are professionally managed by Uganda Tea Development Agency (UTDA). However, the installed capacity for processing green leaf remains low at these factories. Igara tea factory has capacity to process 75,000 Kgs of green leaves per day, yet peak demand rises to 280, 0000 kg of tea leaves per day. Due to the limited capacity to process, the quality of tea is often compromised.

During FY 2009/10, UTDA acquired a loan under the ACF worth UShs 5 billion to establish a tea factory in Buhweju district to increase on the processing capacity by an additional 50,000 Kg of green leaf processed per day.

Implementation status

The beneficiary acknowledged having set up a tea processing plant in Buhweju District using ACF loan worth UShs 5 billion although the BoU records indicated the loan amount as UShs 4,477,195,953. The loan was accessed in 2010 on the following terms: beneficiary contributed UShs 500 million as initial deposit; 10% interest rate; grace period of one year and loan tenure of five years. The short loan processing period was appreciated by the borrower.

A complete set of tea processing machinery was purchased and installed at the site including weathering troughs, mono rail conveyor, rotor vane machine, CTC machine, continuous fermenting machine, green leaf shifter, dryer, complete set of sorting machines, winnower, storage bins, packing machines, batch weigher, 2 generators (one 635KVA and another 50KVA), boilers and many other equipment.

Aerial view of factory at Buhweju **Installed machinery**

Prior to accessing the ACF credit, the beneficiary got a grant from MFPED in November 2008 that was used in setting up all the buildings and undertaking the civil works. The ACF credit has been used to purchase and install the necessary machinery and equipment and completing the civil works. The monitoring team found when the factory had started operations on a small scale in November 2011. The machine, sourced from India, was noted to be of high quality. Official opening of the factory is scheduled for 2012 when the external works have been completed.

Left: Weathering troughs **Right: Installed generator**

Challenges

i. Exchange rate losses: The loan was issued in Uganda Shillings yet the importation was transacted in US$. The beneficiary applied for a bridging loan of US$500,000 at 10% interest rate in order to cater for exchange rate losses.
ii. Transporting machinery to the site was too difficult and costly due to the hilly terrain and impassable roads especially during the wet season. The machines had to be offloaded and ferried by smaller trucks which increased the cost of installing the machinery.
iii. The grace period was only applicable to payment of interest; the company started paying the principal as soon as the loan was acquired.

Recommendations

i. Provide loans in the currency of purchase.
ii. Commercial banks and BoU to advise clients appropriately in regard to which currency to use in their loan applications and the potential risks in the business plan.
iii. Allow for a longer grace period of at least two years before repayment of the principle and the interest.
iv. Linking large project investments to development of rural infrastructure in the local governments. The Government should open the roads and provide power in areas where large investments are to be made, as a pre-requisite.
v. Improve physical monitoring of the projects to guide farmers/investors to implement viable business decisions.

KAMPALA DISTRICT

Background

Sun Fish Company, located in Kajjansi, is engaged in commercial fish farming. The company had won several contracts to supply live fish in Uganda and other neighbouring countries but lacked specialized trucks to carry the perishable commodity over long distances. The proprietor of the company reported having obtained a loan in March 2011 worth UShs. 118,000,000, as indicated in BoU records, for the purchase of a refrigerated truck.

Implementation status

It was appreciated that the loan processing period was fairly short: the application was lodged in September 2010 and approved in October 2010; the truck was received in November 2010. The following were the terms of the loan: 12% interest rate reportedly revised from 10% that was agreed at approval stage; one month grace period.

The truck has enabled the company to gain competitive edge over other hatcheries as fish can now be transported over long distances within Uganda, Kenya and Rwanda.

Challenges

i. Change in interest rates during the loan period;
ii. Delay in release of funds to enable the company pay the supplier in time. The truck was delivered before the funds had materialized.
iii. The narrow focus of ACF investment areas (equipment, post harvest handling, agro-processing) yet in aquaculture investment funds are mostly needed for production purposes. For instance, construction of a fish hatchery and cage farming needs specialized equipment yet this is at production stage which is not catered for by this scheme.
iv. Lack of detailed information about the terms and conditions under the ACF.

Recommendations

i. Maintain interest rate at level agreed at beginning of the loan throughout the loan period.
ii. Improve accessibility to information about ACF through increased publicity and information dissemination.
iii. Widen the scope of investment areas under ACF to include production related financing.

KAPCHORWA DISTRICT

Background

The BMAU team monitored Kapchorwa Commercial Farmers Association (KACOFA) that benefitted from the ACF loan in March 2011, having lodged the application in 2009. A farmer based group started in 199l, KACOFA traces its origin to a project called Investment Development of Export Agriculture (IDEA) - USAID that was promoting best agronomic practices and set up demonstration plots in the district. When the project wound up, KACOFA was established in order to sustain the activities of IDEA. Initially, the association started with 27 members but to date membership stands at 6,238.

Among the key objectives of KACOFA are: improving farmers' livelihoods; linking members to financial institutions in order to access credit; enhancing enterprise selection in the crops of maize, barley, sorghum and wheat; collective marketing and value addition. The association has registered high yields and is now engaged in contract farming – 2,500 metric tonnes of barley 200 metric tonnes of sorghum supplied per year. However, production remains below the demand. The Uganda Breweries needs 12,000 MT of sorghum grain while Kenya Breweries needs 20,000 MT. This has prompted KACOFA to mechanize through credits to buy the required machinery.

Implementation status

A loan application of UShs 756,000,000 was submitted in September 2009 for the purchase of four tractor units. The Association got the 4 Massey Ferguson tractor units in March 2011 imported from Pakistan at the following terms: interest rate of 12% (instead of 10% agreed at time of approving the application); loan period of five years; grace period of four months; initial deposit of UShs 40 million for insurance and costs of processing the loan.

The initial target was to open up 2000 acres belonging to 30 members in the association to grow sorghum on a large scale. However, they managed to open up 1600 acres for 12 members as the tractors were delivered late after the start of the season. This is the first time sorghum is grown on a large scale in the country. A minimum yield of 1600MT is expected. In 2012, the plan is to open up 5000 acres to get yield equivalent to 5000 MT.

In parallel, the World Food Programme (WFP) has built a grain processing factory for KACOFA to increase processing capacity. The monitoring team found when the factory installations had been made and it is planned that it will come into production in 2012.

Tractors received under the ACF in Kapchorwa district

Grain processing facility built by WFP

Challenges

i. Change from 10% interest rate agreed at time of loan approval in 2009 to 12% interest rate at time of disbursement in 2011;
ii. Long period (close to 2 years) taken by commercial bank to process the loan; the value of the loan is eroded overtime. The association had to fly in an expert from South Africa to determine the viability of the loan. It was reported that officials in commercial banks have limited knowledge of the farmers' calendar/seasons, fear signing off loans for this sector due to the perceived high risks and hence process the loans late.
iii. The price of agricultural equipment in Uganda is three times that on the world market which increases the cost of production at farm level.
iv. Lack of harvesting machines leading to huge post-harvest losses and little returns to investment (Box 3.1.1).

Box 3.1.1: Viability of ACF reduced by inadequate investment in entire value chain: Case study of Kapchorwa Commercial Farmers Association

After opening up 1,600 acres of sorghum using the tractors obtained through the ACF credit and hybrid seeds imported from Zambia, the KACOFA was faced with a challenge of timely harvesting to minimize post harvest losses and quality loss. The association tried hiring a combine harvester from Kampala but it could not navigate the poor roads in the district in the rain season. A second option tried was hiring a combine harvester from Sebei Cooperative Union but it had limited capacity: it harvested 6-7 acres per day implying that harvesting 1,600 acres would take 3-6 months yet the requirement for sorghum is that it should be harvested within two weeks after maturity.

The association also tried to hire threshers from NAADS but they too had limited capacity compared to the amount of work to be accomplished. Threshers required 14 people to harvest an acre and they took 2 days to complete it. Because of lack of harvesting equipment, it is estimated that more than one half of the crop may be lost. For returns from the ACF credit to be high, it was important that the business plan at the beginning should have ensured investments in the entire value chain, beyond expansion of acreage. The Association estimates that it would need an additional 6 tractors and 2 combine harvesters for sorghum production to be profitable in the next season under the ACF arrangement.

Recommendations

i. Encouraging commercial banks to recruit agricultural officers or create agricultural departments to handle ACF and other agricultural related credits. Alternatively, stepping up capacity building of existing officers in agricultural related investments and the potential risks.
ii. Government should keep track of the investments under the PPPs to remove structural bottlenecks that might affect project viability.

iii. Government to strengthen controls to ensure quality agricultural equipment is imported into the country. Much of the equipment that is available on the market from China and Taiwan is sub-standard.
iv. Government to consider supporting importation of high quality second hand agricultural equipment from USA and UK. These would be re-fabricated and sold to farmers at reasonable prices.
v. Consider reducing the interest rate for agricultural investments further below 10%.

KAYUNGA DISTRICT

The monitoring team sampled an individual farmer and a firm Seasons Diary in Kayunga district that were recorded to have benefitted from the ACF.

Individual beneficiary in Kayunga Town Council

The individual beneficiary, farming in Kayunga district lodged a loan application January 2011 a Mahindra tractor worth US$35,000 and plough worth US$ 4500. The loan was granted and the beneficiary received the tractor in March 2011 at the following terms: 12% interest rate; loan period of 36 months; 20% of the total loan cost deposited initially. The beneficiary opted not to take up the grace period and started servicing the loan immediately.

The beneficiary ploughed and established 2 acres of pineapple in Kayunga district, 10 acres of sweet pepper in Mukono district and rented out the tractor to Kakira Sugar Works in April-October 2011 earning UShs 20 million. The East African Seed Company in Mukono also hired his tractor and he earned UShs 30 million. The beneficiary expressed satisfaction with the quality of the tractor; but the plough was noted to be of poor quality, frequently breaking down and requiring welding. The main challenges expressed where a) the lack of good quality spare parts on the market b) the 20% upfront deposit that is a limitation to acquiring high quality more costly equipment.

He recommended that:

i. ACF loans should finance acquisition of a complete set of equipment.
ii. Potential clients should be properly mentored and guided to make feasible business plans.
iii. Revise the initial deposit by the clients downwards.

Seasons Diary Farm Limited

Based in Kayunga district, Bbaale Sub County, this company is a manufacturer of cheese for ten years now. When it had just started operations, the company used to process 50 litres of milk per day; currently, the company uses 3,000 litres of milk per day from the neighbouring villages using simple equipment. The proprietor seeks to modernize the plant to produce cheese and other products commercially. Hence, he lodged an application in 2010 in one of the commercial banks requesting for a loan of Euros 80,000 to purchase machinery from Italy.

He ordered for the machinery since the Italian suppliers offered a guarantee of Euros 100,000. *The Company is listed in BoU records among the farms that had benefitted from ACF - UShs 117,600,000 and this money had been paid back. The monitoring team found that the Company had not benefitted from the ACF as of November 2011, as the application was rejected on grounds that this client was likely to default.*

The company currently has two commercial loans; UShs.110, 000,000/= at 22% interest rate and UShs. 63,000,000/= at 24% interest rate. These loans have been used to build new premises and acquire some equipment for the cheese making factory. The beneficiary expressed interest to get the subsidized loan from ACF to pay off the Italian equipment, which had arrived in the country and for installing the equipment.

Left: Current/old premises of cheese factory Middle and left: New premises for the factory built with commercial loans

Key challenges

i. Lack of information about the ACF to aid decision making by the farmers;
ii. The lengthy and tedious process of applying for ACF loans;
iii. Lack of agricultural departments in commercial banks. The officials that handle this facility have limited understanding of the value chains in agriculture, the business opportunities and gestation period of specific agricultural projects.

Recommendation

i. Strengthen linkage between commercial banks and professionals in agriculture such as at MAAIF, NARO and Universities for purposes of capacity building.

LWENGO DISTRICT

Background

The BMAU team monitored one of the ranchers in Mbirizi village Lwengo district who was recorded as having benefitted from the ACF. The ranch has a variety of dairy and beef cattle raised for sale including: Aberdeen Angus, Sahiwal, Borans and Friesians. The proprietor applied for the ACF loan worth UShs 256,000,000 for purposes of construction of a water distribution and storage system.

Implementation status

The loan was advanced in 2011 as requested within a period of 3 weeks after lodging in the application. The loan terms were: 10% interest rate; loan period of five years; no grace period. The commercial bank paid itself interest from the proprietor's account before he could make the first withdrawal of the loan.

The loan was intended for the construction of a valley dam, dip tank, concrete water tank, water troughs, piping system and a generator. Construction was done of a dip tank which was already in use, a water tank and 3 water troughs. The funds were inadequate to complete the other installations.

Water tank and one of the water troughs in Lwengo district using ACF loan

Challenges

i. The terms of the loan were noted to be unfavourable for long-term investments, especially infrastructure development, that yield returns in later years. Instant repayments are difficult when there is no available income from the investment.
ii. The interest rate is still high since there are so many risks in the agricultural sector investments.

Recommendations

i. Should consider giving longer grace period for the principal and interest and allow for longer loan period for infrastructure developments.
ii. Expand the credit lines to include production loans that have quicker returns to enable the borrowers service the long term investments.
iii. Lower the ACF interest rate to 5%; alternatively, grants should be extended to the farmers.

LYANTONDE DISTRICT

Background

The ACF beneficiary, Pearl Mixed Farm, is located in Kashagama Village, Kashagama Sub County Lyantonde district and it is Ranch No 9 of the former Masaka Ranch Scheme. In 2010, the proprietor of the farm applied for a loan for purposes of fencing, dam opening, planting of a banana and coffee plantation and rehabilitation of water source.

Implementation status

The proprietor reported having received UShs 1 billion as recorded in BoU financial records at the following terms: 10% interest rate; grace period of one year and loan period of eight years. The monitoring team found evidence of the loan having been used for the following purposes:

- Excavation of one valley dam and rehabilitation of four existing dams.
- Fencing of 2 square miles ranch land.
- Construction of four goat houses.
- Establishing 15 acres of coffee and 15 acres of banana.
- Installation of an irrigation system at the plantations.
- Installation of a mechanized system at one of the water troughs to provide water to the cows.

Excavated valley dam at Pearl Mixed Farm in Lyantonde district using ACF

Challenges

i. The ACF offers commercial loans rather than agricultural loans whereby repayments are made before income is realized. The proprietor intended to liquidate some of the farm assets to repay the loan in time.

ii. High interest rate

Recommendations

i. Restructure the ACF arrangement to ensure that repayments are made when income has been realized.

ii. Consider lowering the interest rate to below 7%.

MASAKA DISTRICT

Background

The beneficiary is located in Mwalo village, Kimanya Kyabakuza Division, Mbarara Municipality, Masaka district. He has been a poultry farmer since 2005 and had 20,000 birds by the time of the monitoring visit in November 2011. He wanted to expand his enterprise to 40,000 birds; hence he applied for the ACF loan in September 2009.

Implementation status

He reported having received a loan worth UShs 220 million, as indicated in BoU financial records, in March 2010 The loan had the following terms: 10% interest rate, six months grace period for the principal and loan tenure of three years. The delay in processing the loan affected project viability as the loan matured at the time when prices of chicks and feeds had escalated.

He used the loan to purchase 10,500 day old birds instead of the planned 20,000 and to complete one of the storied chicken houses. He was however forced to sell off the birds during May - August 2010 when there was a scarcity of poultry feeds. A Kg of feeds cost UShs 1,300 as opposed to UShs 300 that he had submitted in his business plan which made his enterprise non-viable. Each bird was sold off at an average of UShs 3,500 but the earnings could not cover repayment of the loan. In summary, the loan could not be used effectively due to the prevailing unfavourable economic situation.

Challenges

i. Pay back of interest when the enterprise had not yet matured negatively affected the investment.
ii. Non-flexibility of the loan terms to take into account distress periods that are common in agricultural investments.
iii. Lack of expertise in commercial banks to offer useful advice for agricultural investments.
iv. Counterfeit poultry drugs on the market due to inadequate monitoring, supervision and quality assurance in this industry.

Recommendations

i. Extend grace period to cover payment of interest on the loan.
ii. Banks should be able to reschedule loans to avoid agricultural ventures going under.
iii. Strengthen controls to ensure quality poultry/animal drugs are imported in the country.

MASINDI DISTRICT

The monitoring team visited two individual farmers and one cooperative recorded in BoU records as having benefitted from the ACF.

Beneficiary in Masindi Municipality

The beneficiary is located in Kihande village II, Central Division, Masindi Municipality, Masindi district. He is a cane out grower for Kinyara Sugar Works. He applied for the ACF loan in July 2010 for a tractor valued at US$35,000. He received the New Holland tractor worth UShs. 82,474,000 in October 2011 on the following loan terms: 10% interest rate, deposit 10% of the total loan value, grace period of 2 months and loan period of 4 years.

The tractor was noted to be of good quality. The complaint was with the plough that could only weed a small area. It was adjusted for maximum weeding coverage. At the time of the monitoring visit in November 2011, the tractor was rented out to Kinyara Sugar Works for 6 days a week earning about UShs 220,000 per day.

The challenges noted were:

i. Poor customer care in commercial banks when recovering the loans.
ii. Lack of flexibility in restructuring the repayment schedules when revenue from investment is not forthcoming or returns are low.
iii. Tractor cannot be used or hired during dry season which makes loan repayment difficult in this period.

Recommendations made:

i. Improve customer care when recovering loans.
ii. Restructure loan repayment terms in the agricultural sector to be quarterly to take into account seasonal variations.

Kisindi Cooperative Farming Society

The cooperative society is located in Kibanda village, Pakanyi Sub County, Kyakamese parish, Masindi district and was established in 1967 with its initial enterprise being cattle keeping. The Cooperative has 137 members. In 2010, the association received its first tractor – Sonalika type - as a donation from the Government under the BONNA BAGGAGAWALE scheme. The tractor was used as a source of income for the cooperative society and over time, demand for tractor services in the district rose. This prompted the society to acquire more tractors.

The society applied for a leased loan asset in 2010 worth UShs 135.37 million plus UShs 12 million for the purchase of two tractors. They received 2 tractors of Sonalika type from Kampala at the following terms: 10% interest rate, grace period of 2 months and loan period of five years. The tractors are used in the ploughing and disking of fields for group members and as a means for transporting produce at a fee.

Tractor received by Masindi Cooperative under the ACF

Challenges

i. Sonalika type tractors are of poor quality requiring frequent repair of the gear box. Each month, the Cooperative spends on average UShs 800,000 on repairing both tractors. Spares are not easily accessible; they can only be sourced from Kampala.
ii. Long period of loan processing. It took six months between the submission of the application and the loan approval.
iii. Confiscation of the tractors by the commercial bank due to delayed payments which increases the arrears as the tractor is not earning an income.
iv. Limited understanding of the loan procedures and how to get the most appropriate loan terms.
v. The interest rate of 10% is too high for agricultural related investments.

Recommendations

i. The interest rate under ACF should be reduced to 6%;
ii. Government should disseminate information on credible sources of good quality agricultural equipment and their spares;
iii. Restructure the loan repayment schedules so that beneficiaries pay on a quarterly rather than monthly basis;
iv. Strengthen linkages with seed companies to provide improved seed to beneficiaries for commercial production.

Commercial sugarcane farmer in Bwijanja Sub-county

The monitoring team monitored a female beneficiary in Kitamba Parish, Bwijanja Sub-county Masindi district. She is an outgrower with over 650 acres of planted sugarcane and 50 acres of pine trees. She applied for a loan worth US$ 340,000 in May 2011 to purchase 6 tractor units, a small tractor for weeding and 1 truck. The plan was to hire out the equipment to Kinyara Sugar Works and also ease operations on own plantations.

The beneficiary acknowledged having received the Massey Ferguson tractor units and truck from India in July 2010 at 10% interest rate and no grace period. The bank immediately started deducting payments against the loan before the tractors were assembled.

At the same time, Kinyara Sugar Works closed for annual renovations. By the time of the monitoring visit, the beneficiary had repaid UShs 180,000,000.

Due to lack of income as the tractors were redundant, the repayments were behind schedule by 3 months. The beneficiary requested the bank to restructure the loan repayment schedule to be seasonal, a proposal that was rejected. All the equipment was confiscated by the bank, taken to Kampala and immediately advertised for sale.

It was recommended that:

i. When commercial banks impound machinery due to delayed payments, it should be kept within the district to avoid the high cost of transportation from Kampala when payment has been effected.
ii. Farmers should be assisted by Government to make viable business proposals.

MBALE DISTRICT

Background

The BMAU team monitored Mt. Elgon Millers Ltd that was listed as a beneficiary under the ACF. The company, dealing in grain processing, is located in Mbale Industrial Area, Manatala village. The company in 2010, applied for a loan worth UShs 2.5 billion to construct five warehouses, one in Mbale and 4 in Kampala (Nalukolongo).

Implementation status

The beneficiary reported having got UShs 2.5 billion in December 2010 and the warehouses were at different stages of construction. The terms of the loan were as follows: 10% interest rate, loan period of 4 years, grace period of one year.

Mbale warehouse under construction

Challenges

i. Lengthy period of processing loan
ii. High interest rate

Recommendations

i. Government to reduce the interest rates under the ACF to 6%.

MBARARA DISTRICT

Background

Pearl Diary Farm, one of the ACF beneficiaries, is located in Karanoriya village, Mbarara Municipality, Mbarara district. The company applied for a loan in 2010 worth UShs 5 billion to establish a milk processing plant. The loan would complement existing private resources as the total cost of the plant was valued at US$ 20 million. Presently, there is a general lack in Uganda of plants that process milk and related products at the required international standards. The intention of the company therefore is to process milk that will penetrate the export market.

Implementation status

Pearl Diary farm got the UShs 5 billion loan in 2010 at 10% interest rate and loan period of 5 years. Construction of the plant commenced in November 2010. By the time of the monitoring visit in November 2011, construction was 70% complete with most installations in place. Most of the machinery used at the plant was fabricated locally onsite and more than 80% of the laborers onsite were Ugandans. Production is scheduled to start in the first quarter of 2012 and the plant is expected to employ a total of 210 per day working in 3 shifts. Initial capacity of the plant will be 300,000 litres of milk processed per day but will gradually rise to 600,000 litres of milk per day.

Challenges

i. Delays experienced in clearing and transportation of logistics from Mombasa lasting up to 45 days.
ii. Some raw materials used in fabrication of machinery are not readily available in Uganda. For example, the company had to import 10,000 tonnes of steel and specialized gas used in the welding.


Left: Installations at the milk processing factory in Mbarara Right: Boiler being fabricated onsite.

iii. Lack of technical personnel in Uganda to install the machinery; the cost of installation is increased by reliance on suppliers of the machinery to oversee the civil works.
iv. The stringent terms under the ACF that does not allow restructuring of the loan repayments. The company requested their bankers for a grace period of 6-9 months but was granted an extension of 3 months only.

v. Inaccessibility of BoU or MFPED to address issues that emerges between the clients and the commercial banks.
vi. High interest rate that makes the products uncompetitive on the international market.
vii. Poor rural infrastructure posing a challenge when collecting milk from farmers.

Recommendations

i. Increase client's accessibility to BoU or MFPED or any other arbitrator that would address emerging issues between the clients and their bankers, under the ACF arrangement.
ii. Provide tax exemption for the company as 70% of its commodities will be exported. The company has already submitted forms to URA for scrutiny.
iii. Reduce interest rate to 2% to boost export investments.
iv. Consider introducing an export promotion or financing scheme.

MUKONO DISTRICT

Background

The beneficiary Biyinzika Enterprises Farmers Ltd is located in Kabembe village, Mukono district. The farm started in 1992 with importation of chicks from and started importing fertilized eggs in 1995. The tax exemption on imported fertilized eggs given by MFPED in 1994 to 1996 enabled the farm to expand and set up own hatchery and breeder in 1998. The farm is now a net exporter of chicks in the region, exporting 6000 chicks to Tanzania and 30,000 chicks to Kenya on a weekly basis. In 2010, the farm sold 6 million chicks, expected to rise to 8.5 million chicks in 2011.

Biyinzika Enterprises Farmers Ltd lodged applications for two loans for purchasing farm machinery and an irrigation system to commercialize maize growing. The farm uses over 500,000 MT of maize every year in the poultry enterprises.

Implementation status

The farm proprietor reported having accessed two loans, as indicated in the BoU financial records: the first loan in February 2010 equivalent to UShs 1 billion (US$ 430,000) at 10% interest rate and the second loan in March 2010 worth UShs 1.175 billion (US$ 500,000) at 12% interest rate. For both loans, the grace period was 11 months and loan period 4 years.

The loans were used to purchase equipment from USA including: 1 bulldozer, 6 tractors, 3 planters, 5 manure spreaders, 2 boom sprayers, 3 harrowers, baldon soil breaker, four units of irrigation equipment, 1 combine harvester, 1 bale processor and 1000 MT grain storage silo. The farm already had 3 grain storage silos. The monitoring team saw some of this equipment on farm.



Machinery purchased by Biyinzika Enterprises using ACF loans

The plan is plant a total of 1.2 sq miles of maize. So far, the farm has established 160 acres of maize in Nakaseke, 500 acres in Kakira, 500 acres in Nakasongola, 60 acres in Mukono and 30 acres in Ndejje, using the equipment acquired.

Challenges

i. Delay in processing ACF funds that leads to losses in foreign exchange and value of the investment.

ii. Unreliable power supply, the firm relies heavily on a generator that escalates the cost of production.
iii. Taxes on fuel and other chemicals used in agricultural production.
iv. High interest rate

Recommendations

i. Reduce interest rate to 3%;
ii. Improved oversight over the ACF operations by BoU to ensure that the funds are disbursed in time by the commercial banks.

NWOYA DISTRICT

The monitoring team visited 3 farmers in Nwoya district that were indicated in the BoU records as having benefitted from the ACF.

Beneficiary in Pabit West Village

The beneficiary has a farm of 500 acres in Pabit West village, Pabit Parish, Purongo Sub County, Nwoya district. In March 2010 he applied for a loan equivalent to UShs 25 million to top up his equity to purchase a reconditioned Massey Fergusson tractor from England. The farmer got the tractor one month later in April 2010 at 10% interest rate, loan period of 3 years and no grace period. He used the tractor in 2011 to cultivate 30 acres of rice, 10 acres of maize and 5 acres of sunflower. He also hires out his tractor to the community and earned about UShs 30 million in 2010 and UShs 20 million in 2011.

The farmer noted the following challenges:

i. Lack of harvesting equipment that is vital for commercialized agriculture.
ii. The communal land ownership system in Northern Uganda limits potential applicants from applying for the loan. Few people in the region have land titles.
iii. The planting materials and seed used in Northern Uganda have low productivity and viability rates as they are not developed specifically for the ecological conditions in this region.
iv. ACF loans do not cater for production inputs like fertilizes yet they are essential in improving productivity.

Recommendations

i. The loan terms and purposes should be varied for Northern Uganda to take into account its peculiar conditions arising from conflict. For example, what is needed in the North are production inputs rather than value addition equipment.
ii. Standardize the period of processing loans at commercial bank level to allow farmers to plan ahead.
iii. There is need for improved agronomic practices to be packaged in the loan. For example, farmers should be guided on the right seed to plant that will work best with the equipment that is acquired.

Beneficiary in Latoro Village

This beneficiary was recorded as having invested in Amuru district. However, with the split of the district, his investments are now located in Nwoya district in Latoro village, Pajejjo Parish, Purongo Sub county. In 2009, the farmer bought a tractor to open up his 300 acres. Later, he realized that there was high demand for tractor services in the region. Therefore he applied for a loan to acquire a second tractor.

The loan worth about UShs 31 million was secured in 2010 and used to source a Massey Fergusson tractor from Japan. The terms of the loan were: 10% interest rate, grace period of 2 months and a loan period of 2 years. The tractor has been used to open up 100 acres on his farm and for opening up neighbors' fields.

The challenges that have been encountered by the farmer included:

i. Lack of skilled labour in the Northern region to hire in specialized investments *"Many people do not even know how to plant beans"* lamented the beneficiary.
ii. Limited information disseminated about the ACF.
iii. Weak farmers groups and SACCOs such that farmers are not sufficiently mobilized to participate actively in Government programmes.

Beneficiary in Orum Goro village

The beneficiary is located in Orum Goro village, Koch Goma Sub County, Nwoya district where he owns 100 acres. He leased an additional 50 acres in Wii Anaka village Purong Sub County. He submitted his loan application in December 2009 for UShs 53 million to purchase a Massey Fergusson tractor from Pakistan which he received in April 2010 at the following terms: 10% interest rate, loan period of three years.

Processing of the loan took long such that when the tractor was delivered, the season was over. Nevertheless, the tractor was used to plant 15 acres of maize and 5 acres of beans in the first season. Thirty acres of maize, sorghum and groundnuts were planted in the second season. The farmer has also earned UShs 15 million during the two seasons from hiring out the tractor.

The challenges faced included:

i. Slow response by commercial banks in processing the loan;
ii. Fuel costs being too prohibitive for effective use of the tractor;
iii. Spare parts for tractor are too expensive and not easily available in the region;
iv. Lack of proper storage facilities for commercial production resulting in high post harvest losses;
v. The initial deposit required by banks in order to access ACF is not affordable to many potential beneficiaries who are just settling back after the war.

It was recommended to:

i. Restructure the loan repayment schedules so that they are quarterly rather than monthly.
ii. GoU to establish tractor units or workshops at Sub-county level to make spares and maintenance services more easily accessible.
iii. Support farmers to construct storage facilities at community or Sub-county level
iv. The ACF should be provided through farmer groups as well.

SIRONKO DISTRICT

Background

Budadiri Arabica Coffee Factory was listed in the BoU records as one of the ACF beneficiaries. Located in Bumatofu village, Budadiri Town Council, the coffee factory is a private company established in 1997 to process coffee for export. The company benefitted from a line of credit from the Islamic Development Bank to start operations. Another loan was needed to step up processing capacity hence the application in 2009 for UShs 208 million under the ACF.

Implementation status

The company received a 250KVA generator in 2010 and a gravity separator imported from Brazil in 2011, all worth UShs 208 million. The monitoring team found both equipments functional. The terms of the loan were: 10% interest rate; loan period 6 years and grace period 6 months.
Prior to purchase of equipment in December 2009, the factory was processing 700 tonnes of coffee parchment; but by December 2010 when generator was functional, processing capacity had risen to 1.3 million tonnes; and processing capacity was expected to rise to 2.5 million tonnes with the new equipment. Because of the expanded investments under the ACF, the credit worthiness of the factory has risen. Before accessing the ACF, the banks could only provide working capital of up to US$500,000. With increased output, the factory has been able to source a commercial loan for working capital worth US$1,000,000.

Left: Gravity Separator sorting coffee beans

Right: 250KVA generator

Challenges

1. Poor farming practices and high post harvest losses at farm level resulting in low volumes of poor quality coffee available for processing.
2. Lack of crop financing for enabling farmers to scale up coffee production.

Recommendations

1. Introduce another loan facility targeting small scale farmers and possibly commodity based to provide low interest crop financing through Micro deposit taking institutions (MDIs) and microfinance institutions (MFIs).
2. Strengthen linkages between farms and the extension service to improve access to agro-inputs, extension advice and quality assurance services.

WAKISO DISTRICT

Background

The core business of Formula Feeds Ltd is to manufacture animal feeds. Currently, the feed is manufactured in marsh form and the installed capacity at their factory in Matugga is 70 tonnes of mash processed per day. In 2010, the company applied for a loan for the purchase of a state of the art automated feed mill to step up manufacturing capacity to 240 tonnes per day. The total cost of the loan applied for initially was US$983,000 (UShs 2 billion). Adjustments were made to the loan amount requested due to inflationary pressures and the amount granted was UShs. 2,831,040,000.

Implementation status

The beneficiary acknowledged having received the loan amount as requested, subject to the following terms: Loan period of eight years, grace period of six months and 12% interest rate. The company was satisfied with the processing of the loan as it matured in only five weeks after the application had been submitted. There was delay in shipping the machinery as the suppliers from Austria delayed in processing the necessary documentation. By the time of the monitoring visit in November 2011, only 10% of the total machinery had arrived and more parts were expected in December. Full scale production was expected to commence in June 2012.

Challenges

i. Persistent load shedding constrains processing capacity; alternative power sources like a generator have high operational costs.
ii. Lack of proper storage and drying facilities at farm level leading to poor quality produce brought to the factory for processing. The grain is not readily available as needed by commercial processors.
iii. The ACF though, a good line of credit for agricultural enterprises only caters for machinery. All other aspects which are vital for successful operations are ignored such as working capital loans, and construction of warehouse to house the machinery.

Recommendations

i. GoU should give a subsidy on fuel for large scale manufacturers.
ii. Set up strategic grain reserves through PPPs.
iii. Expand the uses under ACF to include operational expenses as a major item.

Strategic Policy Issues

Generally, the ACF has been properly targeted to the intended beneficiaries although there are issues associated with regional imbalances with the Central and Western regions benefitting disproportionately more than the other regions. The following strategic policy issues are noted for purposes of improving the use put to ACF funds.

1. **Interest rate**: The interest rate of 10% to 12%, though reasonable, is still high for nascent investments in the agricultural sector. The risks to investment in agriculture are considerably high and need to be offset with cheaper loans. Consideration should be given to reducing the rate to no more than 5%.

2. **Eligible projects and purposes**: The ACF in its current form caters mostly for fixed assets for value addition and agricultural machinery, with working capital not exceeding 20%. It is recommended that the scope of eligible projects should be expanded to include production and input related projects and scaling up provision for working capital beyond 20%. New credit lines could be considered such as export financing, group based loans and production credits specifically for Northern Uganda.

3. **Grace period**: should not only be limited to the principal but also cover payment of interest on the loan.

4. **Payment Schedule**: Commercial banks collect loan repayments on a monthly basis which is not in tandem with the seasonal calendar in the agricultural sector. There should be some flexibility in the ACF to allow farmers to pay on a seasonal or quarterly basis for projects that generate returns seasonally. BoU should allow commercial banks to restructure loan repayment terms where needed to keep the projects afloat.

5. **Inter-Sectoral linkages**: Although this project is agricultural, there are barely any linkages with the institutions that are responsible for the sector, principally MAAIF. BoU lacks professional agriculturalists to oversee the performance of the programme technically. This has led to very weak or non-existent linkages between the beneficiaries and extension service/research system making access to inputs and good quality equipment difficult. There is need to strengthen links between ACF at BOU with MAAIF, NAADS, NARO, Seed Companies, districts and other private sector farmer organizations.

6. **Information dissemination, monitoring and evaluation**: Information about the ACF is scanty and monitoring of the credit is not done, BoU explaining that they lack operational expenses for these items. There is need to create a budget line under BoU to publicize the credit so that it is not viewed as a political intervention for a few influential persons. The operations at commercial bank level should be closely monitored to minimize abuse of regulations, lengthy processes and mishandling of clients. Significant time lags of between three to four months from application of the loan to the actual approval are noted.
   Suggested avenues of disseminating information about the ACF include local radios, media, TV stations, MAAIF, CAO and NAADS offices at district level, Office of the Sub-county Chief and posters and popular versions in local languages.

7. **Viable business plans**: Many clients have got problems with their investments because their business plans were not good and they were not properly advised by commercial banks which lack staff with agricultural expertise. Commercial banks should be encouraged to recruit or use services of experts in agricultural lending. In addition, a separate credit line should be created at BoU or Private Sector Foundation Uganda for supporting potential clients to prepare viable business plans.

8. **Micro-deposit Taking Institutions**: So far, MDIs and MFIs have not taken active part in the ACF scheme as had earlier been planned because they lack funds to co-finance with Government. It is proposed that a separate credit line could be designed where MDIs and MFIs are not required to co-finance but act as a conduit to channel funds from BoU to small holder farmers mainly for purposes of expanding or commercializing production.

3.1.3 National Animal Genetic Resources Centre & Data Bank

Background

The National Animal Genetic Resources Centre and Data Bank (NAGRC & DB) became operational in 2003 as a body corporate under MAAIF as established by the National Breeding Act of 2001. Its mandate is to optimize livestock production and productivity through animal breeding in order to improve food security and eradicate poverty in Uganda. Animal breeding is controlled mating or conception of animals for the purpose of developing new and better types.

According to their Five Year Strategic Plan[8], the key objectives of NAGRC&DB for the period 2010/11 to 2015/16 are summarized as:

- Establish and develop breeding structures.
- Establish, develop and maintain well managed farms.
- Recruit and retain competent and trained personnel.
- Establish sound financial systems to provide sustainability and public accountability
- Generate earnings to sustain operations through a 30% sales growth per year.
- Establish sound governance and oversight of the Centre's activities.

NAGRC & DB has 10 farms/ranches and 3 Satellite Centres as presented in Table 3.1.5. The farms were established in the 1960s for the purpose of breeding and availing good quality stock. Most stock was lost in the subsequent wars in the 1970s and 1980s. Restocking has just commenced in recent years.

[8] NAGRC&DB, 2011.

Table 3.1.5: NAGRC & DB Farms and Ranches

Stock Farm/Ranch	Location	Breeding Purpose/Acreage	Physically monitored by BMAU
Njeru Farm	Buikwe	High producing Friesian and Brown Swiss Cattle (750 acres)	-
Nshaara Farm	Kiruhura	Conservation of Ankole cattle (10,240 acres)	√
Ruhengyere Farm	Kiruhura	Beef & dairy crossbreeding; conservation of Black and spotted Mubende goats (13,500 acres)	√
Sanga Farm	Kiruhura	Brahman and Charlais cattle breeds and pure Mubende goats (900 acres)	√
Rubona Farm	Kabarole	Breed pure Friesian and Ayrshire breeds; pure Boer goats (750 acres)	-
Maruzi Farm	Apac	Dairy and beef cattle breeding – Borans, Sahiwal, Freisian and Ayrshire; fish breeding (19,200 acres)	√
Lusenke Farm	Buikwe	East African Short Horn Zebu (4,340 acres)	-
Bulago Farm	Bulambuli	Holstein Friesian breeds, Jersey cattle and goat breeding (180 acres)	√
LES Farm	Entebbe	Dairy cattle, Cambrough pigs, Kuroiler and local indigenous birds, training on Artificial Insemination (originally 109 acres some of which has been allocated)	-
Kasolwe Farm	Kamuli	East African Short Horn Zebu and Jersey cattle (2,000 acres)	-
Head Office/Bull Stud	Entebbe	Animal breeding Centre, Laboratories, Liquid Nitrogen Plant	√

Source: NAGRC & DB Strategic Plan; records at Head Office.

Progress Update

Management at NAGRC&DB Headquarters reported that there has been slow progress in attaining the strategic objectives for the Centre due to insufficient funding. According to them, only about 20% - 30% of the national breeding structures have been established and the core objective of enhancing livestock production and productivity has been partially addressed – achievements/performance rated at an average of 35%. Where some rehabilitation has been done at the farms, these are not fully operational due to funding limitations. Failure to operationalise the organizational structure and having a separate Vote were noted as core constraints to proper performance of the institution.

The National Livestock Productivity and Improvement Project (NLPIP) has, since 2006, provided support to two NAGRC farms, Kasolwe and Ruhengyere with foundation stock for establishing nucleus herds and farm infrastructure. The NLPIP supplied 1,585 Ankole heifers in January 2006, 245 Mubende goats and 800 short horn Zebu in July 2007. Valley dams were rehabilitated, perimeter fencing established and water systems installed at the two farms.

Table 3.1.6 provides trends of key performance indicators for the Centre in terms of technologies disseminated to farmers since FY 2005/06 to increase livestock production and productivity.

Table 3.1.6: Trends in Breeding Technologies and Stock availed to farmers

Category	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
Training Artificial Insemination Technicians	50	63	61	67	70	26
Training farmers, students, interns	1,071	1,288	1,497	1,589	1,652	776
Pigs germplasm	106	300	62	148	142	45
Exotic Cocks	510	800	60	-	-	2,000
Cattle Dairy, Beef/Pure+Cx	4	16	314	1,091	505	41
Goats/pure-Cx	5	20	148	286	294	75
Semen (doses)	8,418	11,074	16,230	4,030	18,333	14,894
Liquid Nitrogen	14,500	19,900	14,744	16,309	21,774	12,424

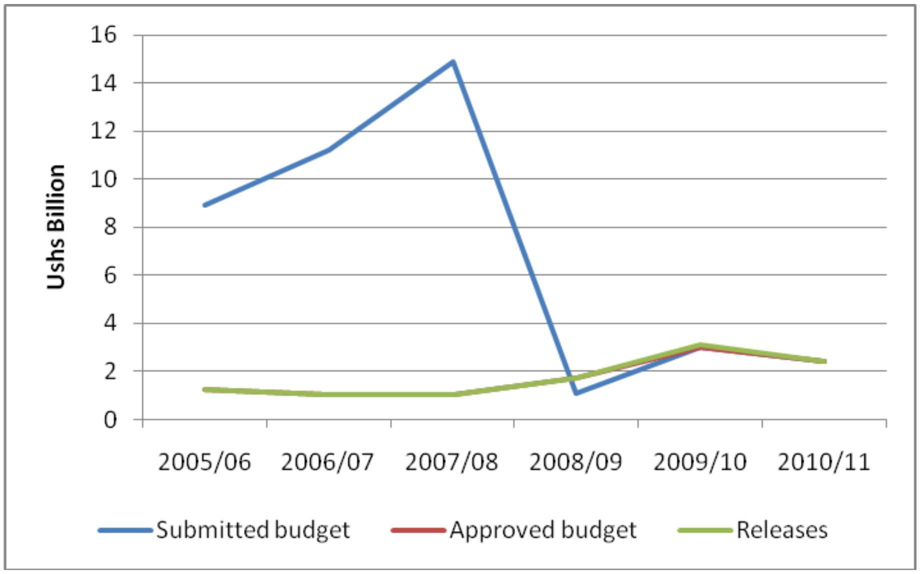
Source: NAGRC&DB Headquarters, December 2012

Financial Performance

Overall trends

The main source of revenue for NAGRC& DB is GoU financing that is complemented by internally generated funds. GoU releases to the Centre have gradually risen from UShs 1.23 billion in 2005/06 to UShs 2.41 billion in 2010/11. However, the releases from GoU have been far below the required funds. The institution was forced to scale back its requests from the UShs 14.9 billion that was required in FY 2007/08 to establish the national breeding structures and rehabilitate the stations to less than UShs 3 billion currently, in order to fit in the Medium Term Expenditure Framework (MTEF). Refer to Figure 3.1.4.

Figure 3.1.4: GoU Financial trends for NAGRIC & DB



Source: NAGRC&DB Headquarters, December 2012.

Total funding

Table 3.1.7 presents the total funding that was available for NAGRC&DB operations, inclusive of the non-tax revenue (NTR), for the period 2005/06 to 2010/11.

Table 3.1.7: Funding status of NAGRC&DB during FY 2005/06 – FY 2010/11 (UShs billion)

Source of funding	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
GoU	1.23	1.03	1.01	1.72	3.11	2.41
NTR	0.23	0.43	0.65	0.52	0.38	0.47
Total	1.46	1.46	1.66	2.24	3.49	2.88

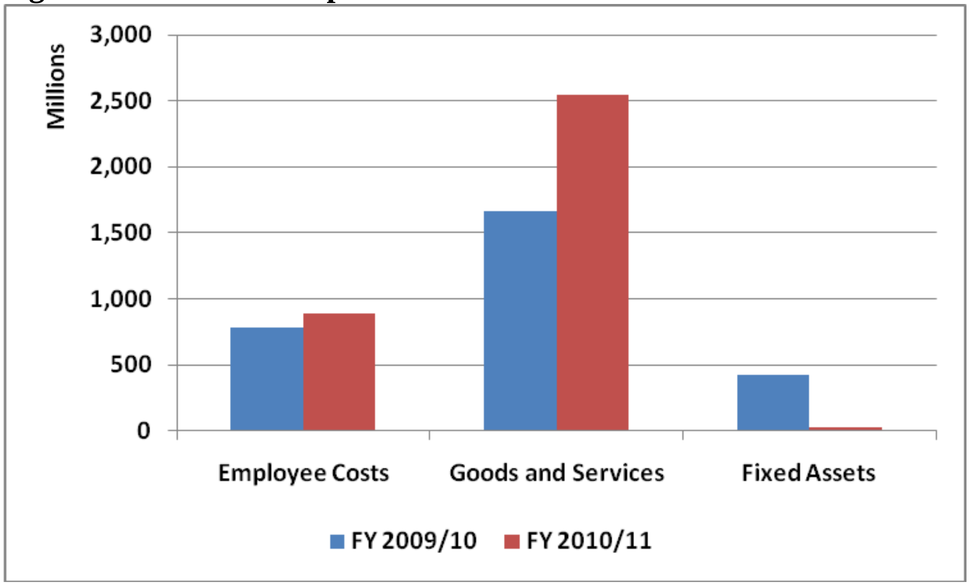
Source: NAGRC&DB Headquarters, December 2012.

Expenditure patterns

The bulk of expenditures at NAGRC&DB go to goods and services and employee costs (Fig 3.1.5).

The actual expenditure at each of the stock farms, as reported by management at NAGRC&DB Headquarters, during the past two financial years is presented in Table 3.1.8. Important to note is the fact that in FY 2010/11, 55% of the expenditures in NAGRC&DB were incurred at the Head office. When the Bull stud which is located at headquarter is included, it implies that 73% of resources that were available for expenditure in the Centre were spent at head quarter level.

Figure 3.1.5: Overall expenditure trends in NAGRC&DB



Source: MAAIF, 2011

A similar trend is seen for FY 2009/10, with 73% of resources being spent at head office, including maintaining the bull stand. **This is indicative of poor allocative efficiency as only 27% of the resources are decentralized to finance activities in the 10 stock farms**. Management explained that the high expenditures at Head Office in FY 2010/11 were due to expenses incurred on salaries, rehabilitating the cattle pens, acquisition of a Nitrogen plant (worth UShs 400 million), and maintenance of the bulls and utilities.

Table 3.1.8: Expenditure at Stock Farms in FY 2009/10 and FY 2010/11

No.	Farm/Ranch	Actual 2009/10	Actual 2010/11
1	Head office	1,291,500,525	1,903,744,679
2	Nshaara	99,345,614	67,195,880
3	Kasolwe	63,375,269	39,318,069
4	Rubona	49,371,609	64,915,631
5	Njeru	96,616,972	69,120,671
6	LES	232,706,513	459,988,646
7	Maruzi	69,860,974	104,531,628
8	Ruhengyere	109,943,274	77,212,439
9	Bull Stud	790,289,142	619,573,360
10	Sanga	12,031,474	13,274,379
11	Lusenke	31,220,810	22,029,159
12	Bulago	22,290,886	15,050,096
	TOTAL	**2,868,553,062**	**3,455,984,637**

Source: NAGRC&DB Headquarters, December 2012.

Physical Performance

The BMAU team physically monitored 5 of the 10 stations and the Bull Stud at Entebbe as indicated in Table 3.1.5.

BULAGO LIVESTOCK FARM

Background

The farm is located in Bulambuli District on an estimated 180 acres. The farm breeds good quality animals for sale to farmers; sells milk and trains farmers in modern livestock management practices. Maximum holding capacity of the farm is 150 animals.

Financial performance

In terms of Non-Tax Revenue, the station has since 2009 to date sold 16 yearling bulls at an average of UShs 160,000 each and all the proceeds (UShs 2.56 million) were deposited on the NAGRC accounts. The milk produced has been mainly fed to the calves.

Financial records at NAGRC&DB Head Office indicated that Bulago farm had received UShs 22.2 million in FY 2009/10 and UShs 15 million in FY 2010/11. Physical verification of receipts at the station indicated that the farm received cash totaling UShs 12,050,000 in FY 2009/10 and UShs 11,409,500 in FY 2010/11 (Table 3.1.9). The actual returns at the station were far below the reported amounts. Information could not be easily accessed on the value of animal drugs that were sent to the station during this reporting period, to which part of the unexplained costs could be attributed to.

Table 3.1.9: Receipts at Bulago Farm for operational expenses in FY 2009/10 and FY 2010/11

Item/	Date of funds release	Funds received and spent (Shs)
FY 2009/10		
Perimeter fencing	Early 2010	8,500,000
Pit latrine construction	Early 2010	3,400,000
transport for fencing posts	June 2010	150,000
Sub-total		**12,050,000**
FY 2010/11		
Purchase of sand & aggregate for various repairs	July 2010	5,890,000
Construction materials for corner posts	July 2010	589,000
Labor for perimeter fencing.	July 2010	764,000
Materials for perimeter fencing	August 2010	1, 995,500
Pastures weeding	August 2010	660,000
Completion of pit latrine	August 2010	1,354,000
Purchase of eucalyptus trees for fencing	August 2010	157,000
Sub-total		**11,409,500**

Source: Bulago Stock Farm financial records, November 2011.

Although requisitions had been made, no further releases were made to the station in the second to fourth quarter sof 2010/11. The monitoring team saw evidence of requisitions that had been made by the farm in March and April 2011, but had not been honoured by the Head office by the time of the monitoring visit in November 2011.
The approved budget for FY 2011/12 was made available to the farm in November 2011 – many of the critical activities that had been planned including fencing and paddocking, water provision had been left out. Hence, no expenditures had been incurred for FY 2011/12 by the time of the monitoring visit when the second quarter was about to be concluded.

Physical performance

Restocking by NAGRC started in 2007 with 20 cows acquired from Njeru stock farm in Jinja. Some of them died as they could not acclimatize to the conditions in the area and 6 were struck by lightning. By the time of the monitoring visit in November 2011, the farm had 35 herds of cattle composed of 6 calves, 4 weaners, 8 yearlings, 6 mature heifers and 11 old cows. Of the 35 animals, only 2 were from the original stock of 2007, the rest being offsprings.

The station was noted to be in very poor condition with no farm infrastructure other than the toilet that had been constructed recently and a dilapidated office building. The Farm Manager estimated the performance of the farm to be at 25% due to the missing infrastructure, poor quality pastures, unavailability of water and low stocking levels.


The few animals at Bulago Stock Farm


Dilapidated office building

Challenges

i. Lack of farm infrastructure including fencing, paddocks, water systems, power.
ii. Inadequate and delayed funding for operational expenses. The Manager was not clear as to whether he was implementing the budget of FY 2010/11 or FY 2011/12 by November 2011.
iii. Irregular disbursement of a small imprest of UShs 400,000. The Manager is required to travel to Entebbe to collect his office imprest which is not cost effective.

Recommendations

i. Increased funding for farm infrastructure and operational expenses particularly fencing and paddocking, renovation of farm houses, water provision, pasture improvement and soil improvement.
ii. Stock the farm with high quality breeds.
iii. Increase the imprest to at least UShs 700,000 to cater for additional expenses arising from remoteness of the station.
iv. Headquarter to authorize opening of a Bank Account in Mbale for the farm to reduce travel expenses while collecting funds from Entebbe.
v. The work plans as submitted by the Farm manager should be financed and implemented in time.
vi. The farm needs Artificial Insemination (AI) equipment inorder to achieve its objective of producing high quality breeds.

MARUZI STOCK FARM

Background

The farm is located in Apac district in the Sub Counties of Akokoro and Ibuje. It occupies 65 square miles with a total holding capacity of 15,000 heads of cattle. It was established in the 1960s but collapsed due to political instability. The farm was revived in 2007 with stocking of 477 animals.

Financial performance

In terms of NTR, during July 2011, the station sold 45 animals earning UShs 20, 370,000. In October 2011, the farm sold 18 bulls earning about UShs 14,400.000. Milk sales by November 2011 had brought in UShs 600,000. For the period July to November 2011, the farm banked on the NAGRC account not less than UShs 35 million.

Records at Head Office indicated that Maruzi Stock farm had received UShs 69.8 million in FY 2009/10 and UShs 104.5 million in FY 2010/11. The farm lacked proper and up to date records to show trends in funds and drugs received. However, they acknowledged that the station had last received an imprest of UShs 800,000 in June 2011 and animal drugs thereafter. No funds had been received in FY 2011/12 by the time of the monitoring visit in November 2011.

Physical performance

By the time of the monitoring visit in November 2011, the farm had 815 adult cattle and 192 calves bringing the total stock to 1,007 animals. These included Friesians, Ankole and Boran breeds. There was virtually no farm infrastructure and accessibility to the station was difficult due to lack of farm roads. All the pastures were in poor condition. The Farm Manager estimated farm performance to be at 35% due to limited financing for infrastructure and operations.


Left: Current structure at Maruzi used as office/living space Right: Dilapidated farm buildings

Challenges

i. Lack of farm structures, equipment and utilities.
ii. High staff turnover attributed to lack of infrastructure and poor remuneration.
iii. As the Accounting Officer, the Farm Manager is required to keep books of accounts but lacks the requisite skills to carry out this role.
iv. The farm is vulnerable to encroachers, charcoal burners and cattle thefts due to lack of fencing and paddocks.
v. Physically collecting imprest from Entebbe wastes time and money.
vi. Drugs are kept elsewhere off farm for safe storage. This however exposes the drugs to pilferage and the Farm Manager could not tell the exact stocks in store.
vii. Poor remuneration for senior staff. It was appreciated that some salary increments had been made for the junior staff.
viii. Repair of farm machinery and equipment is difficult without the skilled personnel.

Recommendations

i. Construction/rehabilitation of farm infrastructure especially perimeter fencing, paddocks, staff and office accommodation and repairing cattle dips, spray race and upgrading the road network
ii. Provision of pickup and 2 motor cycles to serve the 28 working staff. Presently, the station has only one motorcycle for the Farm Manager.
iii. Increase salaries for senior staff by at least 30%.
iv. Recruitment of more staff including Accountants and Mechanics.
v. All funds should be deposited in account in nearby towns to reduce cost of movements to Entebbe.

NSHAARA FIELD STATION

Background

The station is located at Nakahita village, Nyakashashara sub-county, Kiruhura district neigbouring Lake Mburo National Park. It was established in 1968 using a USAID loan and occupies 27 sq miles of land. The original purpose was to crossbreed local cattle with Friesian to get better milk producing breeds. The purpose has since changed to crossbreeding to conserve the Ankole cattle breed.

Financial performance

As the station is located in a national reserve, spot hunting is one the major sources of NTR for Nshaara Field Station. When a wild animal is killed within the farm area, the station is paid 50% of the animal value. From sale of old cattle and spot hunting, the station earned the following funds which were all remitted to the NAGRC&DB Head Office account:

- FY 2010/11: UShs 19 million from cattle sales; UShs 19,800,000 from spot hunting.
- FY 2011/12: UShs 4.8 million from the sale of 12 cows and UShs 28 million; UShs 18,540,000 from spot hunting.

By the time of the monitoring visit in November 2011, the station had not received the approved budget for FY 2011/12. Nevertheless, the Manager acknowledged having received a lump sum imprest worth UShs 2.4 million to cover the period August to November 2011 and an additional UShs 1.71 million for fencing and acaricides.

Physical performance

By November 2011, the station had a total of 2726 heads of cattle and 267 goats (3.1.10).

Table 3.1.10: Cattle stocks at Nshaara Farm as of November 2011

	Bulls	**Cows**	**Heifers**	**Female Calves**	**Bull Calves**	**Steers**	**Total**
	16	380	48	159	112	120	
	44	718	591	313	225		
Sub-total	**60**	**1098**	**639**	**472**	**337**	**120**	**2,726**

Source: Field findings.

Challenges

i. Lack of perimeter fencing to protect farm against encroachers, theft and wild animals.
ii. Lack of access roads within the station to link the kraals.
iii. Lack of firebreaks to mitigate fire outbreaks.
iv. Most of the farm infrastructure is dilapidated i.e. bomas, crushes, night paddocks and all the valley dams need de-silting.
v. The land title for the station has not been secured which makes it vulnerable to land grabbers.
vi. Poor pastures.

RUHENGYERE FIELD STATION

Background

Ruhengyere Field Station is located in Kiruhura District, Kikatsi Sub County, Kayonza village. It occupies 13,500 acres with a total holding capacity of 10,000 heads of cattle. Only 3,250 acres or 24% of the farm land is under use. The NLPIP in 2005 cleared 650 acres of land which was fenced and divided into paddocks.

Financial performance

In terms of NTR, during FY 2009/10, the station earned UShs 87, 000,000 from the sale of animals and hay. For the period July to November 2011, the station earned UShs 3.2 million from sale of 4 breeding bulls, UShs 7.2 million from sale of 24 steers and UShs 500,000 from matooke sales. It was reported that these proceeds were all banked on the NAGRC&DB main account.

The station management reported having received drugs of an unknown value and a monthly imprest of UShs 820,000 during FY 2010/11 for operations. Financial records were not well kept to enable good analysis of funds received at the Centre.

Physical performance

Good performance at Ruhengyere Station is mainly attributed to support from the NLPIP project. The project restocked the station with 1800 heads in 2005 of cattle and 150 Mubende black goats in 2007. By the time of the monitoring visit in November 2011, the station had a total of 2,617 heads of cattle and 1,637 goats. Rehabilitation of farm infrastructure was done including: repair of 22 Kms out of the existing 54 Kms; construction of 10 water troughs, bush clearing and de-silting of the dam.

However, the station is performing below standard due to inadequate farm infrastructure, fencing and paddocking and poor pastures. The existing herds are occupying only about 25% of the total holding capacity of the station.

Challenges

i. Obsolete farm machinery and equipment.
ii. Lack of key infrastructure such as fencing, staff housing, houses for goats, power and farm roads. Fires are common as the roads that would have acted as fire breaks are non-existent.
iii. Bushes and poor pastures resulting in low livestock productivity and understocking.
iv. Most valley tanks require desilting to reduce pressure on available dams.
v. Low remuneration for senior staff.

Recommendations

i. Opening the boundaries of this farm and establishing perimeter fencing.
ii. Bush clearing and restocking the farm
iii. Staffing should be increased especially of the herdsmen. An additional 15 herdsmen need to be hired to oversee the expanding herds.
iv. Construction and rehabilitation of key infrastructure especially farm roads.

SANGA FIELD STATION

Background

The station is located in Sanga village, Sanga sub-county Nyabusozi County, Kiruhura district. It was the former headquarters of Ankole Ranching Scheme. Whereas it is estimated to cover 2.5 square miles, 1 square mile is under contention due to an individual claiming ownership of part of the farm land. The total holding capacity of the station is 500 heads of cattle and 2000 goats.

The objectives of the station are to conserve pure Mubende Indigenous goats through breeding and selection and to improve Ankole cattle with Bahrain bulls in order to improve on the quality of beef. The station was re-occupied by NAGRC&DB in 2003 and restocked in 2004 with 109 heads of cattle and 118 Mubende indigenous goats.

Financial performance

In terms of NTR, the station made sales in FY 2010/11 worth UShs 9.85 million and UShs 4.06 million in the first half of FY 2011/12. These returns were banked on the NAGRC&DB account.

The Farm Manager reported that he had not yet received the approved budget for FY 2011/12 although the second quarter of that year was almost over. Apart from salaries and animal drugs, he reported having received the first and only disbursement so far (UShs 3,772,000) in November 2011. This funding was used for perimeter fencing, bush clearing and furniture. Record keeping was poor to enable any meaningful analysis on financial trends.

Physical performance

There were 181 heads of cattle and 562 goats at the station by November 2011. NAGRC&DB had provided support for: construction of a goat shed, perimeter fencing of 2.5 miles, construction of paddocks and bush clearing of 20 acres. The office blocks were in good shape at this station and the monitoring team saw evidence of the herds.

Challenges

i. Lack of adequate perimeter fencing around the station which encourages encroachers.
ii. GoU has not yet secured a land title for Sanga Field Station hence making it vulnerable to trespassers.
iii. Due to increasing number of goats there is need for other goat sheds.
iv. Lack of infrastructure and utilities such as electricity despite the fact that the station is only 200 metres away from the town were power exists. All the water tanks were leaking.
v. Understaffing at the station. For example, only two flocks' men handle 560 goats.
vi. Lack of transport at the station.

Strategic Policy Issues for NAGRC&DB

1. **Low performance**: NAGRC&DB, including all its field stations, is underperforming (performance is rated at an average of 35%). This is attributable to a range of constraints including inadequate financing of the farms, poor farm infrastructure, low stocking levels and understaffing coupled with poor remuneration. Improvement of the farm infrastructure, particularly fencing and paddocking, pasture improvement and restocking should be prioritized for enhancing the Centre's performance levels.

2. **Poor allocative efficiency**: About 73% of all resources that are available for NAGRC&DB operations are unjustifiably spent at the Head office. Farms have very limited operational and development expenses which largely explains the low performance. There is need to decentralize some of the finances from Head office to cater for development expenses on the 10 farms/ranches.

3.1.4 Uganda Meat Export Development Project

Background

The Uganda Meat Export Development Programme (UMEDP) was created in 2008 to enable Uganda address critical success factors to ensure acceptability of Uganda's meat on the international market. Broadly the UMEDP aims at substantially reducing the prevalence of trade sensitive diseases, increasing livestock productivity, creating an orderly livestock marketing protocol, modernizing the sanitary and pyto- sanitary systems and generating value added products. The four components of the project during the interim phase are summarized in Table 3.1.11.

The project is a Public Private Partnership (PPP) between GoU, the meat producers of Uganda and the Norewegian meat industry cooperative Nortura BA. The project interim phase commenced in July 2009 and will end in June 2012. The vision is to export approximately 10,000 tonnes of beef every year. The operational target is to form the Uganda Meat Export Company (UMEC) that would develop two abbortoirs in disease control zone (DCZ) 1 and 2 and a meat processing plant in DCZ1.

Table 3.1.11: UMEDP Project Components

Project Components	Description	Implementing agency
1. Establishing Disease Control Zones DCZ (IP1)	Construction of infrastructures such as fences, watering facilities and quarantine stations.	MAAIF
2. Enhancing Livestock Production in the DCZ (IP2)	Development of the Uganda Meat Producers Cooperative and Livestock Marketing Centres.	Nortura/UMPC
3. Developing Animal health and meat Hygiene Services (IP3)	Public infrastructure at MAAIF, MOH and other ministries – legislation, laboratories, vaccination, surveillance.	MAAIF but delegated to Ministry of Agriculture & Food Norway
4. Establishing the Uganda Meat Export Company (IP4)	Establishing the Uganda Meat Export Company (UMEC)	Nortura

Source: Nortura, 2008.

Financial performance

Planned expenditures

It was estimated that the interim phase of this project (2009-2012) would require total financing amounting to US$ 52,729,600 to be contributed by GoU and other donors as indicated in Table 3.1.12. While US$ 35.4 would specially be earmarked to the UMEDP project, US$ 17.8 would be channeled to the UMEC to meet its capital requirements. GoU would make its contribution in kind and with some counterpart funding.

Table 3.1.12: Proposed financing for the UMEDP and Uganda Meat Export Company

Funding Source	Earmarked to UMEDP (US$)	Earmarked to UMEC (US$)	Total (US$)
Nortura BA	1,090,000	1,500,000	2,590,000
Norad/Government of Norway	9,387,200	500,000	9,387,200
Other donors	24,952,400	-	24,952,400
Mixed Export Credit		12,350,000	12,350,000
Venture Capital Fund		750,000	750,000
East African Industrial partners		1,000,000	1,000,000
Uganda Meat producers Cooperative (UMPC)		1,700,000	1,700,000
Total	**35,429,600**	**17,800,000**	**52,729,600**

Source: Nortura, 2008.

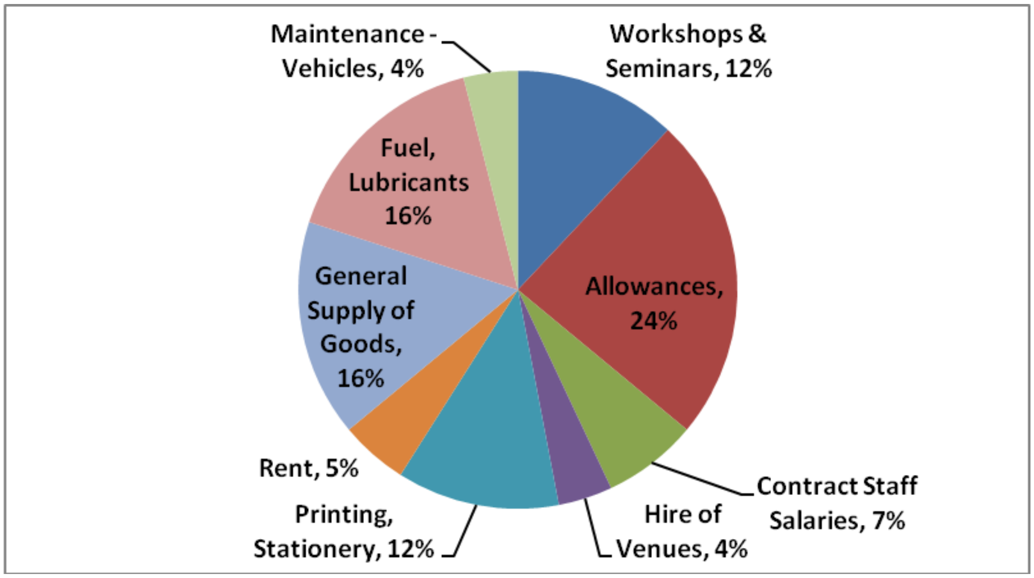
Actual expenditures

Project Component 1 by MAAIF

IFMS data indicates that the GoU has been disbursing close to a half billion every year to MAAIF for this project over the past three financial years as counterpart funding as follows: *FY 2009/10 – USHs 436,903,667; FY 2010/11 - UShs 499,999,290; and FY 2011/12 half year – UShs 749,299,999*. An analysis of the expenditures incurred by MAAIF for FY 2010/11 shows that all funds were spent on recurrent expenditures, particularly allowances, workshops and stationery (Figure 3.1.6). Even what is categorized as Goods and Services were recurrent expenses.

Whereas the Ministry is responsible most importantly for establishing disease control zones involving construction of various infrastructures under Component 1 (IP1), none of the expenditures have been earmarked to development expenses indicating poor allocative efficiency. Similar financial trends are observed for FY 2009/10.

Figure 3.1.6: Expenditures under the UMEDP during FY 2010/11



Source: Author's analysis from IFMS data.

Project Component 2 by Nortura

The expenditure by Nortura BA for enhancing livestock production in Disease Control Zones during the Interim programme period 2008 to 2011 is summarized in Table 3.1.13. About 74 percent of the available funds were spent by end of 2011. The remaining funds were to be allocated by Norad and MAAIF for the remaining activities in 2012.

Table 3.1.13: Funds use for Component 2 IP2 during 2008-2011 (US$)

Activity	Budget	Actual	Variance
Establishing and operating the Uganda Meat Producers Cooperative Union Ltd	450,726	391,702	59,024
Establishing Livestock Resource Centres	144,686	46,638	98,048
Technical Assistance from Norway, CEO Salary	271,873	151,174	120,699
Developing a grading system	93,243	94,895	-1,652
Improving livestock management MAAIF	51,000	52,913	-1,913
Total	**1,011,528**	**741,100**	**270,000**

Source: MAAIF, 2011a.

Project Component 3 by Norway

Expenditure by the Ministry of Agriculture and Food (MAF) for this component for the period 2009 to 2011 is summarized in Table 3.1.14. By the end of the reporting period, 87 percent of resources under this component had been utilized.

Table 3.1.14: Funds use for Component 3 IP3 during 2008-2011 (US$)

Activity	Budget	Actual	Variance
Legislation	90,520	76,933	13,587
Organizing control of FMD	137,920	140,001	-2,081
Laboratories and scientific services	90,040	73,911	16,129
Project Management	157,273	121,420	35,853
Total	**475,753**	**412,265**	**63,488**

Source: MAAIF, 2011b.

Project Component 4 by Nortura

The Uganda Meat Export Company had not yet been formed so no expenses have been incurred under this component.

Physical performance

Although the 4 project components are interlinked, there are different implementers/reporting centers for each of them. Hence, reporting on physical performance for the UMEDP is presented by component.

COMPONENT 1: ESTABLISHING DISEASE CONTROL ZONES

The feasibility study for this projected undertaken in 2007 proposed 4 Disease Control Zones (DCZs) to be set up in Uganda. The key performance indicators for MAAIF under this component were:

- Strict demarcation of proposed DCZs by appropriate natural, artificial or legal barriers.
- Construction and equipping of quarantine stations and holding grounds.
- Provision of water for livestock in and outside the disease control zones.
- Creation of a strong animal law enforcement unit.

Mapping of DCZ 1 and 2 was done but the demarcation has not been established. The potential sites for water provision were identified in the project area. **However, all the performance indicators have not been met despite the funding that has been earmarked to MAAIF for activities under this component, suggestive of poor performance and value for money**.

COMPONENT 2: ENHANCING LIVESTOCK PRODUCTION IN THE DCZ (IP2)

The key performance indicators under this component were: formation of the Uganda meat Producers Cooperative Union (UMPCU), Livestock Marketing Centres (LMCs), Animal Grading System, genetic improvement, water and feed resources development. Progress has been made in the following areas:

- **UMPCU**: was formed in 2008 with the purpose of promoting the quality and quantity of beef cattle in the country. By the time of the monitoring visit in November 2011, the Union had membership of 30 primary societies at district level in DCZ1 and DCZ2 within the cattle corridor. Operations are managed by a Secretariat that is working closely with the Beef Producers Association to strengthen the primary societies.

- **Livestock Resources Centres (LRCs):** Three LRCs have also been established in the areas of Biharwe, Luwero and Masaka. The Centres provide services to farmers in the primary cooperatives including introduction of superior semen through A.I services and training.

- **Genetic improvement**: Over 300 cows have been inseminated with high quality semen within the disease control zones.

- **Feed Resources development**: Feedlot standard models have been developed together with a TOT manual on Feedlot establishment and management.

The monitoring team visited the 3 LRCs (Luwero, Masaka, Mbarara) to verify their existence and functionality. All the three Centres were found to be functional offering extension services to farmers within their areas of jurisdiction and AI services. The Managers of the Centres acknowledged having received support from the UMPCU Secretariat since June 2011 to meet operational expenses including salaries, rent, accommodation, office equipment and furniture and transport.

The following were the main challenges heighted by the LRC Managers:

i. Wide area of coverage that reduces potential outreach and impact of LRC Services. For example, the Luwero LRC covered primary cooperatives located between Mubende and Gulu and yet the centre had one motorcycle.
ii. Delayed disbursement of funds from MAAIF;
iii. Sustainability of LRC activities when the Interim programme ended in 2012.
iv. Weak primary societies that were not fully functional because of the limited support from the project.

COMPONENT 3: DEVELOPING ANIMAL HEALTH AND MEAT HYGIENE SERVICES (IP3)

A number of policies, laws, guidelines, plans and strategies have been developed including:

- Four statutory instruments to enable Uganda export beef – Animal Diseases (Foot and Mouth Disease Control Measures) Rules 2011; Meat Inspection Rules 2011; Animal Breeding (Identification & Traceability System) Regulations 2011; and Animal Welfare Rules 2011.
- National Meat Export Strategy;
- Standard operating procedures for quarantines;
- Meat grading standards

COMPONENT 4: ESTABLISHING A UGANDA MEAT EXPORT COMPANY (IP4)

Efforts to register the UMEC are underway. It is planned that the Company will acquire land and initially constructs 2 Export Standard Abattoirs with a meat processing line for value addition.

Strategic Policy Issues

1. **Low project effectiveness**: Overall, the UMEDP project has not performed well. Only one of the 4 components – IP2 - has reached some satisfactory performance in terms of the planned goals and targets. The main constraint to the project has been the slow disbursements from MAAIF and low commitment of MAAIF staff to project implementation as they are heavily involved in other routine duties. Other modalities of quickening disbursements to the project in future are needed. Ministry staff that are committed to the project should be given some remuneration and ample time to participate actively in project implementation.
2. **Low value for money:** All the funds that have been disbursed to MAAIF have been used for recurrent expenses, yet their goals and targets in the project require development investments. MAAIF should improve allocative efficiency to increase funds disbursed for development expenditures so that the planned goals can be achieved.
3. **Project sustainability**: The project is also coming to the end of the interim phase, implying that funds that had been secured will also soon run out. The bulk of the planned activities are not implemented and there are no proper mechanisms through which the existing activities will be sustained. The project has weak linkages with other existing programmes with similar goals like NAADS, NAGRIC, Local Governments and the working relationship between MAAIF and the UMPCU is not solid. It is important that collaborative relationships are established with other entities with similar objectives for sustenance of project activities.

3.2 EDUCATION

3.2.1 Introduction:

The sector objectives which guide medium term outputs and resource allocations are: Increasing and improving equitable access to quality education at all levels, improving the quality and relevance of education at all levels, and improving effectiveness and efficiency in delivery of the education services.

During the period July 1st 2010 to June 30th 2011, Ministry of Education and Sports (MoES) implemented a number of development projects under the approved work-plan/performance contract. Progress reports on the status of these projects were submitted to MFPED during the same period. During the monitoring exercise during the month (November and December), development projects from the four progress reports, not monitored earlier, were sampled to verify the reported status and to establish the achievement of the planned outputs targets during the FY 2010/11.

Scope:

The monitoring team sampled activities reported in the 4th quarter Performance Report for Projects/Programmes under Development and Recurrent Budget for FY 2010/11. Development projects in 17 districts were monitored.[9] These included developmental projects reported under Emergency Construction and Rehabilitation of Primary Schools construction of schools, Development of Secondary Education, Development of BTVET and Development of primary teacher colleges (PTCs) and National Teacher Colleges (NTCs). A few projects constructed under the Presidential Pledge for FY 2010/11 were also monitoted.

This report therefore gives the verified status and progress of implementation as at the time of the monitoring visit during the months of November and December 2011.

Methodology:

The team undertook a desk review of a number of documents in preparation for the fieldwork. From this, a check list of issues and activities for the monitoring exercise was developed. Focus Group Discussions (FGD) and Key Informant Interviews were held with various Government officials at Central and District levels regarding the physical status of reported activities in the 4th quarter Performance Report. Observations of events, and activities regarding the reported outputs were made. In a number of cases call-backs were made to triangulate information. The team also took photographs to show the status of the monitored projects as at the time of the monitoring visits.

Challenges:

A number of beneficiaries had little information on scope of civil works, costs, contract periods particularly on projects contracted and implemented directly by the districts and by the centre. It was also found that some heads of institutions /head teachers do not share financial information with

[9] Kasese, Ntungamo, Mitooma, Kiruhura, Amuria, Kumi, Tororo, Namutumba, Mayuge, Rakai, Mpigi, Mubende, Nakaseke, Wakiso, Gulu, Nakasongola

their staff/deputies. Part of the monitoring was done after schools had closed for December holidays. In such cases the team interacted with the clerks of works and foremen at the sites who briefed the team about the progress of civil works. In addition the teams endeavoured to talk to heads of schools that had left for holidays on phone to corroborate the information received.

3.2.2 Pre Primary and Primary

Emergency Construction and Rehabilitation of Primary Schools:

The MoES 4th quarter performance report for FY 2010/11 indicated that funds for construction and rehabilitation were disbursed to 14 primary schools, four classrooms were rehabilitated, 28 new classrooms constructed and one school purchased. The following schools were sampled out to verify the reported cumulative outputs by the end of the year.

<u>Katente P/S</u>

St James Katente (West) Primary School is found in Katente village, Kiyuuni LC1, Katente Parish, Kiyuuni sub county, Buwekula County, Mubende district. The 4th quarter Performance Report from MoES indicated that this school received funds for emergency construction and rehabilitation of structures.

Findings revealed that this school did not receive any funds from MoES for Emergency construction during FY 2010/11. The school had very poor structures and a three classroom block collapsed in 2008. This is a serious case of misreporting.

<u>Yesu Natamba Primary School:</u>

Yesu Natamba P/S is located in Rwanyabuzana LCI, Rurehe south parish, Rurehe Sub County, Ruhinda county, Mitooma district. Yesu Natamba P/S was a private school founded by a catholic priest called Rev Fr Ponsiano Betungura. The MoES 4th quarter performance report for FY 2010/'11 indicated funds were spent to purchase the above mentioned school. Findings from monitoring visit indicated that this reporting was correct. The school was procured and handed over to Rutooma LG in early 2011. The hand over of the school took place on 26th August 2011 and was presided over by the Minister in charge of Primary Education Hon Kamanda Batalingaya and witnessed by commissioner Nkada.

Some of the structures on the purchased land: the ten classrooms, the main hall and a five classroom block with an office

The purchased land was about 2 acres, with structures that included ten classrooms, a main hall, a five classroom block with an office, a three classroom block with an office for Director of Studies, a boys' dormitory, a three classroom block with an office, a head teachers' residence and a girls' dormitory.

It was further reported that part of the priest's land that was not sold to MoES included teachers' houses, a play ground, eucalyptus trees and land that has a banana plantation. It was noted that the priest is willing to sell this part of the land with those structures and negotiations were taking place.

<u>Kasipodo Primary School:</u>

Kasipodo Primary School is found in Kasipodo 'A' zone, Kayoro parish, Osekuru Sub County, Tororo County, Tororo district. This is one of the schools that were earmarked to benefit from the emergency construction and rehabilitation of primary schools fund for FY 2010/'11.

Findings from the monitoring visit indicated that the school received UShs 18,000,000/=. The funds were credited directly on the school account on 21st June 2011. The funds were meant for construction of 2 blocks of 5 stance VIP lined pit latrines. The contract for construction of these pit latrines was awarded to Reposh General Traders at a contract price of Ushs 17,630,530/=. The contract agreement was signed on 30th September 2011 for a period of 3 months. By the time of the monitoring visit on 30th November 2011 civil works at one of the two five-stance pit latrines were at foundation level.


Construction of the two five-stance lined VIP pit latrines at foundation level at Kasipodo P/S

Conclusion:

Of the three schools under project 0943 that were sampled, 2 of them received the reported funds while one did not.

Recommendation:

- MoES should provide clear accountability for funds reported to have been sent to Katente P/S which were never received.

3.2.3 Development of Secondary Education:

Universal Secondary Education (USE):

Under Project 0897, Development of Secondary Education, MoES planned to complete seven schools, construct 4 new seed schools, complete phase two rehabilitation and expansion of six schools, rehabilitate and expand Sir Samuel Baker Phase one and rehabilitate and expand eight traditional secondary schools. The 4th quarter performance report details the cumulative outputs achieved under this project. Eleven schools under this project were selected to verify the reported status. Construction was at different stages of completion. However there were four cases where no teachers' houses were constructed as reported. The findings are detailed below:

Burunga Seed Secondary School:

Burunga Seed secondary school is found in Burunga LCI, Burunga parish, Burunga Sub County, Kazo County, Kiruhura district. MoES' work plan indicates this school as one of the schools that was under completion for FY 2010/11. ACE consult limited was contracted to undertake the civil works for a period of 9 months. Civil works started in October 2010.

At the time of the monitoring visit on 24th November 2011, the school was far from completion and the structures were at the following stages:

- A science block (chemistry and biology) was at wall plate level. Remaining works included roofing and all the finishes works.
- A two classroom block was at wall plate level. Remaining works included roofing and all the finishes works.
- Another two classroom block was also at wall plate level. Remaining works included roofing and all the finishes works.
- An administration block was at wall plate level. Remaining works included roofing and all the finishes works.
- A two stance VIP pit lined pit latrine was at walling stage. Remaining works included roofing and all the finishes works.
- A two stance VIP pit lined pit latrine for boys was at walling level. Remaining works included roofing and all the finishes works.
- Another two stance VIP lined pit latrine for girls was also at walling level. Remaining works included roofing and all the finishes works.

A science block and a two-classroom block at wall plate level Burunga S.S.

A two classroom block and an administration block at wall plate level at Burunga S.S.

The head teacher observed that civil works were moving very slowly and that the contractor has gone beyond the contract period. The site engineer attributed the delays in civil works to MoES for not processing payments in time. He noted that at that time MoES had paid only one certificate. However, the quality of civil works for the different structures up that level was good.

Recommendation:

MoES should therefore ensure that payments for the contractor are processed in time. The ministry should also prevail on the contractor to complete the civil works as he has gone beyond the contract period.

Buwambo Seed S.S.

Buwambo Seed S.S is found in Lwesuubo LCI, Buwambo parish, Gombe sub county, Kyaddondo County, Wakiso district. According to the 4th quarter performance report, Buwambo Seed Secondary School received funds for construction of staff houses.

Findings indicated that the school received Ushs 64,000,000/= on 7th June 2011. According to guidelines received by the school, the funds were for construction of four units staff houses, two stance pit latrines and provision of a water harvesting system.

Findings further indicated that school used a force account. A firm called God's Love construction was contracted to provide the labour. At the time of our monitoring on 15th November 2011, the teachers' house was at ring bim level and works were going on. Two VIP pit latrines lined from below each with two stances were at foundation level and works were going on. The quality of civil works was good.


A teachers' house at ring beam level and the two VIP pit latrines at foundation level at Buwambo S.S

Bwera S.S:

Bwera S.S. Bwera Secondary School is found in Kaserengete cell, Bwera ward, Mpondwe-Lhubiriha T.C, Kasese district. The 4th quarter Performance Report indicated that Bwera Secondary School received funds for Emergency repair of structures.

Findings showed that the school received a total of UShs 200,000,000/= in two installments of UShs 100,000,000/= each. The first installment was received in October 2010 while the second installment was received in April 2011.

The initial installment was used to renovate a six-classroom block with a store. The roof of this block was removed and replaced with a new one of pre-painted iron sheets. The walls were extended and new courses added from the ring bim upwards to raise the structure. Other renovation works included extending the veranda and putting new pillars, putting a new floor for the entire block, works on the internal and external rendering for entire block, removing the old wooden doors and windows and replacing them with new metallic doors and windows, putting new pin boards, putting a new lightening conductor and repainting the entire block. These works were done by Bwasi enterprises limited at a contract sum of UShs 96,844,650/=.


The two six-classroom blocks that were renovated at Bwera S.S

The second installment was used to refurbish another six classroom block with a library. This was a weaker block that had no ring bim. The roof of this block was removed and replaced with a new one with pre painted iron sheets. A new ring bim for the entire block was put and additional courses were added to extend the walls upwards. The other renovation works on this structure were the same as those done to the six classroom block above. The renovation works on this block were done by Asima enterprises Uganda Limited. This firm originally quoted UShs 99,209,250/=. However it was reported that they were seeking for a variation of Ushs 34,000,000/= due to inflation.

Rubaare Secondary School:

Rubaare Secondary School is located in Akatojo village, Rukiri parish, Rubaare Sub County, Rushenyi County, Ntungamo district. MoES reported completion of an examination hall at this school as one of its cumulative achieved outputs.

Findings from the monitoring visit showed that the school received UShs 49,250,000/= for construction of an examination hall. By the time of the monitoring visit on 23rd November 2011, the hall was roofed. The remaining works included fixing door and window shutters, internal and external rendering, flooring, painting, provision of furniture, partitioning with rolling doors, electrical installations, finishes works on the veranda and splash aprons.

An examination hall/multi purpose hall constructed at Rubaare S.S.

The school administration did a very good job given the amount of funds received and the quality of works is commendable. However, the funds released to this school cannot be enough. MoES should consider releasing more funds to this school to complete this multi purpose hall.

Kabezi Seed Secondary School

Kabezi Seed Secondary school is located Nyakariro parish, Ngoma Sub County, Rushenyi county, Ntungamo district. This is one of the 10 secondary schools where MoES reported to have constructed teachers' houses for FY 2010/11.

Findings indicated that civil works were contracted to Rwatuko construction and Engineering Services limited under the supervision of ASSPRO group. The scope of works included construction of four new classrooms at a contract price of UShs 102,386,892, a teachers' house at a contract price of Ushs 40,254,550/= and two five-stance lined VIP pit latrines at contract price of UShs 17,706,000/=. The contracts were signed on 7th February 2011, with a start date of 15th April 2011 and a completion date of 29th July 2011.

By the time of the monitoring visit on 23rd November 2011, the structures were at the following stages:

- The staff house of four units was at finishes level. The remaining civil works included flooring, internal and external rendering, flooring, painting, fixing door shutters, fixing windows and glasses, works on the ceiling, and the veranda.
- The two classroom blocks were at roofing level. The remaining works included internal leand external rendering, flooring, fixing door and window shutters, painting, and works on the veranda.
- Works on the five stance lined VIP pit latrines were at finishes level.


A teachers' house at finishes level and the two classroom blocks at roofing level at Kabezi Seed S.S.

Whereas the quality of civil works on all these structures was perceived to be good, concerns were raised with the contract period. It was reported that the contract period for which this firm committed itself to do the work expired. MoES is therefore required to prevail on this firm to complete the works.

Lalogi Seed Secondary School:

The 4th quarter performance report showed that MoES completed construction of administration blocks at Lefori Seed S.S-Moyo, Lalogi Seed S.S. – Gulu, Muramba seed S.S. – Kisoro and Bukedi Seed S.S.- Tororo. The monitoring team sampled out Lalogi seed to verify the reported cumulative outputs. Findings indicated that that administrative block was completed. However, furniture for the block was not yet provided.

New seed schools:

The 4th quarter performance report, under project 1092 ADB IV Support to USE (1092) reported that 12 new Seed schools and 15 seed schools for expansion were completed and handed over.

Bulunguli Seed S.S

Bulunguli Seed S.S is found in Kawaani LCI, Bulunguli parish, Buyanga Sub County, Bugweri County, Iganga district. This is one of the new seed schools constructed by MoES. At the time of monitoring on 28th November 2011, construction was not yet complete and structures were at the following stages as detailed below:

- Two blocks each with two classrooms were at finishes level. The remaining works were: putting glasses, working on the chalk board, painting, verandas and splash aprons and providing the furniture. The structure was not yet in use.
- An administration block (with offices for the head teacher, deputy head teacher, bursar, secretary, staffroom and a reception) was at finishes level. The remaining works were: putting glasses, working on the chalk board, painting, verandas and splash aprons, providing the furniture and working on the ceilings. The structure was not yet in use.
- The science laboratory was also at finishes level. The remaining works included flooring, working on the veranda and splash aprons, fixing the gutters, fixing glasses, working on the ceiling, finishes works on the work-tops as well as the plumbing works for the water system and gas systems. The structure was not yet in use.
- A five stance VIP lined pit latrine for girls was at finishes level
- A five stance VIP lined pit latrine for boys was at finishes level
- A four stance VIP lined pit latrine for staff was also at finishes level. The remaining works on all the pit latrines were painting and shuttering.


The two blocks of classrooms each with two at finishes level constructed at Bulunguli new Seed School


The administration and the science blocks at finishes level constructed at Bulunguli new Seed School

MoES should follow up with the contractors to ensure that construction is completed.

Paicho Seed Secondary School:

Paicho Seed secondary school is found in Corner ward village, Kalumu parish, Paicho Sub County, Gulu district. The 4th quarter performance report indicates that MoES constructed a new seed school in Paicho Sub County. Findings from the monitoring visit showed that a new seed school was built at this place. The foundation stone was laid by Permanent Secretary MoES on 21st January 2011. Two firms (i.e. Vicom construction and Pim construction limited) were contracted to undertake the civil works. At the time of the monitoring visit on 5th December 2011 the different structures were at the following stages:

- An administration block (with offices for the head teacher, deputy head teacher, bursar, secretary, staffroom and a reception) was at finishes level. The remaining works were: putting glasses, working on the chalk board, painting, verandas and splash aprons, providing the furniture and working on the ceilings.
- The science laboratory was also at finishes level. The remaining works included internal and external rendering, flooring, painting, working on the veranda and splash aprons, fixing the gutters, fixing glasses, working on the ceiling, finishes works on the work-tops as well as the plumbing works for the water system and gas systems.
- Two blocks each with two classrooms were at finishes level. The remaining works included internal and external rendering, flooring, putting door shutters, putting glasses, working on the chalk board, painting, verandas and splash aprons and providing the furniture.
- A five stance VIP lined pit latrine with a urinal and a stance for children with disabilities for girls was at finishes level. The remaining works included fixing two doors and painting
- A five stance VIP lined pit latrine with a urinal and a stance for children with disabilities for boys was at finishes level. The remaining works included fixing four doors, painting and flooring.
- A three stance VIP lined pit latrine with a urinal for teachers was at finishes level. The remaining works included fixing one door, painting and flooring.

The quality of civil works for all the above structures up to that level, was good.

The administration block and the science block at finishes level at Paicho new Seed School

The two blocks each with two classrooms and one of the lined VIP pit latrines at finishes level at Paicho new Seed School

It was reported that there were some savings which the school used to construct 2 small units of teachers' houses at the school. Each of the houses has two rooms. However, they have no ring bims and the verandas are cracking.

One of the two small teachers' houses constructed with savings.

Recommendations:

MoES should prevail on the two firms (i.e. Vicom construction and Pim construction limited) to complete the finishes works on all the structures and also to have all the furniture supplied. It is also recommended that the MoES provides some houses for teachers at this school.

Cases of mis-reporting:

According to 4th quarter performance report for FY 2010/11, MoES constructed ten teachers houses at Bukonte, Butiaba, Ruyonza, Shitumi, Namasale Jangokoro, Lwabiyata, Bussi, Kabezi and Karusandara Seed secondary schools. The approved budget for construction of staff houses in each of the above mentioned schools was Ushs 68,000,000/=. Findings from monitoring indicated that this reporting was inaccurate. There were no staff houses constructed in at least four of the schools visited. (Ruyonza, Bukonte, Butiaba and Lwabiyata seed schools). The details follow below:

<u>Ruyonza Seed Secondary School:</u>

Ruyonza Seed Secondary School is located in Ruyonza village, Nyanga parish, Rubaare Sub County, Rushenyi County, Ntungamo district. This is one of the 10 secondary schools where MoEs claimed to have constructed teachers' houses for FY 2010/11. Findings from the monitoring visit on 23rd November 2011 indicated that no teachers' houses were constructed by MoES at this school.

<u>Lwabiyata Seed Secondary School:</u>

Lwabiyata Seed Secondary School is located in Lwabiyata village, Nalukonge parish, Lwabiyata sub county, Budyebo county, Nakasongola district. The 4th quarter performance report indicates that MoES constructed a teachers' house during FY 2010/11 at this school.

Findings from the monitoring visit on 6th December 2011, indicates that there is no staff house was constructed at this school during FY 2010/11. This is therefore another case of mis-reporting.

<u>Bukonte Seed Secondary School:</u>

Bukonte Seed Secondary School is located in Budhatemwa LCI, Bukonte parish, Nsinze sub - county, Namutumba district. The 4th quarter performance report indicates that MoES constructed a teachers' house during FY 2010/11 at this school.

Findings from the monitoring visit indicates that there is no staff house constructed at this school during FY 2010/'11. This is therefore another case of miss-reporting

<u>Butiaba Seed Secondary School:</u>

Butiaba Seed secondary is found Walukuba village, Walukuba parish, Butiaba sub-county, Buliisa district. The 4th quarter performance report indicates that MoES constructed a teachers' house during FY 2010/11 at this school.

Findings from the monitoring visit, indicates that there is no staff house constructed at this school during FY 2010/11. This is therefore another case of miss-reporting

<u>Recommendations:</u>

- MoES should give an explanation for four cases of mis-reporting where they reported to have constructed teachers' houses under project 0897 yet no teachers' houses were constructed. Mis-reporting is false accounting. MoES should therefore give an accountability of the funds for the teachers' houses which were not constructed. Each of the teachers' houses was budgeted to cost Ush 68,000,000/=. This gives a total of UShs 272,000,000/=. The Auditor General should also follow up this case.

- MoES should follow up on the contractors that have hitherto not completed civil works to ensure those schools are completed. These include Burunga Seed and Kabezi Seed s.s. Contractors for these two schools have gone beyond their contract periods. MoES should also ensure that civil works for the two new seed schools (i.e. Bulungi Seed and Paicho Seed) are completed.

3.2.4 Business Technical and Vocational Education and Training (BTVET)

Under project 0971 Development of TVET P7 Graduate, the 4th quarter Performance Report for FY 2010/11 reported that MoES paid Ushs 143,285,500/= to each of Iyolwa TS; Ssanje community polytechnic (CP), Inde technical school (TS), and Wera TS to construct four classrooms and two workshops. The report goes further to note that MoES remitted UShs 155,785,000/= to each of Mbale CP, Mubende CP, Kakiika TS, and Ssesse to construct two workshops and four classrooms. The monitoring team sampled out Ssanje TS, Kumi TS, Wera TS, Iyolwa TS and Kakiika TS to verify the reported achieved outputs.

Findings showed that each of the following Technical Schools (Ssanje TS, Kumi TS, Wera TS, Iyolwa TS) received Ushs 120,567,190/= instead of the reported UShs 143,285,500/=. This brings about a variation of Ushs 22,718,310/= in funds paid to each of the Technical Schools. This adds up to a total of Ushs 90,873,240/= for the four institutions. The details for each of the institutions follow below:

Ssanje Community Polytechnique:

Findings indicated that Ssanje C/P received UShs 120,567,190/= on 22nd March 2011. The guidelines show that the funds were for construction of two classrooms with furniture, motor vehicle (MV) workshops, two stance VIP latrines, five VIP stance latrines with shower; and a 5000 liter harvesting water.

Findings further indicated that three contracts were awarded

- Construction of a two classroom block with 5000 litre water harvesting tank awarded to Derut contractors limited at a contract sum of 45,200,000/=
- Construction of an MV workshop and a two stance VIP pit latrine awarded to Gebrah Enterprises Limited at a contract sum of 57,906,000/= and 4,000,000/= respectively and provision of 5000 litre tank at 2,174,000/=.
- Construction of a two stance VIP pit latrine awarded to Update Rakai Limited at a contract price of UShs 9,984,100/=

The three firms signed the contract agreements in May 2011 for a contract period of three months.

At the time of the monitoring on 14th November 2011, the two classroom block constructed by Derut contractors was completed. The 5,000 liter water harvesting tank was also delivered and fixed to the building but the gutters were still missing. However all the furniture had not been supplied

A two-classroom block completed at Ssanje CP

The two stance lined VIP pit latrine by Gebra Enterprises Limited was also complete but it was not yet painted. Gebrah Enterprises had not delivered the 5,000 liter water harvesting tank.

The MV workshop by Update Rakai Limited was at finishes level. However, a number of concerns about this workshop were raised. First, it was reported that the drawings included poles/columns at the veranda. However, these were not included in the BoQs. The contractor therefore omitted them. Secondly the drawings included rails and steps for the service bay. Unfortunately these were also omitted in the BoQs. The contractor hence omitted these also. Thirdly, beneficiaries complained about the quality of civil works for the service bay. It was reported that the service bay was constructed with bricks from below without a beam. This renders it weak and susceptible to being broken by heavy vehicles. It was also noted that most of the floor was cracked. The 5,000 litre harvesting tank had not been delivered as at the time of our monitoring. The metallic window for the store has not been fixed and all the electrical installations had not yet been done. Both external and internal rendering as well as painting had not yet been done.

An MV workshop and a five stance VIP pit latrine constructed at Ssanje CP

The five stance lined VIP pit latrine by Update Rakai was complete. However, it was not painted.

MoES together with Sanje CP administration should ensure:

- That Derut contractors fixes the gutters on the 2 classroom block and supplies furniture for the same block.
- That Gebra Enterprises paints the two stance lined VIP pit latrines and delivers the 5,000 litre water harvesting tank to the school.
- That BoQs for structures sent to sites cover all the items indicated in the drawings.

- That the MV workshop is completed as per the drawings. (i.e columns on the verandah are included, the rails and steps for the service bay, electrical installations, working on the internal and external rendering and all the cracks in the floor.

Kakiika T/S:

Kakiika T/S is found in Makenke cell, Kakiika parish, Kakiika Sub County, Kashari County, Mbarara district. Under the 4th performance Report for FY 2010/'11 cumulative outputs reported by MoES, Kakiika T/S received funds for construction of two workshops and four classrooms. Findings showed that the technical school received Ushs 155,898,158/= on 30th August 2010. The funds were credited directly into the school's account. The school contracted civil works to Pigeon (U) services limited at UShs 153,101,235/= to put up two classroom blocks each with two classes (with furniture), two workshops Carpentry and Joinery(CJ) and Brick laying and Concrete practice (BCP) and two lined VIP pit latrines and a water harvesting system. Agreements were signed on 18th November 2011 for a contract period of four months.

By the time of the monitoring visit on 24th November 2011,

- The four classrooms were at finishes level. The remaining works included painting, fixing glasses, two doors on one of the classrooms as well as providing furniture.
- The CJ and BCP workshop was also at finishes level. The remaining works included painting, fixing gutters and supplying the furniture.
- The two five-stance lined VIP pit latrines were at excavation level.

The four classrooms and the twin workshop at finishes level constructed at Kakiika TS

The quality of works on the classroom block and the twin workshop was very good.

The 4th quarter Performance Report indicated that the Technical School received more UShs 29,000,000/= for procurement of learning equipments.

Finding from the monitoring visit confirmed that the school received UShs 29,000,000/= for procurement of learning equipments for CJ, BCP and Tailoring and Cutting Garments. Some of these equipments were supplied by Mujuni General Hardware, Wood machinery Limited and SSABA all based in Kampala.

Some of the Learning Equipments Procured at Kakiika Technical School

Item	Number	Item	Number
CJ equipment Supplied by SSABA Limited			
Trying Plain	6	Temon Saw	8
Jake Plan	5	Oiling Can	2
A Set Twisted Bill	1	Builder Tap Measure	2
Mortice gauge	5	Meter Squire	2
Pair of pliers	3	Drill and Set of Bits	2
Brenel vice	8	Rasper Files	10
Smoothing Plane	8	Compass Saw	4
Marking Gauge	4	Claw hamers	4
Tape Measure (5mm)	4	Wooden Plane	2
Meter Rulers	4	Rouler Plane	2
Sash Cramp 4 fit	1	Expansion Bit	2
Sash Cramp 6 fit	6	Gimret	6
G. Cramp	4	Meter Cramps	4
Hand Saw Set	4	Pincers	2
Rebate Planes	4	Sliding Berch	4
Rip Saw	4	Marking Gauge	2
Cross Cut Saw	8	Ark saw frame	2
Try Square	12	Set Chisel	1
Braces	6	Bow Saws	6
Plough Plane	6	Spark snaves	3
		Combine machine plane, circular saw machine, mortiser	
BCP tools Supplied by Mujuni General Hardware			
Item	**Number**	**Item**	**Number**
Straight edges	60	Club Harmers	10
Spirit Levels	60	Wheel Barrows	8
Plump bobs	10	Spades	8
Cold Chisels	10	Tape Measures	10
Steel Floats	10	Sladge Hammers	2
Building Lines	15	Bolsters	10

Source: *Kakiika Technical School*

Findings further showed that MoES released an additional UShs 160,000,000/= to this institution. These funds were credited directly to the school account on 26th May 2011. The guidelines showed that these funds were for construction of an MV workshop, a classroom block with administration offices with furniture.

It was reported that the school awarded the contract to New Wakarwe Technical Engineering Services Limited at a contract price of Ushs 156,827,882/=. Contract agreements were signed on 1st August 2011. At the time of teh monitoring visit on 24th May 2011, the MV workshop, classroom block with office were all at roofing level. The quality of works for these three structures was impressive.

The classroom block with offices and the MV workshop at roofing level constructed at Kakiika TS

Wera Technical School is found in Kyambogo cell, Angole parish, Wera Sub County, Amuria county, Amuria district. The 4th quarter performance report showed that MoES paid Ushs 143,285,500/= to Wera T/S to construct 4 classrooms, 3 workshops and provision of a water harvesting system.

Findings from the monitoring visit showed that the technical school received only UShs120, 567,190/= from MoES. This brings about a variation of UShs 22,718,310/=. The funds were credited on the institution's account in April 2011.

Findings from the monitoring visit indicated the contract was awarded to BASE General Contractors limited at a contract price of UShs 120,560,190. Construction started in August 2011. By the time of our monitoring on 29th November the twin workshop for BCP and CJ was at roofing level. Civil works on the dormitory block for boys was also at roofing level. The remaining works on those two blocks were internal and external rendering, flooring, painting, putting doors and windows, working on the verandas. The two-stance VIP pit latrine was still at excavation level. The beneficiaries noted that they were satisfied with the quality of civil works up to that level.

The twin workshop and the dormitory at roofing level at Wera TS

Katonga TI:

Katonga TI is located in Kikoota LCI, Nindye parish, Nkozi Sub County, Mawokota County, Mpigi district. The 4th quarter performance report indicated that MoES provided funds to a number of Technical Institutions including Katonga TI for purchase of tools during FY 2010/'11. Findings indicated that the institution did not receive funds directly from MoES. However, the institution received a number of learning equipment from the MoES. These equipment were for brick laying and concrete practice, electrical and plumbing, Motor vehicle, and for Carpentry and Joinery courses.

Kumi T/S:

Kumi T/S is found in Okuba village LCI, Okuba parish, Kumi Sub County, Kumi district. The 4th quarter performance report indicated that MoES constructed three classrooms and two workshops at Kumi T/S. Findings indicated that the Technical School received UShs 120,000,000/=. These funds were credited on the school account on 26th May 2011. The contract for civil works were awarded to Taw-Max Civil works limited at a contract price of 117,984,300/= for a contract period of 4 months. The contract agreements between the school and the firm were signed on 3rd October 2011 and works started immediately.

By the time of the monitoring visit on 29th November 2011, the three classroom block was at ring bim while the twin workshop for BCP and CJ was at walling level. The beneficiaries were satisfied with the quality of works up to that level.

The three classroom block and the twin workshop at ringbim and walling levels respectively at Kumi TS

Iyolwa Technical School:

Iyolwa Technical School is found in Papone 'B' village, Poyem parish, Iyolwa sub county, Tororo district. The 4th quarter performance 2010/11 indicates that MoES paid Iyolwa UShs 143,285,500/= to construct four classrooms, three workshops and a water harvesting system.

Findings from the monitoring visit indicated that the school received only UShs 120,567,190/= on 21st March 2011. Secondly instructions received by the school indicated that the funds were for construction of a twin workshop for BCP and tailoring and cutting garments (TCG), an MV workshop and a firewood kitchen shed. Findings further showed that the school contracted civil works for the twin workshop to OK enterprises limited at a contract price of 49,750,000/=, the MV workshop to Phiona International limited at a contract price of Ushs 57,735,000/=. The kitchen shed was also contracted to Phiona International limited at a contract price of Ushs 12,497,000/=. The contract agreements were signed on 17th June 2011 for a contract period of four months.

At the time of the monitoring visit,

- The twin workshop was at ring bim level. The structure had stalled at that level for some time. This structure is behind schedule and the contract period has expired.
- The kitchen shed was complete and was in use.
- The MV workshop was at slab level. It was reported that this structure had stalled at this level for two months. The beneficiaries had issues of poor quality of civil works with the contractor. They reported that the service bay and the slab itself were poorly done. It was further reported that the MoES assistant engineer had also noted that works for this block were not satisfactory. On top of that civil works were behind schedule as the contract period has already expired.


The twin workwhop for BCP and CJ at ring bim level and the kitchen shed constructed at Iyolya TS

The poorly done slab for the MV workshop at Iyolwa TS

Recommendations:

- MoES should explain the variation of Ushs 22,718,310/= in funds paid to each of the following: Technical Schools (Ssanje TS, Kumi TS, Wera TS, Iyolwa TS). The total variation adds up to Ushs 90,873,240/= for the four institutions. The ministry should also give a clear accountability of funds under project 0971 for FY 2010/11.

- MoES together with Iyolwa technical school administration should ensure that the two contractors complete the twin workshop (OK enterprises limited) and the MV workshop (Phiona International limited). The should also follow up Phiona International limited to address identified defects on the MV work shop and to ensure that there is value for money.

3.2.5 Construction under Presidential Pledges (FY 2010/11):

Every year Government of Uganda provides Ushs 10bn to MoES for fulfilment of Presidential Pledges in the sector. During FY 2010/11 that money was provided. MoES drew up a work plan/prioritized list of institutions under Presidential Plegdes totalling to UShs 10bn for that FY. Some institutions were sampled under that list to assess the progress of fulfilment of the Presidential Pledges. The details follow below:

Primary School constructed under the Presidential Pledge:

<u>Kyebe church of Uganda (CoU):</u>

Kyebe CoU P/S is found in Katwa LCI, Kannabulemu parish, Kyebe Sub -county, Kakuuto conty, Rakai district. H.E the President pledged to construct this school which had no structures. MoES prioritized this school in its 2010/11 work plan. A budget of Ushs 80,000,000/= was approved.

Findings from the district indicated that Rakai district received funds for fulfilment of the Presidential Pledge. Unfortunately the DEO of Rakai was not sure of how much money MoES released to the district. He however, reported that the district awarded a contract for construction of a two classroom block at a contract price of Ushs 38,892,147/=. The contract agreement was signed on 28th June 2011.

At the time of the monitoring visit on 14th November 2010 the two classroom block with an office had stalled at roofing level. The remaining works included working on the gable ends, internal and external rendering, fitting door and window shutters, flooring, painting and works on the verandahs.

ing level at Kyebe CoU

Kapeeka P/S

Kapeeka Primary school is found in Kapeeka LCI, Kapeeka parish, Kapeeka Sub-county, Nakaseke district. H.E the President made a pledge to construct four classrooms at this school. MoES prioritized works at this school in its work plan of FY 2010/11 at an approved budget of Ushs 90,400,000/=.

Findings indicated that Nakaseke district received funds for construction of this Presidential Pledge. The district awarded the contract to Cast International constructors. It was also reported that construction started in May 2011. At the time of the monitoring visit, two classroom blocks each with two classrooms had been completed. One of the two blocks had a store. A four stance VIP pit latrine was also completed. However, the head teacher raised a few issues concerning the quality of the works on the classroom block:

- All the four classrooms have structural cracks in the walls. These structural cracks started appearing in the walls even before plastering. When the walls were plastered, the cracks continued emerging, breaking through the plastering itself. The head teacher noted that the civil works were executed so fast without giving enough time for the walls to settle.
- The contractor supplied only 9 three-seater desks for each of the classrooms instead of 36 desks per class as agreed.
- There were no glasses fixed in the metallic windows
- No lightening conductors were fixed on each of the classroom blocks
- Gauge 30 iron sheets were used instead of gauge 28.
- Only one coat of paint was applied in each of the classroom blocks. The classrooms need a second coat of painting
- No furniture was supplied for the store. No teachers' desks and no teachers' chairs were supplied to all the classes.
- The floors for all the classes are already cracking.
- The doors fixed on the four stance pit latrine were of poor quality. Also the stance for children's with disabilities was poorly done and the metal support was not fixed.

A two classroom block constructed at Kapeeka P/S, some of the structural cracks in the walls of the same block.

It is therefore very clear that the quality of civil works at this school was poor. The speed at which the structures are cracking tells a lot the quality of the structures. The district should use the retention funds to rectify the identified defects. The contractor should also be blacklisted.

Palenga Primary School:

Palenga Primary School is found in Palenga Gudi ward LC I, Bobi Sub-county, Omoro county, Gulu district. H.E the President pledged to construct 12 classrooms with an office and store at this school, provide 300 desks, construct a kitchen, three 5 stance VIP pit latrines and provide two 10,000 litre water harvesting tanks. MoES prioritized fulfilment the first phase of this pledge during FY 2011/11 with an approved budget of UShs 70,000,000/=

It was not clear how much of that approved budget was released to Gulu district. However, by the time of the monitoring visit on 5th November 2011 a two classroom block with an office constructed by Bongomin and company limited was at roofing level.

Findings further indicated that the district received the 2 phase of the Presidential Pledge for FY 2011/12. It was not also clear how much of the approved budget had been released to the district. (The approved budget for phase 2 is Ushs 121,016,680/=). At the time of monitoring, the district had awarded the works for construction of four classrooms with an office to AH construction Uganda limited. These were still at foundation level.

Secondary Schools constructed under the Presidential Pledge:

St Mary's College Kisubi:

St Mary's College Kisubi is located along Entebbe road. According to the prioritized list of Presidential Pledges, the school was supposed to receive UShs 49m for construction of a dormitory. Findings from the school indicated that the school never received that money.

Nkoowe High School:

Nkoowe High school is located in Nkoowe LCI, Kaliiti parish, Mende Sub-county, Wakiso district. It is a private school found in 2000. His Excellency the President pledged funds to this school for procurement of laboratory equipment. The approved budget was Ushs 20m. MoES prioritized this pledge in its work plan of 2010/11. Findings from the school showed that this school did not receive any funds from MoES for that purpose during FY 2010/11.

Kabbo Senior Secondary:

A three-classroom block at Kabbo S.S.

Kabbo Secondary School is found in Nakawala LC1, Kabbo Parish, Kasambya sub county, Kasambya county, Mubende district. H.E the President made a pledge to this school. MoES prioritized fulfilment of this pledge in its FY 2010/11 work plan with a 1st and 2nd instalment of UShs 70,000,000/=.

Findings indicated that the school received UShs 70,000,000/=. The funds were used for construction of a three classrooms block. By the time of the monitoring visit on 21st November 2011, a three classrooms block was complete. Civil works were undertaken by Kit Construction Company Limited. However, the desks had not been supplied.

Rutooma Senior Secondary:

Rutooma Senior Secondary is located in Rutooma LC I, Rutooma parish, Rwanyamahembe sub county, Kashari county, Mbarara district. H.E the President pledged Ushs 200,000,000/= to assist in the rehabilitation of this school. MoES prioritized fulfillment of this pledge in its work plan of FY 2010/11 with a first and second installment totaling to UShs 70,000,000/=.

Findings indicated that the funds were released to Mbarara district as SFG sometime between October and November 2010. However, the district did not transfer all the funds to the school immediately. The head teacher reported that at the time of monitoring on 23rd November 2011, only UShs 42,000,000/= had been transferred to the school from the district. This leaves a balance of UShs 28,000,000/= not transferred to the school one year after MoES released them to the district.

The head teacher further reported that the UShs 42,000,000/= was used to install metallic doors and windows for 16 classrooms. It was noted that 80 metallic windows and 16 metallic doors were procured for the 16 classes. Part of the money was used to plaster seven three-bedroom staff houses. The staff houses also have sitting rooms with corridors. The staff houses were also painted and verandas repaired.

Some of the 16 classes and teachers' houses that were repaired at Rutooma S.S.

Obalanga Comprehensive S.S.

Obalanga Comprehensive S.S. is found in Opot village, India LCI, Opot parish, Obalanga sub-county, Kaperabyong county, Amuria district. H.E the President made a pledge of UShs 284,000,000 for construction of this school. MoES prioritized fulfillment of this pledge in its work plan of 2010/11 by releasing the first and second installment of UShs 70,000,000/=. It was not possible to establish how much of the expected funds were released for the construction of this school.

However, as of 29th November 2011 the date of monitoring, construction had started. A two-classroom block was at walling level. It was noted that this construction is far behind schedule since it was for the last financial year. MoES should follow it up to ensure that it is completed.

Rubongi Army Secondary School:

Rubongi Army Secondary School is located in Nyakeki zone, Rubongi parish, Rubongi Sub -county, Tororo district. H.E the President pledged UShs 100,000,000/= to support this school. MoES prioritized fulfillment of this pledge in its work plan of FY 2010/11.

Findings indicated that Tororo district administration received the funds meant for Rubongi Army S.S. The funds were remitted to Tororo district as SFG. However, the district did not transfer all these funds to the school. The Head master told the monitoring team that the district used it for other activities claiming that Rubongi Army was not part of their SFG work plan for FY 2010/11. According to the headmaster after a lot of negotiations, they now claim to have included Rubongi Army S.S in their 2011/12 work plan and that they will be remitting UShs 25,000,000/= per quarter to the school.

By the time of the monitoring visit on 30th November 2011 the school had only received UShs 50,000,000/=. The school has now started on the procurement process. The funds will be used to construct 4 classrooms.

Recommendations:

- MoES together with Rakai district administration should follow up on civil works at Kyebe CoU to ensure that they are completed.
- MoES should clarify on the UShs 49m for construction of a dormitory at St Mary's College Kisubi which was never received by the school.
- MoES should give an explanation why Nkoowe High school did not receive the funds for the Presidential Pledge.
- MoES together with Nakaseke district administration should follow up on poor civil works at Kapeeka P/S to ensure that they are rectified. They should also follow up with the contractor to ensure that all the furniture is provided.
- Mbarara district administration should give an explanation why they failed to make timely transfer of the Presidential Pledge funds for Rutooma S.S. one year down the road. MoES should follow up this issue to ensure that all these funds are transferred to the school.
- MoES should seek for an explanation from Tororo district administration why they did not transfer UShs 100,000,000/= meant for fulfillment of the Presidential Pledge to Rubongi

Army S.S during FY 2010/11. MoES should further prevail on Tororo district administration to refund and transfer all the above funds to this school.

Auditor General's office should follow up the issue.

BTVET Institutions constructed under the Presidential Pledge

Katonga Technical institute (TI):

Katonga TI is located in Kikoota LCI, Nindye parish, Nkozi Sub-county, Mawokota county, Mpigi district. H.E made a pledge to this technical Institute. MoES prioritized the 2nd phase of this pledge to be fulfilled in FY 2010/11. The approved budged for fulfillment of this pledge was UShs 111,400,000/=

Findings from the monitoring visit on 18th November 2011 indicated that these funds were received by Mpigi district administration as SFG. The funds were used to construct four rooms of teachers' houses. The rooms are being occupied by the Principal and the Deputy. Part of the funds, were used to provide four 10,000 litre water harvesting tanks.

Nkoko Technical School

Nkoko Technical School is found in Kityerera village LCI, Kityerera parish, Kityerera Sub -county, Mayuge district. H.E pledged support towards construction of this technical school in Mayuge. MoES prioritized fulfillment of the second phase of the Presidential Pledge in its work plan of 2010/11 with a budget of Ushs 110,400,000/=.

From the monitoring visit, it could not be established how much money MoES released to the district. However, according to the Principal, the district transferred only UShs 81,000,000/= in March 2011 and an additional UShs 12,000,000/= was released in October 2011. This adds up to a total of UShs 93,000,000/=. It is not clear whether the school should expect more money or not.

Findings revealed that the funds were used to construct a kitchen, work on a borehole, solar system, construct some bathrooms, and buy beds for the dormitory.

The 4th quarter performance report indicates that MoES provided funds to purchase tools for a number of technical schools. Nkoko is one of those technical schools mentioned to have received the reported tools. Findings from the monitoring confirmed that the school received a number of learning equipment for BCP and TCG. However, there were no delivery notes to ascertain the numbers of equipment received.

BCT tools received		**Tailoring, Cutting and Garment tools received**	
Tool	**Number**	**Tool**	**Number**
Plumb tools	10	Ordinary straight stitching singer	10
Spirit levels	10	Button hober machine (manual)	01
Trowels	10	Over lock designer (manual)	01
Measuring and cutting tapes	02	Button puncher	01
Painting and brick trowel	10	French curves	17
Building square	04	Thumbles	17
Club harmers	05	Tracing wheels	02

Mason hand saw	07	Button holer scissors	03
		Big sheer 12”	03
		Scissors 8”	05
		Pinking scissors	05
		Seam ripper	05
		Pair of Twizzers	05
		Tailors dummy	05
		Meter ruler	05

Source: Nkoko Technical School

MoES should always ensure that delivery notes are made available and duly signed when delivering different items to institutions.

Conclusions:

Eleven institutions from MoES’ prioritized list of Presidential Pledges for FY 2010/11 were monitored. While some institutions received the funds, a few did not. Those that received funds construction was at different stages. Kapeeka P/S had issues of poor quality of civil works that need to be addressed. Nkoowe High School and St. Mary’s Kisubi did not receive funds for the Presidential Pledges as planned. Although MoES released funds for Rutooma S.S. and Rubongi Army as SFG to Mbarara and Tororo districts respectively, those districts did not transfer all the funds to the beneficiary schools. Therefore MoES should follow up these issues to ensure that all institutions under the priority list of 2010/11 whose funds were provided are fully implemented.

3.3 ENERGY

3.3.1 Introduction

Mandate and Sector Priorities

The mandate of the Ministry of Energy and Mineral Development (MEMD, vote 017) is, "*To Establish, Promote the Development, Strategically Manage and safeguard the Rational and Sustainable Exploitation and Utilization of Energy and Mineral Resources for Social and Economic Development*."[10]

In the medium term, the key priorities of the Ministry are to;

- Increase electricity generation capacity and development of the transmission network;
- Increase access to modern energy services through rural electrification and renewable energy development
- Promote and monitor petroleum exploration and development in order to achieve local production
- Promote mineral investment through the acquisition of geo scientific data and capacity building[11]

The total approved budget for the Energy and Mineral Development sector for FY 2011/12 exclusive of donor funding (after taxes and arrears) is 1.325 trillion[12]. The increase in the budget can be largely attributed to the prioritization of Karuma hydropower project as a national flagship project. Construction is expected to start during FY 2011/12 and will be financed using the Energy Fund[13].

As shown in figure 3.3.1, of the 1.325 trillion, 22.6% was released. Of the released funds, 95.8% was expended which showed good absorbptive capacity.

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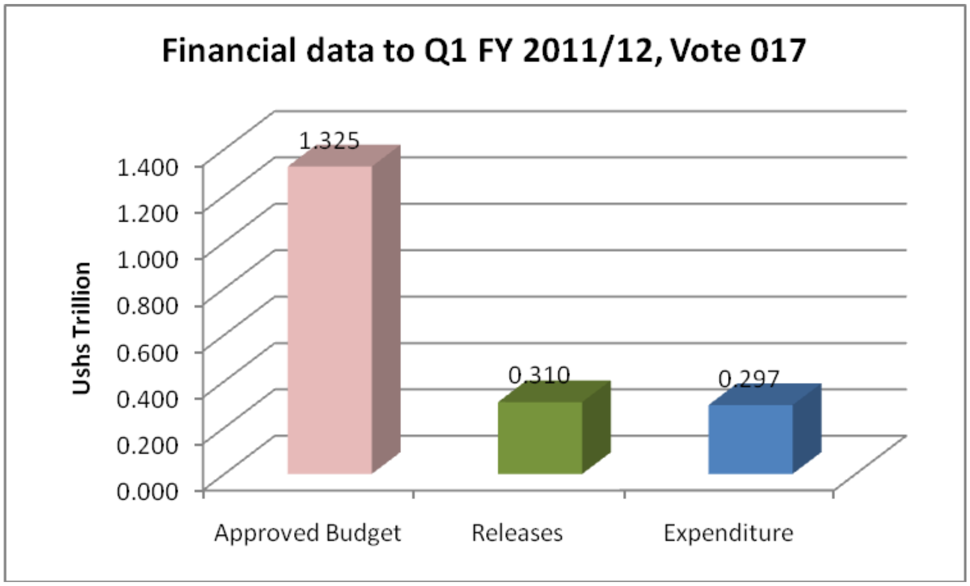
[10] MEMD *Sector performance Report 2008/09-2010/11, (Kampala 2011)1*

[11] Ibid

[12] IFMS Releases Q1 FY 2011/12

[13] MFPED *Background to the Budget 2011, (Kampala 2011)*

Figure 3.3.1 Budget Performance, Vote 017



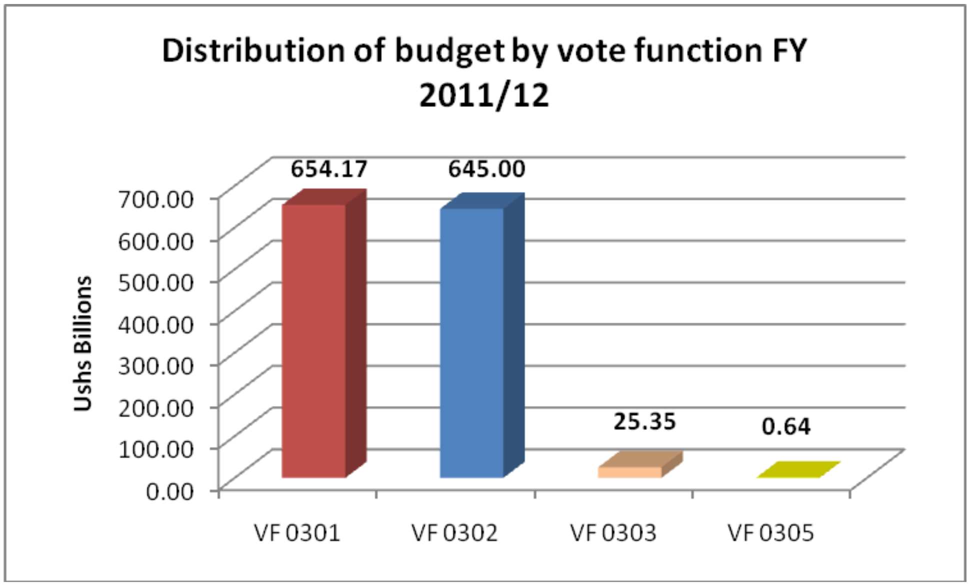
Source, IFMS data Q1 FY 2011/12

Scope of the report

The report reviews progress of development projects in the energy sector for Q1 FY 2011/12. Specifically, the report aims to ascertain whether; planned outputs as outlined in the MEMD annual work plan for Q1 FY 2011/12 have been achieved and establish whether financial expenditure is commensurate with physical progress. The report gives an update on physical progress, highlights implementation challenges and identifies key policy issues**.**

As shown in figure 3.3.2, the report gives priority to development projects under vote function 0301 (Energy Planning, Management and Infrastructure Development) and Vote Function 0303 (Petroleum Exploration, Development and Production). This is because; VF 0301 takes the biggest share of the budget. VF 0302 (Energy Fund) also takes a big share but not much visible physical progress has taken place at Karuma as a contractor to construct the power project is still being sourced. VF 0303, and in particular project 1184 (Construction of the oil refinery) is of interest because it is one of the flag ship projects that government is keen to implement.

Fig 3.3.2



Source: IFMS data

Table 3.3.1 gives an overview of projects and outputs monitored during Q1 FY 2011/12.

Table 3.3.1 Outputs sampled for Q1 FY2011/12

Outputs Monitored by BMAU	Locations of Monitoring	Planned Achievements by MEMD	Actual Achievements as observed by BMAU
Vote Function 0301			
Project 0325 Energy for Rural Transformation (ERT) 11			
Output 030153: Transfer Funds to ERT 11 Components	Mubende	Installation of solar energy packages in Health Centres in Mityana, Mubende and Kabale was substantially completed in September 2011[14]	Monitoring was done in Mubende. Installation was done
Output 030104: Increased Rural	Soroti, Katakwi, Amuria, Lira,	Construction of Lot 1-2-3 Soroti-Katakwi-	Construction ongoing and according to

[14] This component is implemented by Ministry of Health.

Electrification	Yumbe	Amuria, Ayer-Kamdini and Minakulu-Bobi, Ibanda-Kazo-Rushere - Work commenced in June 2011[15]	schedule
Project 0331: Rural Electrification			
Output 030104: Increased Rural Electrification: Construction of transmission infrastructure	Bushenyi, Kabale, Lira	Completion of power lines	Construction on going and at various stages.
Project 1023: Promotion of Renewable Energy and Energy Efficiency			
Output 030103 Renewable Energy Promotion	Kabale	Reduced fuel consumption by 30% through dissemination of 200,000 improved household stoves and 200 institutional stoves	Improved household stoves were disseminated in two sub-counties of Buhara and Kitumba
Output 030103 Renewable Energy Promotion	Oyam	Dissemination of 30 solar PVs and 20 water heaters	Monitored installation of solar PVs. The activity was carried out.
Vote Function 0303: Petroleum Exploration, Development and Production			
Project 1184: Construction of Oil Refinery			
030380: Oil refinery construction	Meeting in Entebbe with Commissioner Geology	- Land acquired for the refinery and supporting infrastructure - Resettlement Action Plan (RAP) for the oil Refinery Project Completed - Baseline Environmental Survey for the oil refinery Project Undertaken	- Identification of the land was done. - Sensitization of the locals is being done - Are hiring a consultant for the RAP

Source: Approved Budget Estimates FY2011/2012; MEMD 2011/2012; PEPD 2011/2012; Field Findings

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[15] The Rural Energy Infrastructure component is implemented by Rural Electrification Agency

Methodology

Financial data is sourced from the Integrated Financial Management System (IFMS) for GoU expenditure, project profiles in the Public Investment Plan and from MEMD records and the approved estimates of revenue and expenditure[16]. Financial performance includes release performance and absorptive capacity of GoU expenditures for projects and specific outputs considered. Donor release and expenditure is also reported where data is available.

Physical performance measures the extent to which quarterly planned activities have been achieved on ground. Quarterly work plans are provided in the MEMD Ministerial Policy Statement (MPS). To establish physical performance, progress reports are obtained from various sources including MEMD, Rural Electrification Agency (REA), Energy for Rural Transformation (ERT) stakeholders, Uganda Electricity Transmission Company Limited (UETCL) and from private contractors. The team also holds discussions with key stakeholders in the relevant departments. There after field visits are done where discussions are held with project implementers and where possible beneficiaries. Photographs of the projects monitored are also taken.

Limitations

- The MPS which constitutes the MEMD quarterly work plans do not fully capture the extent of ongoing works in the sector
- The time constraint (only 21 days of monitoring) means that not all outputs in the energy sector can be monitored during a given quarter. Several outputs end up being left out.
- Large amounts of expenditure in the energy sector are not visible on the IFMS accounting system because they are donor or privately funded. This makes analysis of planned verses actual expenditure, absorptive capacity difficult
- Donors and private firms are often unable to provide detailed financial data

3.3.2 Energy Planning, Management and Infrastructural Development

a) Project 0325: Energy for Rural Transformation

Background:

Energy for Rural Transformation (ERT) is a two phase project and currently, GoU is implementing the second phase for the next three years starting in 2010. It is hoped that ERT II will accelerate investments and increase the regional coverage by shifting from the Phase I case-by-case approach to processing sub-projects through the institutional framework. The programme intends to generate significant direct as well as indirect benefits to the beneficiaries and target institutions. Benefits could be through increased access to employment opportunities, periodic and long-term income

[16] MFPED *Approved Estimates of Revenue and Expenditure FY 2011/12 (Kampala)*

sources, improved health care and education, improved access to clean water, communication and value addition to agricultural outputs and enhanced community participation[17]

There are different players in the ERT 11 project as shown below

Table 3.3.2: ERT implementing Agencies

Component	Implementing Agency	Outputs
Rural Energy Infrastructure	Rural Electrification Agency	Installation of grid extensions, solar PVs, Solar water heaters
Information and Communication Technologies	*UCC*	Establishment of community Information Centres at rural communities, trading centres vanguard institutions in 16 sub counties in 10 districts in Northern Uganda. Access to public broadband internet services by sub counties Supply of computers and internet access to level 4 health centres and rural schools
Energy Development, Cross-Sectoral Links, Impact Monitoring	Ministry of Health	Access of health centers 11 to 1V to electricity in 24 districts including 11 districts in Northern Uganda The Nordic Development Fund supported total of 100 health centres
	Ministry of Education and Sports (MoES)	Access to electricity by rural schools
	Ministry of Water and Environment (MOWE)	Access to electricity by water supply schemes
	Ministry of local government	Local governments actively engaged in renewable energy efficiency investments
	Ministry of Agriculture, Animal Industry and Fisheries	Agri-business farms with access to electricity
	Ministry of Finance, Planning and Economic Development	Impact of the ERT interventions and the rural transformation process measured
	Ministry of Energy and Mineral development	Reduction in large industrial/ commercial loads in target locations
	Uganda Energy Credit Capitalizations Company	Financing transactions carried out.

Source: ERT peer review meeting, Field findings

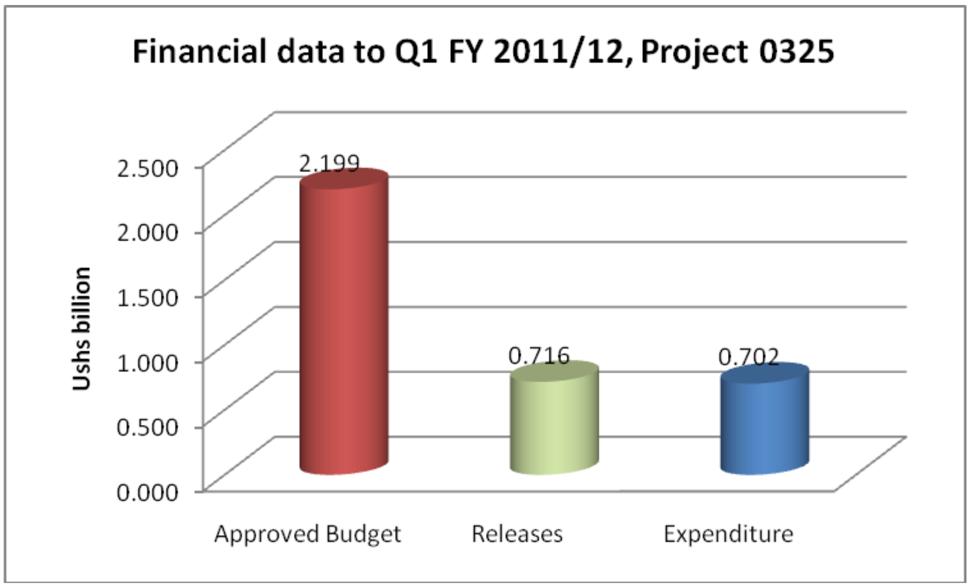
[17] MFPED *ERT 11 Baseline Survey Report 2011 (Kampala)*

Overall, the ERT 11 progress is slow. Very few key stakeholders have done actual implementation of their activities save for Ministry of Finance, Planning and Economic Development. There are no investments in the ICT sector. The BMAU team monitored two components of ERT II; Rural Energy Infrastructure and Cross Sectoral linkages under Ministry of Health as they are the only two components that that have got visible outputs on ground.

Financial Performance for ERT Project 0235

As shown in figure 3.3.3, by the end of Q1, project 0325 received 716 million (32.6%) of its 2.199 billion GoU budget for FY 2011/12. Expenditure for the quarter was 98% of funds released.

Figure 3.3.3



Source: IFMS data

i. *Output 030153: Cross Sector Transfers for ERT- Solar panels in Health Centers.*

The overall goal for the ERT Program health component is to improve delivery of health services in rural health centers through increased access to modern energy services and ICTs (ERT Operations Manual, 2009).

Physical Performance

In Q2 of FY 2011/12, BMAU visited solar photovoltaic (Solar PV) installations in Mubende under the health component of output 030153. The District Health Office (DHO) reported that 25 health centres received solar PV installations. The team visited 68% of the health centres and 100% all of them received the installation save for one which received a solar panel form only a fridge. 94% of the beneficiary health centres visited reported to be happy with the solar installation.

Ministry of Health (MoH) plans and implements the ERT Health Component. This includes selecting beneficiary districts. Health Centers without grid and any other form of energy were selected to receive the solar installation as opposed to those connected to the grid.

Table 3.3.3: Value for Money Analysis for Solar PVs in Mubende District

VFM: Effectiveness Component		
Project Planning	Fair	This establishes whether the intervention was well designed to meet objectives. The overall goal of the health Component is to improve delivery of health services in rural health centres through increased access to modern energy services and ICTs 71% of the visited health centres reported that there was improvement in the preservation of vaccines with the provision of the solar fridge. It was preferred to the gas fridge which respondents reported that at the gas would at times run out and therefore lead to vaccines getting spoilt With the provision of light, 78% of the health centres visited reported that they were able to work at night and handle deliveries with ease. Information and Communication services were improved in 92% of the health centres visited as members of staff were able to charge their mobile phones. However, none of the health centres visited had access to computers. The project aims are to; accelerate investment in solar PV to 100%, 65% and 50% of HC1Vs, IIIs and IIs respectively not connected to the grid[18]. 100% of the HCIVs not connected to the grid received solar installation 67% of HC IIIs received solar installation. The HC IIs that received solar installation were 31% and this was below target. Majority of the health centres are located in hard to reach areas and where there is no access to the grid. On average, most of the health centres that received solar installation are 8km away from the grid.
Service Delivery / Beneficiary Satisfaction	Fairly Good	71.4% of the health centres visited reported that that they were satisfied with the solar installation while 28% were very satisfied with the installation. The main benefits of the solar installation as highlighted by the health centres included; • Ability to handle emergencies and deliveries at night

[18] MEMD *ERTII Project Operational Manual*, (Kampala 2009)

VFM: Effectiveness Component		
		• The fridge is more reliable than gas fridge and they are no longer transporting gas from Mubende • Security has increased The challenges included; • In Kibalinga HCIII, where there is insufficient sunshine, the light goes off constantly • Panels are weak therefore cannot sterilize using solar • The lab in Nabingola HCIII has no fridge. • In Kyakasa HCII, some of the security lights are not working. The bulbs blew but there were no funds for replacement. • In Madudu HC III, one of the houses has no light. Recommendations suggested included; • Need for stronger panels that can support equipment like sterilization equipment • Need for constant monitoring from the technicians who installed the panels to fix equipment when need arises • Need for security guards to safeguard the panels. • Supply fridges to all Health centres that did not receive
Gender and Equity	Good	Statistics from the health centres visited indicated that 60.4% of mature patients are women. This is a positive trend as recent statistics show that women patients sought less care when sick. Most of the health centres visited were in hard to reach areas.
Operation and Maintenance	Poor	100% of the health centres reported that they only received basic training on operation and maintenance of the equipment. No technical training was provided to the health centres.

Source: District Health Office; Field Findings

Installation of Solar panels in Mubende district; Solar fridge

ii. *Output 030104: Increases Rural Electrification- Grid Extensions*

The role of the Rural Electrification Agency (REA) under ERT II include implementation of publically funded grid extensions, Off grid renewable energy (independent grids and solar PV Systems), supporting grid connected renewable energy power generation, and technical assistance and training. Under the grid extension sub-component, the planned activities include procurement for grid extensions and technical implementation of

a. Lot 1-2-3 (Soroti- Katakwi-Amuria, Ayer-Kamudini and Minankulu-Bobi, Ibanda-Kazo-Rushere)
b. Lot4-5 (Gulu-Acholibur & Opeta-Achokora with Paicho-Patiko-Palaro)
c. Lot 6-7 (Masindi-Waki-Buliisa and Rushere Rwemikoma-Kabogore (Amate gaitu)
d. Lot 8-9 (Ntenjeru Electrification project and Ruhira Millennium village Project)
e. Community- Initiated Schemes and Agricultural projects
f. GPOBA.

So far, actual construction has only started under Lot 1-2-3 (Soroti- Katakwi-Amuria, Ayer-Kamudini and Minankulu-Bobi, Ibanda-Kazo-Rushere). There is nothing on ground yet for the other "Lots"

Table 3.3.4 highlights the progress as reported in the ERT11 quarterly progress report.

Table 3.3.4: Progress of ERT II grid extension project

Progress of Lot1-2-3 (Soroti- Katakwi-Amuria, Ayer-Kamudini and Minankulu-Bobi, Ibanda-Kazo-Rushere) (ERT 11 progress report Q1 FY 2011/12)	**Physical performance** observed by BMAU at FY Q2 2011/12
Construction started in March 2011 and to be completed in 18 months Final design carried out and approved by REA Pole installation of lot 1 Ibanda-Kazo-Rushere 22%; Lot 2 Soroti-Katakwi 60% and Ayer-Kamdini is 35% Conductor arrived in Mombasa in September 2011, transformers being manufactured and will be ready for inspection in December 2011 Rap disclosure ongoing	Construction is ongoing at various stages. (See table 3.3.5

Source: ERT 11 Progress report; Field Findings

BMAU reviewed progress of all the 3 grid extension lines that were reported on in the ERT II progress report. The lines visited were in the districts of Soroti, Katakwi, Amuria, Oyam Gulu, Ibanda and Kiruhura. All the lines are still under pole erection stage and overall, performance is good. Physical performance is detailed in table 3.3.5

Table 3.3.5: Physical performance of REA Grid Extensions (Lot 1-2-3)

Approved Cost of Works	**Planned Outputs**	**Observed Physical Performance**
Lot 1: Ibanda-Kazo-Rushere		
Contract Amount USD:3,953,877.33 Funded by World Bank	Contractor: A2Z Maintenance and Engineering Services Line route length HV:134km LV:81km (1x200 KVA transformer) (3x100 KVA transformers) (12x50 KVA transformers) (31x25 KVA transformers) Start date was 10th June 2011 Expected completion date is 09th December, 2012	Work commenced on 15th August, 2011 and the contractor expects to complete by April 2012 (on target) Four subcontractors are sharing the line Ibanda-Kazo (T.K Engineering Limited) Kazo-Lwemikoma (Techno 3 uganda Limited) Kazo-Rushere (Suzlon Services Uganda Limited) T-Off at Rwomuhungu-Igorora (JB Metals Uganda Limited) Nyakigando-Nyarukika (TK Engineering and Techno 3 Uganda Limited) Erection of poles is ongoing and approximately 45% of works is complete.

Approved Cost of Works	Planned Outputs	Observed Physical Performance
Soroti-Katakwi-Amuria		
Contract Amount: USD 2,493,633.7 Funded by World Bank	Contractor: A2Z Maintenance and Engineering Services Ltd Line route length HV: 105km LV: 90 km (7x25KVA transformers) (10x50KVA transformers) (2x200KVA transformers) Signing date: 17th March,2011 Contract Effectiveness: 10th June 2011 Expected Completion: 09th December,2012	The project started in June 2011 and the contractor expects to complete by April 2012. Pole erection is 80% complete and overall works are 60% complete.
Ayer- Kamdini & Minakulu - Bobi		
Contract Amount: USD: 3,030,345.5 Funded by World Bank	Contractor is A2Z maintenance and Engineering Services Line route length Ayer-Kamdini: HV- 50 km LV- 27 km Kamdini (Ngora)-Bobi: HV- 57 km LV- 57 km (1x315 KVA transformers) (2x200 KVA transformers) (5x100 KVA transformers) (7x50 KVA transformers) (15x25 KVA transformers) Start date was 10th June 2011 Expected completion date is 09th December, 2012.	The project started in July 2011 and the contractor expects to complete by May 2012. Subcontractors include; Power World Technical Services Jospo Engineering Services Sai Consulting Engineering Services Pole erection is 90% complete and only 10% is remaining for the rocky and swampy area

Source: Field Findings

Challenges

On all lots monitored, some poles were on site but were not erected as the local community was hindering their erection. The land owners want to know how much they are going to be compensated for crops and trees. They insist that REA must first value their land and a specified amount confirmed for payment before their land is granted for project use. From Apuyo substation to the next 5 km, people have refused the contractor to erect poles.

The swampy area on the Soroti-Katakwi-Amuria and Ayer-Kamdini and Minakulu- Bobi line is causing delays as when it rains, the contractor has got to wait for the water levels to come down before works can go on.

Pole erection at Ibanda-Rushere line; *Pole erection at Soroti-katakwi-Amuria*

b) Project (0331) Rural electrification

Background

The overall objectives for the programme is to improve the rural quality of life and facilitate significant rural non-farm income by accelerating main grid extension based rural electrification with a tentative target of contributing to increasing rural electricity access from 1% in 2000 to about 10% ten years later[19]. The outputs include; acquire way-leaves for donor funded rural electrification schemes, extend power to selected mines and PMA agro-processing centres, execute community schemes, and electrify district headquarters[20].

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[19] MFPED *Public Investment Plan FY 2010/11-2012/13*, (Kampala 2010)77

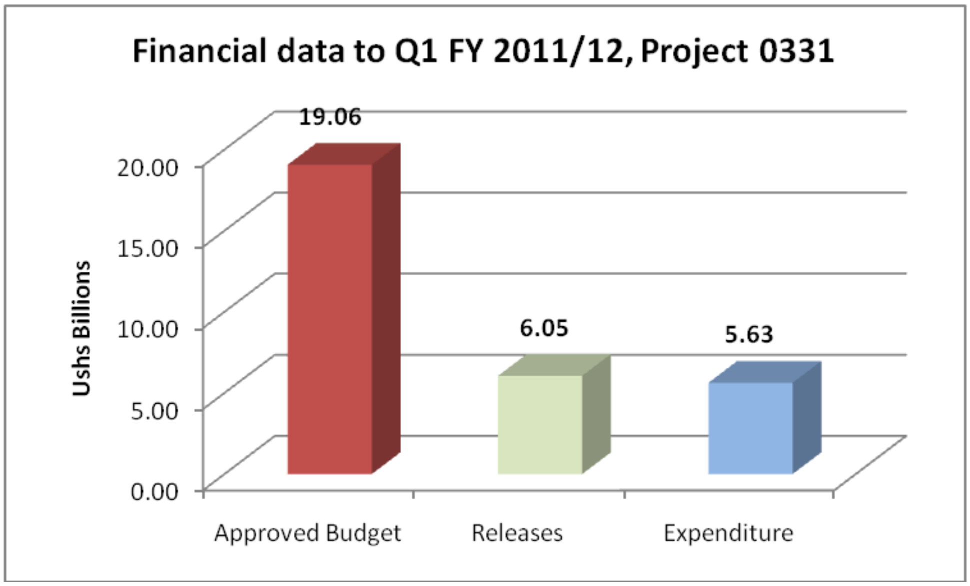
[20] Ibid77

The Background to the budget and MPS, highlighted a number of rural electrification schemes that were under construction and were scheduled to be commissioned in FY 2011/12. Much of the expenditure under 0331 is implemented by the Rural Electrification Agency (REA) which also receives off-budget support for its schemes from various donors.

Financial Performance

By the end of Q1 FY 2011/12 GoU release to project 0331 was Ushs 6.05 billion, which represents 31.7% of approved budget for the financial year. Of the released funds, Ushs 5.63 billion (93% of release) was expended.

Fig 3.3.4



Source: IFMS, Approved Budget Estimates FY 2011/12

One output was monitored in Q2 FY 2011/12

i) **Output 030104:Increased Rural Electrification-** ***Construction of power lines Component***

Financial Performance

Figure 3.3.5 shows the financial performance of output 030104 to Q1 FY 2011/12. Ushs 3.34 billion was expended to Q1 and this represents 91.5% of funds released.

Figure 3.3.6 shows the consumption of expenditure on line items for 030104 to Q1 FY 2011/12. As revealed, locative efficiency was good, as the biggest percentage (91%) was on general supply of goods and services.

Fig 3.3.5

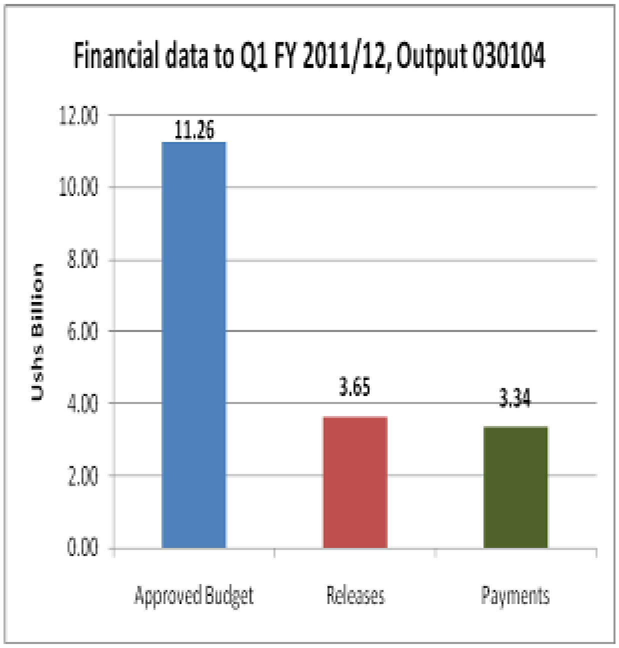
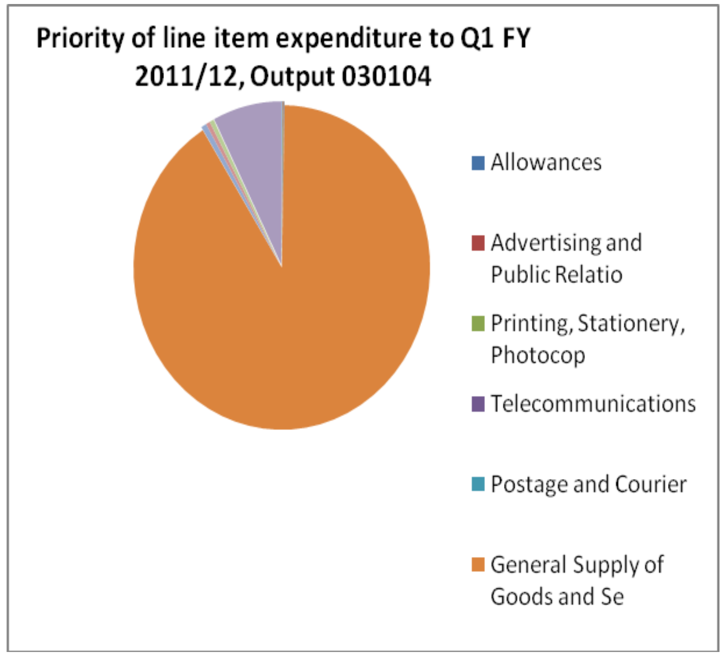


Fig 3.3.6



Source: IFMS data

Physical Performance

BMAU reviewed progress of the different power lines. A sample of four lines was selected from the Q4 FY 2010/11 progress report. Of those visited, two were complete and awaiting commissioning while two were still under construction. Overall, performance was good and those under construction are on target to complete on time. Physical performance is detailed in table 3.3.6

Table 3.3.6: Physical Performance of power lines

Approved Cost of works	Planned Output	Observed physical
Rural Electrification Schemes in Bushenyi and Rukungiri Districts		
Contract Amount is Ushs 6,774,767,395 for the 6 power lines of Rwabutura-Rwengando-Kiziba; Nyakagemye-Rugando-Nyabitete; Rwerere-Bugangari-Kabugashe; Kashekuru-Kyeibanga; Kabira-Rubanga;	**Rwabutura-Rwengando-Kaziba** 10km HV power line 17km LV Power line (7x50 KVA transformers)	Works commenced at the end of October 2010 and expect to complete in April 2012. Works were 60% complete. Delays were caused by the escalation of the dollar therefore they decided to wait for it to reduce; Impassable roads especially during the rainy

Approved Cost of works	Planned Output	Observed physical
Rwakasiga-Kyempitsi-Nyamabare. Funders are GoU and DFCU	**Kashekuru-Keibanga** 4 km- HV power line 3 km- LV power line (1x50KVA transformers) Works for both lines commenced on 15th October, 2010 and expected completion date was 14th October, 2011. Contractor: Plan Build Technical Services Limited	season. The contractor therefore asked for an extension of 5 months
	Kashekuru-Kyeibanga 1.1 km- HV power line 1.5 km- LV power line (1x50KVA transformer)	Works commenced at the end of October 2010 were completed in July 2011. The line was completed on schedule and was handed over to UMEME There are people who are already connected The line is however not yet closed off as there are plans to extend the line. The contractor was supposed to come up with a final measurement by the end of December 2011.
Rural Electrification Schemes in Kabale District		
Muhanga- Kamwezi is part of a bigger project; Ibanda-Kabujogera-Kamwenge and Muhanga- Kamwezi Contract amount for project: Ushs:8,541,382,953 Funded by GoU	**Muhanga-Kamwezi** 14km - HV power line 6km- LV power line (1x 315 KVA transformer) (1x 100 KVA transformer) (6x 50 KVA transformers) Start date: 5th December, 2010 and expected completion date is November 2011	Works commenced on 15th December 2010 and expect to complete in December 2011. Works are 70% complete. Delays were caused by late delivery of materials from China. The contractor expected them in June but they arrived in August and others were still on the way. They also experienced some

Approved Cost of works	Planned Output	Observed physical
	Contractor: Meridian Sales and Services	rainfall which delayed their works. During BMAU visit, work was in progress.
Rural Electrification Schemes in Lira		
Lira-Apala is part of a bigger project Kitgum-Palabek and Lira-Apala-Aloi Contract Amount Ushs. 6,817,115,120	**Lira-Apala** (Covers Ngeta and Apalla Sub-County) 20km- HV power line 6km- LV power line (2x 50KVA transformers) (1x 25KVA transformers) **Contractor: Sri lanka Transformer Ltd (LTL)**	The project started on 4th June 2010 and expected to complete by mid December 2011. Overall, 99% of works is complete and just waiting powering of the transmission line.

Source: Field Findings, Meetings with REA, Progress reports from contractors

Challenges

Most of the line materials are imported. The contractor was faced with a problem of the escalation of the dollar. By the time of signing the contract, a dollar was selling at Ushs 2,300. It increased to UShs.2,500 at the time of importation, until it escalated to Ushs.2,900. At that exchange rate, the contractors were making losses yet they are paid in local currency. The contractors talked to REA to resolve the issue of a depreciated exchange rate but were informed that once a contract is signed, it cannot be revised.

All the poles are got from Kampala and save for Sheema, all the other areas are in deep villages and therefore the roads become impassable when it has rained.

On the Kabale line, REA had made a supervision visit 5 months ago. The contractors were therefore constrained when they encounter problems for example issues of land compensation, and the escalating dollar.

Rwabutura-Rwengendo-Kaziba

c) Project 1023: Promotion of Renewable Energy and Energy Efficiency Programme (PREEEP)

Background

The main objectives of the programme include; to improve the supply of the energy from renewable sources, thereby increasing the total available power generation capacity in the country and reducing the frequency of load shedding, and to increase the efficiency of the use of energy[21]

The expected outputs include; 450,000 improved household stoves disseminated, 500 institutional stoves disseminated, 1,000 solar home systems disseminated, 100 solar institutional systems disseminated, and at least 350,000 tons of wood saved each year due to programme intervention[22].

The programme is implemented by MEMD with support from KfW (German Development Bank), German Technical Cooperation (GIZ), and German Development Service (DED), who later merged to become GIZ[23]. PREEEP aims to improve access to modern energy services and the efficient use of energy by households and the private sector, especially in Northern Uganda

Financial Performance

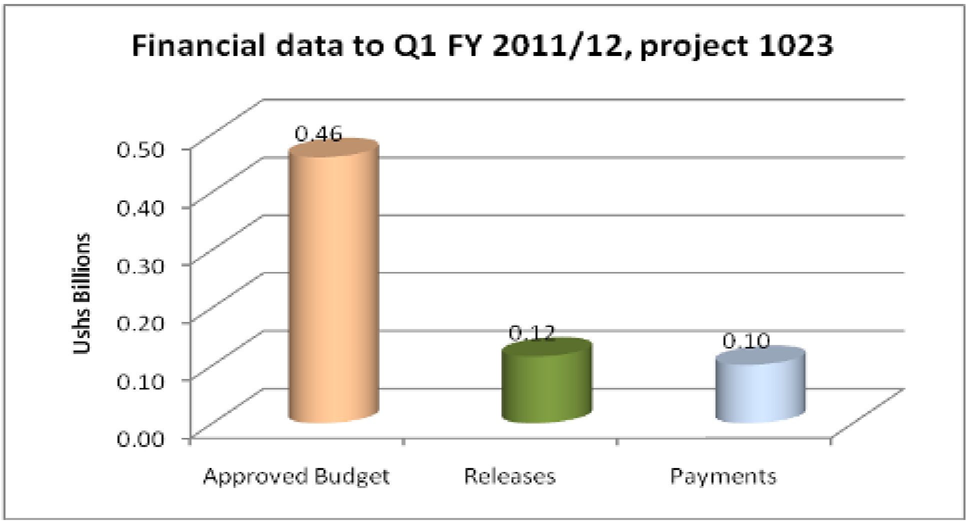
The majority of activities under PREEEP are funded under GIZ. However, data on donor budget release and expenditure was not available. By the end of FY Q1 2011/12, GoU release to project 1023 was Ushs 120 million which represented 26% of approved budget for the financial year. Of the released funds, the expenditure was 83%

Fig 3.3.7

[21] MFPED *Public Investment Plan 2010/11-2012/13*, (Kampala 2010)

[22] Ibid

[23] MEMD *Sector Performance Report 2008/09-2010/11*, (Kampala 2011)



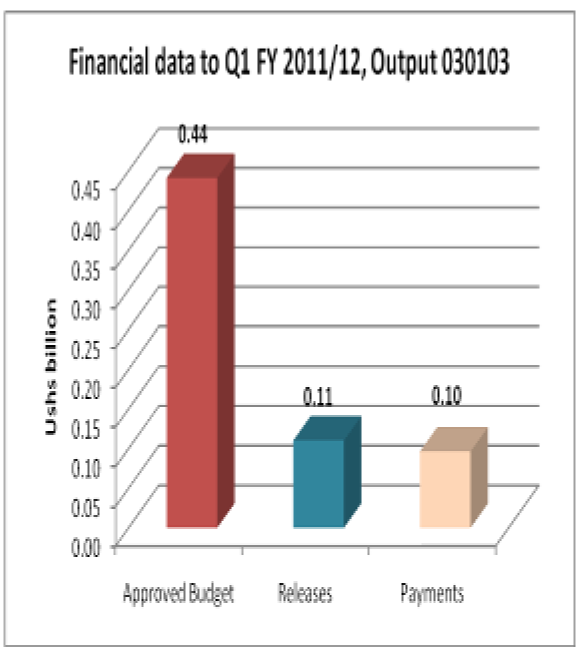
Source: IFMS data, Approved Budget Estimates

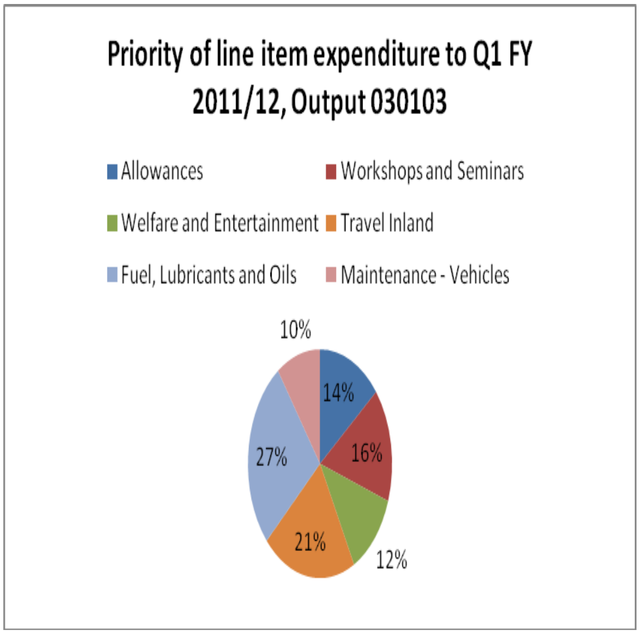
Output 030103: Renewable Energy Promotion- Improved household stoves and Solar Panels Components

Financial Performance

Figure 3.3.8 shows the financial performance of output 030103. By the end of Q1 FY 2011/12, Shs 0.11 billion was released which represents 25% of approved budget. Of the released funds, 91% was expended.

Figure 3.3.8 Figure 3.3.9





Source: IFMS

Figure 3.3.9 shows the composition of expenditure on line items for output 030103 for Q1 FY 2011/12. As shown above allocative efficiency was fairly good with the bulk of GoU expenditure on fuel, lubrication and oils; travel inland and workshops and seminars. (the GoU budget is for purposes of; Counterpart funding for GIZ activities, monitoring and evaluation and maintenance of GIZ activities after implementation)

Physical Performance

i) Output 030103: Renewable Energy Promotion- *Improved Household Stoves component

During Q2 FY 2011/12 monitoring, BMAU followed up progress on the implementation of energy saving stoves scheme for households in Kabale in the two sub counties of Kitumba and Buhara.

Management of the Improved Stoves Scheme has for the past years been implemented GTZ. In 2011, GTZ merged with DED to form GIZ which is now the new body executing the PREEEP activities, improved household stoves being one of the components.

GIZ funds and oversees the improved stoves scheme but actual implementation of activities is done by a selected Non Government Organization (NGO). The scheme aims to reduce time spent on cooking by low income families by 30% and to reduce their firewood consumption by 50%.

BMAU interviewed the coordinator of the two sub counties in Kabale where the energy saving stoves scheme was carried out. Box 3.3.1 provides an overview of how project is carried out.

Source: Field Findings, ECODA report

BMAU conducted in-depth interviews with different households in the two sub counties. Interviewees included stove users and builders. Table 3.3.7 provides a value for money analysis based on the fieldwork findings.

Table 3.3.7

Box 3.3.1 Energy Saving Stoves for Households

In Kabale district, the household stoves scheme is implemented by Environmental Concerns and Orphanage Development Agency (ECODA). The stove construction project started in 2006 and ended in 2011. Overall, it was successful.

The post dissemination exercise started in January 2011 and involved repairing of stoves, replacing broken ones and constructing new stoves in homes that did not acquire stoves during the implementation phase. Formation of groups was also involved to enable stove artisans produce stoves for commercial purposes as well as encourage sustainability.

In Kabale district, focus was on 2 sub counties of Buhara and Kitumba. In Buhara, 11 stove production centres were formed while in Kitumba 8 stove production centres were formed.

Efficiency Component		
Component	**Score**	**Comments**
Allocative Efficiency	Good	ECODA reported that their expenditure was largely on training stove builders to enable communities build improved quality stoves, improve the skills of end users in handling and maintenance of the stoves at household level, and continuous replacement of at least 500 broken stoves per month in every district
Operational Efficiency	N/A	Financial information on the cost of the scheme was not available.
Effectiveness Component		
Project Planning	Very good	The aim of the project is to reduce time spent on cooking by low

		income families by 30% and to reduce their firewood consumption by 50%. 100% of the households interviewed mentioned that household stoves save a lot of time and the quantity of firewood used has reduced.
Service Delivery/ Beneficiary Satisfaction	Very Good	Most households found out about the household stoves from the coordinator who went around sensitizing them. 100% of the households reported that they were very satisfied with the stoves scheme. The main benefits highlighted included; • Reduced consumption of firewood • The stove keeps the food warm • No smoke is emitted • Ability to use two saucepans concurrently with the double shielded stove. • Ability to carry out other work while cooking as the stove does not require constant monitoring The stoves builders mentioned that they are able to get money from the stoves business. Each stove is sold for about Shs.7,000
Gender and Equity	Good	Users of the stoves are always women and therefore this addressed the gender issues for example reduced time in cooking therefore they are able to engage in other activities. In addition smoke which has always proved a health hazard to them is reduced with the improved stoves In terms of equity, most of the households in the two sub counties where the programme was implemented have got a free stove as no money was paid to the builders for construction. All those who expressed interest were in position to have a stove.
Management and operation	Good	All households interviewed received training on how to operate and maintain the new stoves. The coordinator continues to move around to monitor the stoves activities and where some need repair, he calls upon the builders.

Double shielded stove at Buhara sub-county; Sample of portable improved stoves for sale

ii) Output 030103: Renewable Energy Promotion- Solar panels Component

Installation of solar panels in social institutions is part of the rural electrification component under PREEEP. The project started in June 2008, has 3 phases and each phase is 3years long.

BMAU monitored Solar PV installations in Oyam District. A total of twelve health centres benefited from the scheme. The criteria used to select the beneficiary health centre included;

- Health centres that were not connected to the grid with no near prospect to receive the grid electricity.
- Health centers not loaded with solar installation

Table 3.3.8 provides a value for Money analysis of the solar schemes visited. Installation took place between February and May 2011. The contracting company was Uga Solar Limited. The package received by health centres included; solar panels, light bulbs, sockets, solar fridge, and delivery lamps.

Table 3.3.8

VFM: Effective component		
Component	**Score (good/fair/poor)**	**Comments**
Project planning	Good	This establishes whether the intervention was well designed to meet objectives. In meeting one of the objectives of access to modern electricity services, the program has scored 'good'

VFM: Effective component		
Component	**Score (good/fair/poor)**	**Comments**
		Beneficiary health centers are in position to have light at night Immunization services have improved through provision of the solar Ability to handle deliveries and any other emergencies in the night Staff members are also able to have light in their homes
Service Delivery / Beneficiary Satisfaction	Good	In terms of beneficiary satisfaction, 67% are satisfied while 33% are very satisfied with the installations. Some of the benefits highlighted by the health centres were: • Saves health centres money as they do not have to spend money on paraffin for lighting • Ability to handle emergencies and deliveries at night • It has motivated staff as they can watch TV and are not buying paraffin. Therefore, this keeps them at the health centers. • Ability to charge their phones • Energy is cheaper both at home and at the health centre • There is improved security especially at night due to the presence of security lights. • Medicines can be preserved in the fridge.(this was Adyegi HC II the only health centre that received a solar fridge among those visited) Health Centres that were not very satisfied mentioned that; • They have to purchase fuel for sterilization of the equipment • Did not receive a solar fridge • Some staff houses of the health centres did not receive solar panels • Some staff houses did not receive adequate lights
Gender and Equity	Good	62% of the patients who visit the health centre per month are women. This addresses the gender issues in a way that they are in position to acquire health facilities and yet a biggest percentage of them is involved in reproductive activities which do not yield any income The provision of special delivery lamp makes handling deliveries easier and reduced the risk of maternal and child mortality.

VFM: Effective component		
Component	**Score (good/fair/poor)**	**Comments**
		In terms of equity, most of the beneficiary health centres were in hard to reach areas ; with an average distance of about 30km from the grid
Operation and Maintenance	Poor	All the health centres reported that they only received basic training on the operation of the equipment('Switch on and off') 100% of the visited health centres also reported that they did not receive training on how to maintain the equipment. The health centres recommended that; GIZ together with Uga solar should do quarterly visits to the beneficiary health centres to ascertain the performance and or state of the installed equipment.

SOURCE: FIELD FINDINGS

3.3.3 Vote Function: 0303 Petroleum Exploration, Production and Development (PEPD)

Project 1184 Construction of Oil Refinery

Development of oil refinery is one of the four flag ship projects that the ministry has focused on. [24]According to the MPS, the objectives of the project are;

- To develop an appropriate legal and regulatory frame work for crude oil refining and related infrastructure.
- Develop an appropriate modern institutional frame work for crude oil refining and related infrastructure.
- Build capacity in crude oil refining and related infrastructure.
- Promote private sector participation in the development and operation of the refineries and related infrastructure.
- Promote regional and international cooperation in the development of refineries and related infrastructure.

The outputs include; acquisition of land for the oil refinery, a legal and regulatory framework for oil refining and related infrastructure finalized, a transaction advisor procured, promotion of the development of refining undertaken, capacity building /capacity building commenced, strengthening of regional cooperation in development of refineries and other infrastructure done.

[24] MEMD *Ministerial Policy Statement 2011/12*, (Kampala 2011)ii

Financial performance

As shown in figure 3.3.10, 33% of the approved budget was released by Q1 FY 2011/12 and of the released funds, 89% was expended.

Fig 3.3.10

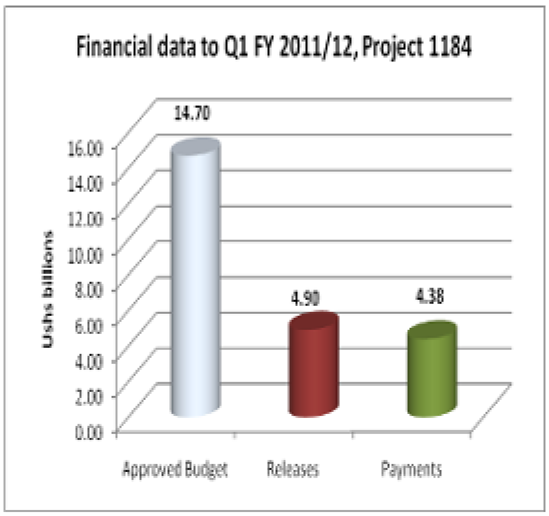
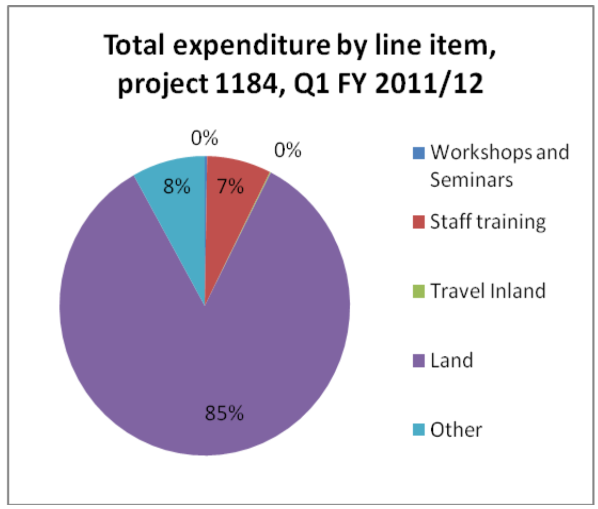


Fig 3.3.11



Source: IFMS Data, Approved budget Estimates 2011/12

Figure 3.3.11 shows the composition of expenditure on line items for project 1184 Q1 FY 2011/12. As depicted, allocative efficiency was good with the bulk of expenditure on land.

Physical performance;

Table 3.3.8 updates the physical performance of project 1184.

Table 3.3.8

Refinery Construction Process	Observed physical performance During Q2 monitoring
-Refinery Land acquisition	In 2009, PEPD did a feasibility study for the refinery and completed it in August 2010. The study recommended construction of a refinery. A number of surveys have been done Land close to the oil fields was identified by Uganda Land Commission in Buseruka Sub County. It is about 29sq Km (5,000 acres) and also includes land for the airport and the road. Sensitization has been carried out A consultant for the resettlement action plan (RAP) is being acquired and. The official closure for the bids was 15th December, 2011 (one of the processes of acquiring land is ongoing)
Capacity Building	-Long term training for 5 officers in refinery related subjects is ongoing to boost the unit's capacity in handling the different duties
Structuring of the business	The project will be financed by GOU and private developers as a Public Private Partnership. A transaction advisor will be brought on board

SOURCE: MEETING PEPD OFFICIALS

The estimated cost for the first 20,000 barrels oil is US$550 Million (excluding cost of land for the refinery). The department expects to conclude the RAP and land acquisition by the end of FY 2011/12. Generally the construction of the refinery project is so far 20% complete.

3.3.4 Key Policy Issues and Recommendations

1. Overall, the ERT project has been slow.

By now, the project should have spent $40 million. Only $14 million (16%) has been disbursed and of this, only $8 million (10%) has been spent. Due to slow use of the resource, the project has attracted accumulated interest of $90,000. This is likely to attract revoking of the project by Parliament, unless the project pace is hastened.

To date there are no concrete rural electrification investments. So far, Solar Connections have been made for health centres; education and water institutions are not yet connected.

Procurement delays are the main bottleneck to tangible progress. Most institutions are using GoU procurement offices that are generally inefficient. Lack of incentives in the project for these procurement committees is a contributory factor of low performance.

Recommendation

There is need for early initiation of the procurement process.

2. Issues of land compensation are slowing down works on both ERT grid extensions and Rural electrification transmission lines.

On all lots monitored under ERT, some poles were on site but were not erected as the local community was hindering their erection. The land owners want to know how much they were going to be compensated for crops and trees. They insist that REA must first value their land and a specified amount confirmed for payment before their land is granted for project use. From Apuyo substation to the next 5 km, people have refused the contractor to erect poles.

Weak Monitoring: On the Kabale line (Rural Electrification), REA had made a monitoring visit 5 months ago. The contractors are therefore constrained when they encounter problems issues of land compensation, escalating dollar that are beyond them.

Recommendation

There is need for REA to monitor their projects more often and also get involved in sensitizing the local people that the projects being implemented are for their good. Issues of compensation should also be clearly communicated to the local people by REA.

3. Most of the materials for construction of transmission lines are imported. The contractor was faced with a problem of the escalation of the dollar.

By the time of signing the contract, a dollar was selling at Ushs 2, 300. It increased to UShs.2, 500 at the time of importation, until it escalated to Ushs.2, 900. At that exchange rate, the contractors were making losses yet they were paid in local currency. They talked to REA on the issue but were informed that once a contract is signed, it cannot be revised.

Recommendation

There is need for government to create a Variation of Price clause in contracts in order to cater for inflation and depreciation of the Uganda Shillings for the transactions that are carried out in foreign currency.

4. **Roll out of the energy saving stoves scheme under PREEEP,**

The associated benefits of the scheme addressed several issues including reduction in environmental degradation (use of less fuel use by households), the smoke that caused health hazards to users of the traditional stoves is emitted with the improved stoves technology; gender issues are also addressed as women, who are majority of users spend less time cooking and are able to engage in other activities.

Recommendation

There is need that the project is rolled out to other districts. Refresher courses also need to be given on how to make stoves to ensure that they are more durable.

3.4 HEALTH

3.4.1 Introduction

The health sector comprises a number of different spending agencies (votes) which hold responsibility for different aspects of service delivery in the sector. The Ministry of Health (vote 014) is the central agency in charge of policy analysis and formulation, strategic planning, provision of nationally coordinated services such as emergency preparedness, health research and monitoring and evaluation of overall health sector performance[25]. Various other functions are delegated to semi-autonomous institutions; in particular, drug stock management and drug delivery is managed by the National Medical Stores (vote 116). Other semi autonomous institutions include: Uganda Cancer Institute (vote 115); Uganda Heart Institute (vote 114); Uganda Blood Transfusion Service (vote 151); Uganda Aids Commission (vote 107); and human resource management under the Health Service Commission (vote 134).

Local governments (districts and municipal councils) take primary responsibility for delivery of frontline healthcare services. This is through the 'Primary Health Care' grant system which transfers funds directly from the Ministry of Finance, Planning and Economic Development (MoFPED) to local government general accounts. Local governments are responsible for the management of human resources for district health services, management of General Hospitals and management of Health Centres (levels II, III and IV)[26].

In addition to the General Hospitals which are managed at the district level, there are 13 Regional Referral Hospitals (votes 163 – 175) which offer specialised clinical services, higher level medical and surgical services and clinical support services. The two National Referral Hospitals (votes 161 and 162) provide comprehensive specialist services, health research as well as providing all of the services of General and Regional Referral Hospitals[27].

The total budget estimates for the health sector (inclusive of donor funding, after tax and arrears adjustments) for FY 2011/12 is UShs 799 billion. This represents a 21% increase on the last financial year.

Of the UShs 799 billion total budget estimates for FY 2011/12, approximately 28% is estimated for local authorities, 26% for National Medical Stores, 26% for the Ministry of Health; 17% for National and Regional Referral Hospitals and 3% for all other spending agencies[28].

Scope of the report

This report will review progress achieved in health sector development projects in Q1 2011/12. The aim of this report is to ascertain whether planned outputs as outlined in quarterly work plans for Q1 FY 2011/12 have been achieved. Table 3.4.1 summarises the projects monitored during Q1 financial year 2011/12.

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[25] See *Health Sector Strategic Plan,* page 4

[26] Ibid

[27] Ibid

[28] All figures are calculated after tax and arrears adjustments

Table 3.4.1 Sample frame for BMAU monitoring activities Q1 FY 2011/12

Vote	Project	Locations
Q1 FY 2011/12		
014: Ministry of Health	0216: District Infrastructure Support Programme	Apac, Rushere, Nebbi, Masafu Kapchorwa, Itojo
163 - 175: Regional Referral Hospitals	1004: Rehabilitation Regional Referral Hospitals	Fort Portal, Kabale, Mbarara, Mbale, Lira
501 – 850: Local Governments	0422: Primary Health Care Development Grant	Kyenjojo, Kabarole, Kamewenge, Kabale, Ntungamo, Busia, Mbale, Lira, Apac

Source: BMAU

Methodology

In line with the output based budget structure, this report aims to verify the progress of planned outputs in the health sector for FY 2011/12.

This report considers financial and physical performance for each of the capital development projects monitored during Q2 FY 2011/12. Financial performance includes the release performance of funds to RRHs and Local Districts and the absorptive capacity of GoU expenditure for the projects. However absorptive capacity of funds detailed in this chapter is only indicative of future performance, as funds are likely to be expended over the remaining quarters in FY 2011/12. Financial data is sourced from MoFPED release data, the Integrated Financial Management System (IFMS) for central government GoU expenditure, and from field observations for local government and hospital expenditure.

Physical performance is monitored looking at the extent to which planned activities for FY 2011/12 and those rolled forward from FY 2010/11 have progressed on the ground. To verify physical performance, information is collected during fieldwork visits via interviews with officials on site; local government officers; beneficiaries; and by taking photographs.

Outputs to be monitored are selected so that as much of GoU development expenditure as possible is monitored during the quarterly fieldwork visits. Districts are selected so that as many regions of Uganda as possible are sampled throughout the year.

Limitations

- Time and financial constraints mean that not all outputs in the health sector can be monitored during each quarterly monitoring visit. Districts are sampled to ensure regional representation. Outputs are selected so that as much GoU capital development expenditure as possible is monitored.

- On some occasions district officials failed to keep appointments made with the BMAU team. In these instances, the team interviewed deputy staff in order to obtain the required information.

3.4.2 Vote 014: The Ministry of Health

The mission of the Ministry of Health (MoH) is to, "facilitate the attainment of a good standard of health by all people of Uganda in order to promote a healthy and productive life"[29]. Total estimated budget for the MoH (vote 014) for FY 2011/12 is around UShs 207.7billion[30]. This represents a funding increase of more than UShs 100 billion from FY 2010/11.

Vote Function: 0802 Health Systems Development

The BMAU team monitored the Health Systems Development vote function. Health Systems Development is the largest vote function under vote 014. The total vote function budget for FY 2011/12 was UShs 120.6 billion[31]. This represents almost 60% of the entire vote expenditure (after taxes and arrears). The strategic objective of vote function 0802 is to ensure adequate infrastructure and equipment for effective health service delivery[32]. The District Infrastructure Support Programme (0216) under the Health Systems Development vote function (0802) is monitored during fieldwork.

Project 0216: District Infrastructure Support Programme

Background

The District Infrastructure Support Programme (0216) started in July 2002. The objectives of the project are to improve the infrastructure of the health system by purchasing essential equipment and undertaking rehabilitation of District Health Facilities. Implementation of the District Infrastructure Support Programme is directly by the MoH[33]. For FY 2011/12 renovation work under the District Infrastructure Support Programme is scheduled in the following hospitals: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo[34].

The BMAU team monitored progress of hospital renovation works under the Districts Infrastructure Support Programme in the following hospitals Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo. The progress of the renovation work at each hospital monitored is detailed below.

Physical Performance

The MoH planned to complete rehabilitation works at six locations during FY 2011/12. Table 3.4.2 summarises the findings from physical monitoring of the District Infrastructure Support Programme, which took place during Q2 2011/12. The BMAU team visited all six of the planned activities at: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo.

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[29] Ministerial Policy Statement FY 2011/12

[30] Source: Approved estimates of revenue and expenditure FY 2011/12; figure includes on-budget donor support and after tax and arrears adjustments

[31] Source: Approved estimates of revenue expenditure FY 2011/12; after taxes and arrears including donor funds

[32] The Public Investment Plan 2010/11; page 269

[33] The Public Investment Plan 2010/11; page 269

[34] Ministerial Policy Statement FY 2011/12; page 35

Table 3.4.2 Physical performance of outputs monitored under Project 0216

Output monitored	Planned outputs for FY 2011/12	Physical performance observed by BMAU in Q2 FY 2011/12
08 02 80 **Hospital construction/ rehabilitation**	Apac: Planned work in the pediatric ward: new roof and ceiling, internal and external plastering, new bathroom facilities, replacing some broken windows, replacing the drainage pipes	Rehabilitation work began in FY 2008/9 and was completed by Spencon Co. Ltd in FY 2010/11. At the time of the monitoring visit in Q2 FY 2011/12 renovation of the pediatric ward was complete
	Itojo: Rehabilitation works	No rehabilitation work had been carried out at the time of the monitoring visit in FY 2011/12. Hospital management reported that no civil works had taken place at the hospital since FY 2008/09 when the X-ray unit was renovated
	Rushere: Master plan; construction of female ward; construction of kitchen and laundry	No rehabilitation work had been carried out at the time of the monitoring visit
	Kapchrowa: Construction of an X-ray unit; extension of the male and female wards including an extension of a walkway to these wards; paving of courtyards; construction of a generator building; master plan	Rehabilitation/construction work in the hospital began in FY 2010/11 and was expected to be completed twelve months later in FY 2011/12. Building work was contracted to Pancon Engineering Limited Construction of the X-ray unit was 80% complete. Remaining work included laying the flooring, fitting of doors and windows and extension of the walkways to the unit The main structure of the male and female wards was complete. Remaining work included plastering, plumbing, electrical and painting Paving of the courtyard had not started Foundations have been laid for the building which will house the generator
	Nebbi: Rehabilitation of the sewerage/drainage system and lagoon; construction of a bore hole with a solar pump and staff accommodation	Rehabilitation/construction works started in FY 2008/09 and was handed over by Spencon Co. Ltd in Q3 FY 2010/11. However there are severe defects in the work – see challenges in section below

Output monitored	Planned outputs for FY 2011/12	Physical performance observed by BMAU in Q2 FY 2011/12
	Masafu: Activities rolled over from FY 2010/11 include: construction of a new theatre and extension of the walkways to the theatre; paving outside the OPD	Work on projects rolled over from last financial year began in Q3 FY 2010/11. During the BMAU teams monitoring visit work was ongoing. Building works were contracted to Pancon Engineering Limited The remaining work for the paving outside the OPD is expected to be completed by Q3 FY 2011/12 Main structure of the theatre had been completed and was being painted and the extension of the walkways was ongoing

Source: Ministerial Policy Statement FY 2011/12 – Annex 1 and field observations.

Challenges

- **Poor standard of work** by contractors at Apac and Nebbi Hospitals. Problems at Apac included cracked plastering and solar power that worked for a limited time, one month, after installation. Issues at Nebbi were a) leaking toilets which has meant the male ward was closed and toilets in the female ward were blocked b) water pumping system which fails to work. The BMAU team was informed that this was in part due to Spencon Co. Ltd disregarding advice by the district engineer and c) poor construction of the lagoon leading to bursting of the sewerage system during heavy rains which adversely impacts the local community.

- **Poor supervision** by the Infrastructure Division, MoH at Apac Hospital. Only two site visits were made during the course of the project which lasted two years, while work was being carried out. At Nebbi Hospital there was incomplete work in the female ward, as not all washbasins were installed as planned. There was no inspection of the work during construction as should have been done by the Infrastructure Division at the MoH. This resulted in a reserve water tank not being installed which meant that some hospital buildings, such as the operating theatre, failed to have a water supply.

- **Water shortage** at Nebbi Hospital as discussed above and Rushere Community Hospital. Rushere Community Hospital frequently experiences water shortages which are more acute during the dry season. The capacity of the 2 water tanks is not enough for the hospital to be fully functioning.

- **Shortage of staff accommodation** at Rushere Community Hospital where there are approximately 70 staff members of whom only 14 have hospital accommodation.

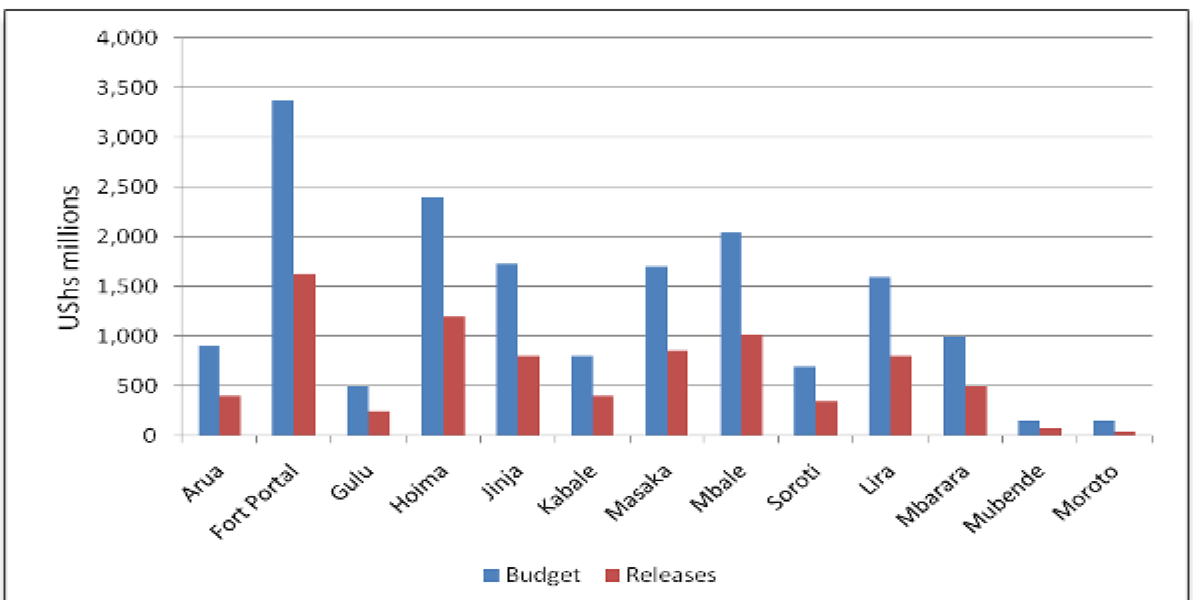
3.4.3 Votes 163 – 175: Regional Referral Hospitals

The total estimated budget for votes 163 – 175 for FY 2011/12 is around UShs 52billion, which is approximately 7% of the total estimated health sector budget. The mission of these votes is to provide specialized and super health services, conduct tertiary medical health training and research and contribute to national health policy.

This section considers progress on outputs at Regional Referral Hospital's (RRH) under project 1004. Project 1004 refers to the capital development expenditure at each hospital and relates to activities such as rehabilitation of facilities and capital works. The objectives of project 1004 are: (i) to rehabilitate old and broken infrastructure (ii) to undertake construction of vital infrastructure including accommodation of staff (iii) to adequately equip the hospital in terms of medical and office equipment and furniture (iv) to improve on infrastructural security of the hospital (v) to provide appropriate transport for the performance of hospital activities (vi) to improve on internal and external communication and (vii) to provide alternative/backup power and water sources[35].

For financial year 2011/12 around UShs 17billion was allocated under project 1004 for the rehabilitation of thirteen Regional Referral Hospitals (RRHs) including those monitored by BMAU during Q2 2011/12. The figure below shows the release performance of funds to all RRH in the first half of the FY 2011/12.

Figure: 3.4.1: PHC Development Grant releases for all Regional Referral Hospitals in Q1 and Q2 FY2011/12



Source: Integrated Financial Management Systems data and fieldwork findings

[35] Objectives sourced from MoH Ministerial Policy Statement FY 2010/11. These objectives are the same for Arua, Hoima, Masaka and Gulu hsoptials. Those for Jinja differ slightly in wording.

Capital development funds released to RRHs ranges between 33% and 50% of the hospitals approved budget during the first half of FY 2011/12. The approved budget allocation to RRHs reduced from around UShs 18.7billion in FY 2010/11 to around UShs 17billion in FY 2011/12.

The BMAU team visited five RRHs in Q2 2011/12, these were: Fort Portal, Kabale, Lira, Mbale and Mbarara. At each of the RRHs visited, the BMAU team considered a) the financial performance for the FY 2011/12 b) physical performance of planned outputs and c) challenges faced by the RRH. The findings for each RRH visited are detailed below.

a) Fort Portal Regional Referral Hospital

The allocated budget for Fort Portal RRH in FY 2011/12 is UShs 3,370,000,000 for capital development under the Rehabilitation of Regional Referral Hospitals project (1004). The hospital had received a total of UShs 1,625,000,005 for capital development representing a release performance to the hospital of around 48%; details of funds released are given in table 3.4.3.

Table 3.4.3: Capital development funds received by Fort Portal RRH in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	28/7/2011	957,500,005	957,500,005
Q2	31/10/2011	667,500,000	1,625,000,005

Source: Fieldwork findings

During the current financial year the hospital is planning the following capital development activities: a) completion of the private ward and administration offices b) completion of the intern's hostel c) repair of electrical equipment d) procurement of medical equipment and materials for solar panels and plumbing.

Financial performance

Of the UShs 1,625,000,005 the hospital received in this financial year it spent UShs 1,339,812,718 on capital development activities by the time of the BMAU teams monitoring visit, details in 3.4.4. This represents absorptive capacity of around 82% of the released funds.

Table 3.4.4: Fort Portal RRH capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Completion of the private wing and administrative offices	Armpass Technical Services	4,222,003,746	911,220,381
Completion of interns hostel and construction of staff houses	Kevin Construction Company Uganda Limited	1,362,605,519	425,953,854
Repair of electrical equipment	Kenethin Limited	1,320,130	515,323
Supply of fabrication materials	Kenthin Limited	1,948,180	1,948,180
Supply of assorted items for the fabrication of solar panels	Kenthin Limited	1,590,640	1,590,640
Supply of plumbing materials	Allcom Trading Company Limited	1,963,570	1,963,570

Source: Fieldwork findings

Physical Performance

During the BMAU teams monitoring visit, the construction of the intern's hostel was around 80% complete. The hostel is expected to accommodate 20 members of staff. The remaining work includes installation of electricity, finishing of some ceilings, plumbing and fitting of doors and windows. The BMAU team was informed that contractors were aiming to handover the intern's hostel to hospital management on the 21st December 2011. The private ward was around 75% complete, with the exterior structure complete with roof. The BMAU team were shown the medical equipment procured by the hospital.

Fort Portal Regional Referral Hospital: new intern's hospital building (left); new private wing and administrative offices (right)

Challenges

- **Lack of staff accommodation** even once staff accommodation at the hospital is constructed there will remain a lack of accommodation for all staff members. The inadequate accommodation for staff is likely to result in less incentive for staff to work and remain at the hospital.

- **Lack of facilities** as the hospital does not have an Ear, Nose and Throat or Eye Unit. There is a knock on effect of poor service delivery as the hospital will struggle to treat patients who require services in these units. There is also likely to be fewer incentives for specialist medical staff to work in the hospital due to a lack of required facilities.

- **Quarterly release of funds** for capital development projects means often contractors have to wait until funds have been released in the following quarter for payment and only then can continue work. Resulting in delayed progress of work. The hospital still has payments pending for work completed in Q3 and Q4 of the last financial year due to this issue.

b) Kabale Regional Referral Hospital

The allocated budget for Kabale RRH in FY 2011/12 is UShs 800,000,000 for capital development under the Rehabilitation of Regional Referrals Hospitals project (1004). The hospital had received a total of UShs 400,000,000 for capital development representing a release performance of around 50%; details of funds released are given in table 3.4.5.

Table 3.4.5: Capital development funds received by Kabale RRH in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	28/7/2011	260,000,000	260,000,000
Q2	28/10/2011	140,000,000	400,000,000

Source: Fieldwork findings

During the current financial year the hospital is planning the following capital development activities: a) completion of the private wing and nurses' hostel and b) development of the master plan and strategic plan.

Financial performance

Of the UShs 400,000,000 the hospital received in this financial year it spent UShs 88,389,182 on capital development activities by the time of the BMAU monitoring visit, details in table 3.4.6. This represents absorptive capacity of around 22% of the released funds from to the hospital.

Table 3.4.6: Kabale RRH capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of a nurses hostel	Trandint Limited	913,807,488	887,943,883
Construction of private wing	Prime I.K Limited	2,657,035,984	2,345,238,900
Development of the master and strategic plan	Joadah Consult	244,000,000	234,000,000

Source: Fieldwork findings

Physical performance

During the BMAU teams monitoring visit construction of the private wing was around 80% complete. The facility will have 45 patient rooms, two delivery rooms, a laboratory, an operating theatre, dental unit and administrative offices. Work to be completed includes painting and plumbing work and adding fixtures such as wardrobes. The BMAU team was informed that the construction should be completed by the end of December 2011. Construction of the nurse's hostel was 95% complete, the contractors expect to hand over the facility to hospital management by end of November 2011.

The hospital had also produced the first draft of a master and strategic plan. Progress in completing the master and strategic plan has been hampered by the slow progress by MoH to harmonise the master and strategic plans across all regional referral hospitals.

Kabale Regional Referral Hospital: new nurses hostel (left); new private wing (right)

Challenges

- **Funding cuts** for capital development of more than half the amount received in the last financial year. This has greatly restrained the hospitals ability to improve service delivery to patients through capital development investment. The approved budget in FY 2010/11 was UShs 1,712,000,000 and in the current financial year it stands at around UShs 800,000,000. Hospital management were not given an explanation of why there has been such a large reduction in capital development funds for the hospital by either the MoFPED or MOH.

- **Rapidly increasing prices** for most inputs required for capital development. To accommodate these higher prices contractors are requesting additional funds which must be agreed by the Contracts Committee and the MoFPED which therefore delays the construction/rehabilitation process.

c) Lira Regional Referral Hospital

The allocated budget for Lira RRH in FY 2011/12 is UShs 1,600,000,000 for capital development under the Rehabilitation of Regional Referral Hospitals project (1004). The hospital had received a total of UShs 800,000,000 for capital development representing a release performance of around 50%, details of funds released are given in table 3.4.10.

Table 3.4.10: Capital development funds received by Lira RRH in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	9/8/2011	520,000,000	520,000,000
Q2	31/10/2011	280,000,000	800,000,000

Source: Fieldwork findings

During the current financial year the hospital is planning the following capital development activities a) complete the construction of the theatre for the intensive care unit b) furnishing and paving outside of the information and communication centre (ICC) c) connect ICC to main hospital sewerage system d) equipping the medical maintenance workshop and e) initiate the procurement of a contractor to carry out an environment impact assessment for the construction of an incinerator.

Financial Performance

Of the UShs.800,000,000/= the hospital received in this financial year it spent UShs.342,336,433/= on capital development activities by the time of the BMAU teams monitoring visit, details in table 3.4.11. This represents absorptive capacity of around 43% of the released funds to the hospital.

Table 3.4.11: Lira RRH capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of the theatre for the Intensive Care Unit	Lamber Enterprises Limited	2,420,922,167	1,883,726,890*
Paving of the Information Communication Center	Olet Magezi Hardware Company Limited	77,250,000	73,387,500
Connection of the Information Communication Center to the main sewerage system	Patton Company Limited	17,841,500	17,500,000
Various electrical fittings in the hospital	Kikonyogo Electrical Services Limited	11,673,860	11,673,860
Consultancy services for rehabilitation work of the Information and Communication Center	Jodah Consulting Engineers Limited	6,021,265	6,021,265

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Procurement of corporate banner and clothing	Corner Kamudini General Traders	10,440,000	10,440,000
Equipping the Information Communication Center	BNK, Computers and Atlas Distributors Limited	37,923,500	37,923,500
Newspaper spread/pull-out	New Vision newspaper	9,103,600	9,103,600

** Expenditure made on the project up to the end of FY 2010/11*

Source: Fieldwork findings

Physical performance

During the BMAU teams monitoring visit, the planned activities for the information and communication centre (ICC) was completed specifically these were the paving of the area outside the building, connection to the main sewerage system of the hospital and procurement of furniture. Construction of the intensive care unit was ongoing and around 80% complete. Remaining work included internal plastering of walls and to finish tiling work. The hospital was yet to initiate the procurement of a contractor to carry out the environmental impact assessment for the construction of the incinerator.



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Lira Regional Referral Hospital: intensive care unit (left); paving outside information and communication centre (centre); furniture for information and communication centre

Challenges

- **Contract variations** have had to be requested for work carried out on the intensive care unit as oxygen pipes and scrubber were not included in the original plans. The oversight was due to a lack of specific knowledge by the hospital engineers. These contract variations require approval from the Contracts Committee and the MoFPED therefore progress of works has been delayed.

- **Increased prices** of most inputs for capital development. To accommodate for these higher prices contractors, are requesting additional funds which must be agreed by the Contracts Committee and the MoFPED which delays the construction/rehabilitation process. Rising fuel prices has greatly increased the running costs of operating the generators and travel to outreach services for hospitals.

- **Power shortages** have caused severe problems at the hospital as the surgical operations and civil works cannot be carried out. It was reported to the BMAU team that the survival rate in the neonatal unit had fallen primarily to the power shortages.

- **Lack of staff** is adversely impacting on the service delivery at the hospital. There are only 7 doctors on the hospital payroll, out of the required 39. There is also a lack of medical officers at the hospital.

- **Lack of capacity** in several hospital facilities such as the children ward, maternity unit and OPD. The maternity unit was designed to accommodate 20 beds but there are around 100 patients using the facility which has lead to severe overcrowding and some people have resorted to sleeping in corridors. Mothers queue outside the labour suite to give birth because of limited capacity. The OPD is too small to function effectively and there is no causality ward.

d) Mbale Regional Referral Hospital

The allocated annual budget for Mbale RRH in FY 2011/12 is UShs 2,040,000,000 for capital development under the Rehabilitation of Regional Referral Hospitals project (1004). The hospital received a total of UShs 1,020,000,000 for capital development representing a release performance of around 50%; details of funds released are given in table 3.4.8.

Table 3.4.8: Capital development funds received by Mbale RRH in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	28/7/2011	663,000,000	663,000,000
Q2	19/10/2011	357,000,000	1,020,000,000

Source: Fieldwork findings

During FY 2011/12 the hospital is planning the following capital development activities: a) construction of the senior staff accommodation b) replacing the sewerage system and c) construction of the hospital gates.

Financial performance

Of the UShs 1,020,000,000 the hospital received in this financial year it spent UShs 961,923,783 on capital development activities by the time of the BMAU monitoring visit, details in table 3.4.9. This represents absorptive capacity of around 94% of the released funds to the hospital.

Table 3.4.9: Mbale RRH capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of staff accommodation	Ambitious Constructions Limited	3,153,880,670	2,115,466,393
Renovation of hospital sewerage	Mukewa	144,249,675	126,679,616
Construction of the hospital gates	M/S Conveyor	135,799,776	125,327,886
Supply of medical equipment	Circular Supply Limited	44,220,000	44,120,000

Source: Fieldwork findings

Physical performance

During the BMAU teams monitoring visit, construction of staff accommodation was 90% complete and construction of the hospital gates were still ongoing. Both projects are expected to be completed by the end of December 2011. The replacement of the sewerage system was complete and medical equipment had been supplied.

Mbale Regional Referral Hospital: hospital gate (left); senior staff accommodation (right)

Challenges

- **Timing of funds released** to the hospital. Mbale RRH has requested for payment of all capital development funds by the end of Q2. This would enable the timely payment of contractors and therefore avoid interest payments to contractors that maybe accrued if work is completed and no payment is made.

- **Lack of a hospital engineer** delays the procurement process. As the district engineer will instead have to produce cost estimates of the planned projects. This will take additional time as the district engineers are stretched beyond capacity. Another role provided by the hospital engineer is supervision of the civil works which has been neglected by hospital.

- **Contract variations** for additional funds have been requested for due to increased input prices and oversights in the original project specifications. These contract variations require approval from the Contracts Committee and the MoFPED therefore progress of civil works is delayed.

e) Mbarara Regional Referral Hospital

The allocated budget for Mbarara RRH in FY 2011/12 is UShs 1,000,000,000 for capital development under the Rehabilitation of Regional Referral Hospitals project (1004). The hospital had received a total of UShs 500,000,000 for capital development representing a release performance of around 50%, details of funds released are given in table 3.4.7. Funds carried forward for capital development from FY 2010/11 was UShs 311,160,500. This included UShs 92,704,984 from the PHC recurrent budget which was amalgamated with the capital development funds to pay for autoclaves, two generators and the consultants for designing the mater and strategic plans.

Table 3.4.7: Capital development funds received by Mbarara RRH in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	27/7/2011	300,000,000	300,000,000
Q2	21/9/2011	200,000,000	500,000,000

Source: Fieldwork findings

During the current financial year the hospital is planning the following capital development activities: a) construction of staff houses b) construction of rainwater drainage channel and c) procurement of a vehicle.

Financial performance

Of capital development funds received in FY 2011/12 no funds have been spent.

Physical progress

During the BMAU teams monitoring visit, bids from contractors were about to be invited for both the construction of the staff houses and rainwater drainage channel. For the procurement of a vehicle final approval from the Ministry of Public Service was required. The generators and autoclaves been delivered and payment will be made this financial year from funds carried forward.

 

Mbarara Regional Referral Hospital: new generators (left); new autoclave machine (right)

Challenges

- **Cost of civil work discrepancies** between the contractors' quote for the cost of construction and the costs estimated by the hospital engineers. Usually the estimated costs by the contractors are higher than those from the hospital engineer. Public Procurement and Disposal of Assets Agency (PPDA) should advise on how to resolve such issues so projects can be implemented at a reasonable cost and without delay.

- **Interest payments on arrears** of around UShs 411,313,400 accumulated in FY 2007/8 as a result of the changes in government policy around unspent funds. There have been a number of correspondences between Mbarara RRH, MoFPED and MoH but the issue remains unresolved.

3.4.4 Votes 501-850: Primary Health Care Development Grants

Background:

The majority of frontline health service delivery is managed by local governments through the Primary Health Care grant system. Local governments have responsibility for the management of human resources for district health services, management of General Hospitals and management of Health Centers (levels II, III and IV).

The mission of votes 501-850 is to facilitate the attainment of a good standard of health by all people of Uganda in order to promote a healthy and productive life. The total annual estimated budget for health sector transfers to districts and municipal councils for FY 2011/12 is UShs 226.3 billion, representing approximately 28% of the health sector budget. Of this, UShs 44.4 billion is allocated to Primary Health Care Development grants.

The objective of Primary Health Care Development grants (project 0422) is to improve the quality and quantity of health infrastructure in all districts in the country. This includes infrastructure at health centre levels II, III and IV; operating theatres in health centre IVs; staff houses; and institutional support to health sub-districts.

During Q2 FY 2011/12, BMAU monitored progress on project 0422 in the following districts: Apac, Busia, Kabale, Kabarole, Kamwenge, Kyenjojo, Lira, Mbale and Ntungamo.

a) Apac District Local Government

In FY2011/12 Apac District has an approved PHC Development grant of UShs 510,710,000. At the time of the BMAU monitoring visit the district has received UShs 255,356,000 in FY 2011/12. The release performance accounts for around 50% of the total approved budget for FY 2011/12.

Table 3.4.26: Capital development funds received by Apac Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	8/8/11	127,678,000	127,678,000
Q2	Date unknown	127,678,000	255,356,000

Source: Fieldwork findings

In FY 2011/12 Apac District planned to carry out the following activities a) construction of staff houses at Auku HCIII, Imomo HC III and Chawente HC III. Several projects were carried forward from FY 2010/11 these were a) completion of an OPD at Aninonal HCII b) completion of OPD Wansolo HCII, Alado HCIV, Akali HCII and Aduku HCIII.

Financial performance

During the BMAU monitoring visit, no payments had been made from funds for FY 2011/12.

Table 3.4.27: Apac Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Complete construction of Aninonal HC II	Danomabor Tech. Services Co Ltd.	148,989,484	91,852,455
Complete construction of OPD at Alado HCII	Jipal H/W Uganda Ltd	75,000,000	36,039,758
Construction of OPD at Akali HCII	GMO Techincal Services	92,587,920	Nill
Construct staff house at Chawente HCIII	Odyek & Brothers Company Limited	79,521,225	Nill

Source: Fieldwork findings

Physical performance

The BMAU team were informed that the completion of the OPD, pit latrine and staff house at Aninonal HCII, which began in July 2010, would be completed in mid-December. Contracts were awarded for the planned activities for FY 2011/12 for the staff houses at Aduku HCIII, Imomo HCIII and Chawente HCIII. The construction of the OPDs at Wansolo HCII and Akali HCII were re-advertised because only one contractor who lacked the required capacity applied.

Apac Local District: OPD Aninonal HCII (left); staff house Aninonal HCII (centre); pit latrine Aninonal HCII (right)

Challenges

- **Increased prices** of most inputs for capital development have been rapidly rising. To accommodate for these higher prices contractors are requesting additional funds which must be agreed by the Contracts Committee and the MoFPED which therefore delays the construction/rehabilitation process

- **Lack of funds** received from the MoFPED for last financial year has left the district with a shortfall in the funds of around UShs 111,000,000. This resulted in the use of the districts PHC recurrent non-wage funds to progress capital development. Around 20% of the PHC recurrent non-wage funds were used to for monitoring and supervision of civil works

b) Busia District Local Government

Busia District has an annual PHC Development grant for FY 2011/12 of UShs144,856,000. The district also received PRDP funds in FY 2011/12 of UShs145,511,000. During the BMAU monitoring visit, the district had received a combined total for PHC Development and PRDP of UShs 145,184,000. This represents a release performance of around 50% of the approved PHC Development and PRDP budget.

Table 3.4.22: Capital development funds received by Busia Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	9/8/11	72,592,000	72,592,000
Q2	5/11/11	72,592,000	145,184,000

Source: Fieldwork findings

In FY 2011/12 the district planned the following capital development activities

a) Construction of staff houses at Busitema HCIII, Lumino HCIII, at Buwembe HCII and Mbehenyi HCIII
b) Construction of a medical waste pit at Bulumbi HCIII
c) Completion of a placenta pit at Mundi HCII
d) Building of a medical waste pit at Lunyo HCIII and
e) A placenta pit at Namasyolo HCII.

The following capital development projects were rolled over from FY 2010/11

a) Phase II of district drug store at the district head offices
b) Extension of maternity rooms at Habulelee HCII, Buwembe HCII and at Sikuda HCII
c) Completion of a staff house, latrine, maternity ward and OPD at Buyengo HCII, Kubo HCII and Butangasi HCII.

Financial performance

Money carried forward from FY 2010/11 for PHC Development grant and PRDP was UShs 331,390,000. Of this UShs 57,287,152 was spent on a) completion of plancenta pits at Namasyalo HCII b) pit latrines at Buyengo HCII, Butangasi HCII and Kubo HCII c) completion of staff houses at Busia HC IV, Kubo HCII d) completion of an OPD at Kubo HCII and e) completion maternity room extension at Sikuda HCII.

Table: 3.4.23: Busia Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of pit latrine at Kubo, Butangasi and Buyengo HCIIs	Mugoma Contractors Company Limited	9,361,200	5,920,560
Construction of pit latrine at Busiime	Nako General Enterprise	2,137,212	2,046,652
Construction of Buyengo OPD	KBN Contractors	49,477,750	8,768,252
Construction of staff house and pit latrine at Kubo	EMCON T.S.	47,115,346	40,212,501
Construction of OPD at Kubo	EMCON T.S.	47,193,400	41,977,088
Construction of Buyengo and pit latrine	Capex	48,885,852	26,574,302
Construction of staff house at Mawero	Humres Services Limited	49,457,536	44,528,602
Construction of Butangasi health center	Pentagon Contractors Limited	53,385,563	48,162,032

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of staff houses and pit latrine Busia	Ndale Investment Limited	49,374,701	44,489,592
Construction of fence at Buhehe health center	Hasana Clearing	9,827,748	8,994,888
Construction of Buwumba and Amonikakine health centers	Nafito General Contractors Limited	99,009,481	93,786,773
Construction of Bumunji and Hasyule health centers	Pentagon Contractors Limited	99,692,172	92,620,704
Construction of Habuleke, Buwembe and Sikuda health centers	One by One Limited	87,940,467	53,847,658
Construction of Butangasi OPD	Naita Services Limited	47,532,600	39,789,810
Construction of placenta pit at Busia	Bonerba Enterprises	3,310,431	3,029,886

Source: Fieldwork findings

Physical performance

The planned projects for this FY 2011/12 are yet to begin. Contracts have been awarded for the construction of staff houses at Busitema HCIII, Lumino HCIII, at Buwembe HCII and Mbehenyi HCIII.

For projects rolled forward from FY 2010/11, the construction of the staff houses, OPD and pit latrines in Buyengo HCII began in April 2011 but work halted, without completion, in July 2011. The staff houses require water and electricity connections, the walls and ceiling have cracks that require mending. The OPD was left in a very unfinished state with only the walls having been partly constructed. The pit latrines need completing with plastering and doors. Two further latrines have been built and are almost complete although the plastering does have some visible cracks.

The staff house at Kubo HCII is almost complete and is to a good aesthetic standard but there are no electrically connections as yet. The OPD is almost completed to a good aesthetic standard. The pit latrines are completed. At Busia HCIV a laboratory has been constructed, windows and electricity plugs are in place but there is some termite and rain damage around the ceiling light fixtures. At Siduka HCII the extension of the maternity ward was completed in September 2011. At the district head offices, drugs store is almost complete with the following remaining works; electricity connections, painting of the inner walls and laying tarmac for the parking area. The construction is expected to be completed in December 2011.

Busia District: incomplete exterior walls of OPD at Buyengo HCII (top left); staff houses at Kubo HCII (top right); laboratory at Busia HCIV (below left); extension of maternity ward at Siduka HCII(below right)

Challenges

- **Lack of staffing** in the district is especially acute in hospitals where staffing levels are around 41%. This results in high workloads for hospital staff and poor service delivery. There were concerns raised about the lack of incentives of the Evaluations Committee as their roles are unpaid and the timing of their meetings is ad-hoc which can hinder the construction/rehabilitation.

- **Budget announcements** occur late in the financial year (late May/June) for the following financial year. This means that local governments delay starting the procurement process for the coming financial year until announcements for the approved budget has been made. Hence often projects are not completed within the designated financial year but are rolled forward.

- **Contractor's capacity** can be insufficient to complete the projects such as when contractors lack the funds needed to continue with the civil works. Construction of an OPD was agreed by contractors to cost around UShs 50,000,000. However the MOFPED guidance on OPD construction costs stands, much higher, at around UShs 70,000,000. The standard of the OPD was poor on completion mainly due to the low contract price.

- **Lack of enough funds** to advertise for contractors in the newspapers. This delays the process of bid evaluation and awarding of contracts hence civil works are delayed.

c) Kabale District Local Government

Kabale District has an annual PHC Development grant budget for FY 2011/12 of UShs 197,768,000. During the BMAU monitoring visit, the district had received a total of UShs 98,884,000 for FY 2011/12. This represents a release performance of around 50% of the annual budget. Funds of UShs 140, 326,905 were carried forward from FY 2011/12 due to the late awarding of contracts which took place in January 2011.

3.4.18: Capital development funds received by Kabale Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	18/8/2011	49,442,000	49,442,000
Q2	1/11/2011	49,442,000	98,884,000

Source: Fieldwork findings

In FY2011/12 Kabale District planned the following activities a) construction of an OPD at Shebeya HCII and Kitanga HCII b) construction of staff houses at Kahama HCII c) renovation of Muko HCIV.

During the BMAU monitoring visit, Kabale District was still in the procurement stage and contract adverts were to be published on the 17th November 2011. BMAU monitored projects rolled over from last FY 2011/12 a) construction of OPD at Shebeya HCII and Kitanga HCII b) construction of a 2 stance latrine, a semi-detached staff house and a 3 stance VIP latrine at Kahama HCII c) renovation of Nyakasheya HCII d) construction of a VIP latrine at Kiyebe HCII and e) renovation of Muko HCIV.

Financial performance

Table 3.4.19: Kabale Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Renovation of Nyakasheya HCII	**Henhopex Enterprises**	**15,472,160**	**9,991,944**
Construction of 2 stance latrine at Kahama HCII	**Multipurpose Technical Services**	**6,298,840**	**5,668,956**
Construction of OPD at Kitanga HCII	**Tazit Construction Co. Ltd**	**59,113,250**	**56,151,542**

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of OPD at Shebeya HCII	**Kamutongo Contractors and General Suppliers**	**58,073,700**	**12,563,000**
Construction of a semi detached staff house at Shebeya HCII	**Barya Tech.Services Ltd**	**57,793,450**	**13,284,558**
Construction of VIP latrine at Kiyebe HCII	**Multipurpose Technical Services Ltd**	**6,298,840**	**5,668,955**
Construction of 3stance VIP latrine at Kahama HCII	**Kabale Joiners and Contractors Ltd**	**9,074,200**	**6,351,940**

Source: Fieldwork findings

Physical performance

At Shebeya HCII the contractor had stopped work in July 2011, after completing only the foundations of the OPD. Reasons given were that the price of materials was higher than costs originally budgeted for and the location proved challenging in terms of access and provision of water. At Kitanga HCII the OPD was incomplete and there were no builders on site. The construction of staff houses at Kahama HCII began in July 2011 and the external walls were still being constructed. Renovation works at Muko HCIV began in 2009 and is still ongoing. Completed renovation works at Muko HCIV included internal painting, erection of shelves and five notice boards in the OPD, sluice constructed for the maternity ward, fixing of the doors and windows and painting of the roof and interior for the in patients unit. Still to be completed was connection of the rain water tanks to the in-patients unit and the fixing of guttering and some internal finishes.

Kabale District PHC Development: foundations of OPD at Shebeya HCII (left); OPD at Kitanga HCII (centre); construction of staff houses at Kahama HCII

Challenges

- **Lack of staffing** is an issue in Shebeya HCII where more medically trained staff has been requested. There is also a lack of district engineers which has meant he cost estimates/bills of quantities for planned projects are delayed and this has a knock on effect for the entire procurement and implementation process.

- **Inadequate funds** for capital development which the DHO reported had been reduced by UShs 50,000,000 since last financial year. This will slow progress of improved service delivery to patients.

- **Slow progress of work** at Muko HCIV. Renovation work began in 2009 and remains ongoing. Some of the outstanding work includes connecting the rain water tanks to the in-patients unit, fixing the guttering and some internal finishes. The progress of work seems slow given the nature of the renovation work undertaken.

- **Contractor's capacity/funds** can be insufficient to complete the planned activities. In Shebeya HCII the contractor has requested the pre-payment of funds before continuing with the project. There is also the need for the DHO/Supervisor of Works to send the Contracts Committee regular reports on the progress of the projects but often this procedure is not followed. Hence poor performance by contractors is not dealt with in a timely manner.

d) Kabarole District Local Government

In FY 2011/12 Kabarole District has an approved budget of UShs 179,928,000 for PHC Development grant funds. The district had received a total of UShs 89,964,000. This represents a release performance to the district of around 50% of the approved budget. The district carried forward from last financial year UShs 13,413,850, see table 3.4.14 for details of the released funds.

Table 3.4.14: Capital development funds received by Kabarole Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	2/7/2011	44,982,000	44,982,000
Q2	31/10/2011	44,982,000	89,964,000

Source: Fieldwork findings

During FY 2011/12 Kabarole District planned to undertake the following activities; a) construction of two maternity centers at Kidubuli HCIII and at Nyabuswa HCIII b) construction of staff house at Kataraka HCIV and at Kasenda HCIII. From FY 2010/11, the district rolled over construction of a general ward at Kisomoro HCIII.

Financial performance

The district had not made any payments from funds received in FY 2011/12. However, it paid the retention funds[36] amounting to UShs 13,413,850 for projects that were completed in FY 2010/11.

Table 3.4.15: **Kabarole Local District capital development payments**

Output description	**Contractor**	**Contract sum (UShs)**	**Payments to date (UShs)**
Construction of general ward at Kisomoro HCIII	B&C Merchants and Transporters Limited	61, 956,380	18,896,914

Source: Fieldwork findings

Physical performance

During the BMAU monitoring visit the district projects planned for FY 2011/12 were still in the procurement process. The awarding of contracts is expected to be completed by the end of December 2011. For the project rolled forward from FY 2010/11 at Kisomoro HCIII construction of the exterior building was complete.

Kabarole District PHC Development: construction of a general ward at Kisomoro HCIII (above)

Challenges

- **Delayed projects** as districts wait until the approved budget is announced in June to begin the procurement process. So the procurement process begins at the earliest at the start of the financial year, in July, which means that there is often not enough time to complete the procurement process and civil works in the allocated financial year timeframe.

- **Poor project prioritisation** due to poor planning by DHO's and Politicians. Politicians often want new projects to be embarked upon each financial year but this often leads to overstretching of funds as projects are not selected based on the limited financial resources available. Instead more projects are embarked on than is possible to complete with the funds available hence structures are often left incomplete and unusable.

[36] Retention funds are paid to the contractor after work has been completed to a satisfactory standard

- **Inadequate funding** for capital development projects planned cannot be completed in the designated financial year.

e) Kamwenge District Local Government

In FY2011/12 Kamwenge District has an annual PHC Development grant budget of UShs 187,450,000. At the time of the BMAU monitoring visit, the district had received a total of UShs 93,724,000 in the current financial year. This represents a release performance to the district of around 50% of the approved budget, see table 3.4.16 for details of funds released.

Table 3.4.16: Capital development funds received by Kamwenge Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	28/7/2011	46,862,000	46,862,000
Q2	31/10/2011	46,862,000	93,724,000

Source: Fieldwork findings

During FY 2011/12 the district planned to complete or undertake the following capital development projects a) completion of a maternity ward at Rukunyu HCIV b) completion of a staff house at Bigodi HCIII c) construction of 2 blocks of latrines at Rukunyu HCIV d) construction of a staff house at Kabingo HCII and e) construction of a placenta pit at Bigodi HCIII.

Financial performance

Table 3.4.17: Kamwenge Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Completion of a staff house at Bigodi HCIII	Mutuye Dan and Sons	59,942,725	38,413,185

Source: Fieldwork findings

Physical performance

During the BMAU monitoring visit, construction of the staff house was almost complete although the standard of work was poor. There were cracks on the verandah floor, wardrobes were poorly fitted and the bathrooms were poorly finished. At Rukunyu HCIV the maternity ward was 85% complete the work remaining included ceiling and electrical installations which were ongoing.

Kamwenge Local District: maternity ward at Rukunyu HCIV (above)

Challenges

- **Poor project planning** leads to a lack of funds to complete the planned projects. The district has in some instances resorted to using the PHC recurrent non-wage funds to supplement civil works activities for example to pay the district engineer for monitoring and supervision services.
- **Increased prices** for most inputs for capital development. Hence with the original budget it is often not possible to procure all the required inputs to complete the planned projects.

f) Kyenjojo District Local Government

Kyenjojo District has an annual PHC Development grant budget of UShs 154,342,000 for the FY 2011/12. So far in this financial year the district has received UShs 77,172, 000 of the PHC Development grant. This represents a release performance to the district of around 50% of the approved budget. Money carried forward for the PHC Development grant was UShs 124,535,060, table 3.4.12 gives details of released dates of funds.

Table 3.4.12: Capital development funds received by Kyenjojo Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	2/8/2011	38,586,000	38,586,000
Q2	31/10/2011	38,586,000	77,172,000

Source: Fieldwork findings

During FY 2011/12 the district planned to complete the construction of the pediatric ward at Kyenjojo Hospital. Due to limited funds no further projects were planned for this financial year.

Financial performance

Particulars of the financial performance of the districts are shown in table 3.4.13 below. Of the total expenditure to date for the pediatric ward project, UShs 20,394,323 was expended of the funds received in FY 2011/12.

Table: 3.4.13: Kyenjojo Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of the pediatric ward	Prudence Construction and Civil Engineering Limited	145,407,350	77172000**

*** The district still owes the contractor 9,412,618 for the 1st phase of work*

Source: Fieldwork findings

Physical performance

During the BMAU teams monitoring visit the pediatric ward was 85% complete. The external structure was completed to a good standard and the work remaining included plastering of walls and connection of electricity.

Kyenjojo District PHC Development: new pediatric unit (above)

Challenges

- **Dilapidated infrastructure** in most of the districts health centre's because from FY 2008/9 capital development funds have been channeled into upgrading Kyenjojo HCIV to a hospital. Hence the remaining health infrastructure in the district has not been maintained and therefore the level of service delivered to patients is lower than should be.

- **Inadequate funding** of capital development projects means planned activities cannot be completed in the designated financial year. This issue is compounded as the MoFPED did not release 100% of the approved budget to the district during last financial year. For the PHC recurrent non-wage grant a similar issue of underfunding arose. The PHC recurrent non-wage grant funds amount to UShs 40,000,000 to run the district for an entire financial year therefore funds for regular monitoring of some health centre's are not available.

- **Lack of staff** especially of trained health care workers. The districts health services staffing level stand at around 47% with key medical workers such as medical and anesthetic officers greatly lacking. Understaffing of administrative personnel such as Procurement and Disposal Unit (PDU) staff means that the procurement process is longer than should be.

- **Lack of transport** means that the district struggles to meet the needs of patients that require emergency care and there is the inability to carry out regular monitoring of health services. Currently the hospital is using an unreliable vehicle which is costly to run due to the frequency of breakdowns.

- **Provision of drugs** by the National Medical Stores (NMS) for Hospitals and HCIV's is inadequate as often drugs requested for from NMS are not received. Standardised delivery of drugs to HCII's and HCIII's has been inefficient as there is a high rate of HIV prevalence in the district which is not accounted for when providing the necessary drugs to these health centers.

g) Lira District Local Government

In FY2011/12 Lira district had an annual budget for PHC Development of UShs 57,384,000 and PRDP of UShs 1,619,016,000. The annual capital development funds for FY 2011/12 are UShs 1,676,400,000. At the time of the BMAU monitoring visit the district has received UShs 838,200,000. This represents a release performance to the district of around 50% of the capital development budget. The district carried forward a balance of UShs 615,540,514 from FY 2010/11.

Table 3.4.28: Capital development funds received by Lira Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	2/9/11	419,100,000	419,100,000
Q2	7/11/11	419,100,000	838,200,000

Source: Fieldwork findings

In FY 2011/12 the district planned to carry out the following activities a) construction of 3 staff houses, a maternity ward, three 4 stance pit latrines and procurement of furniture at Abala HCII b) construction of a staff house, 4 stance pit latrine and purchasing furniture at Apuce HC II c) construction of 3 staff houses, an OPD, three 4 stance pit latrines and renovation of a staff house at Aromo HC III d) construction of a staff house, a 4 stance pit latrine and purchasing of furniture at Walela HCII e) procurement of a microscope and a centrifuge at Barapwo HC III f) construction of a staff house and purchasing furniture at Akangi HC II g) renovation of 2 staff houses, construction of 4 staff houses, five 4 stance pit latrine, procurement of a fridge and renovation of a pediatric ward Ogur HC IV h) construction of a maternity ward, a 4 stance pit latrine, a staff house and procurement of a centrifuge and a microscope at Anyangatir HCII i) construction of a staff house, a 4 stance pit latrine and procurement of a microscope, a centrifuge and a fridge at Agali HC III j) procurement of a fridge and construction of a staff house and a 4 stance latrine at Alik HC II k) construction of a 4 stance latrine and a staff house at Abunga HC II l) construction of a maternity ward at Barr HCIII m) construction of a 4 stance pit latrine and a staff house at Onywako HC II n) construction of 2 staff houses, two 4 stance latrines and procurement of a microscope, centrifuge and a fridge at Ongica HC III o) renovation of the district health office at Lira municipal council.

The following projects were rolled over by the district from FY 2010/11 a) completion of 2 staff houses at Agali HCIII b) completion of 1 staff house, an OPD and pit latrine at Ongica HCIII c) renovation of 5 staff houses, construction of a generator house and 1 stance pit latrine at Owgol HC

IV d) completion of a 5 stance pit latrine, an OPD, electrical installations and a maternity ward at Barapwo HCIII e) completion of a staff house and 4 pit latrines at Anyangatir HCIV f) completion of electrical installations at Agali HCIII and g) completion of a placenta pit at Amach HCIV.

Financial progress

No payments have been made from funds for FY 2011/12.

Table 3.4.29: Lira Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Completion of staff houses and latrine at Anyangatir HCII	Bakatola Ent. Ltd	59,897,000	56,487,760
Completion of 5 stance latrine at Anyangatir HC II	Kole House	8,650,000	-
Completion of 2 staff houses, latrine and maternity ward at Agali HCIII	Nafle United Eng Ltd	109,117,000	43,543,542
Completion of OPD at Agali HCIII	Top Three Technical Ser.	35,384,400	33,261,374
Renovation of 5 staff houses at Ogur HC IV	Generation Life span	99,423,092	34,655,715
Completion of 3 staff houses and 4 stance latrine at Ogur HC IV	Hedco .Ltd	56,506,000	18,314,100

Source: Fieldwork findings

Physical progress

During the BMAU monitoring visit to the Lira District, planned projects for FY 2011/12 were in the procurement process and adverts for contractors have been advertised and will close in early December 2011.

For projects rolled forward, at Anyangatir HCII the pit latrines were about 85% complete and work remaining included fitting the doors, flooring and painting. The work is expected to be completed at the end of December 2011. Construction of the 4 staff houses began in April 2010 and is around 70% complete with the following work outstanding, fitting of windows, doors, electrics and plumbing.

At Agali HCIII construction of the OPD had halted as the contractor left the site early in August. The standard of work was poor and there were visible cracks in the flooring and windows and doors needed to be properly fitted. The staff houses are expected to accommodate 8 staff and are to be handed over in January 2012. Good progress had been made on the maternity ward and it was 90% complete with flooring to be completed.

The renovation of staff houses at Ogur HCIV was completed in September 2011. However there remained some incomplete work such as electrical wiring, fitting of ventilators, wardrobes and doors. Construction of staff houses that began in May 2011 were fully completed in November 2011.

The construction of other staff houses began in May 2011 and work remaining includes fitting doors, electric installations and plumbing works. Construction of other staff houses began in August 2011 and work outstanding includes fitting doors and windows, plastering of walls, and cementing the floor. Construction of the 2 stance pit latrine began in August 2011 and was fully completed in November 2011 but has yet to be handed over to hospital management.

Lira Local District: pit latrine at Anyangatir HC II (left); maternity ward in Agali HC III (centre); new staff house in Ogur HC IV (right)

Challenges

- **Accountability of PRDP funds** is difficult as control of PRDP funds is given to the PRDP coordinator and not to the district accountant. Hence the district accountant manages the PHC Development grants but does not always know how much PRDP funds have been spent hence tracking spending on capital development by the district accountant is more complicated.

- **Slow implementation process** as the procurement process only begins in July after the approved budgets for the upcoming financial year are announced. This has a knock on effect for the rest of the process. Due to a lack of funds for the monitoring and supervision of activities, projects are often delayed and are carried forward to the next financial year.

- **Over loading of contractors** in the northern regions of the country as there are a limited number of contractors. Often one contractor is used for several constructions projects, for which they might not have the capacity to complete.

h) Mbale Local District

In FY 2011/12 Mbale District has an annual PHC Development grant of UShs 178,970,000. The district also received PRDP funds of UShs 1,255,433,000. At the time of the BMAU monitoring visit, the district received a combined total for the PHC Development grant and PRDP funds of UShs 717,202,500. This represents a release performance to the district of funds of around 50% of the annual budget. Funds carried forward from FY 2010/11 for the PHC Development grant and PRDP funds were UShs 331,390,000.

Table 3.4.24: Capital development funds received by Mbale Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	21/7/2011	358,601,500	358,601,500
Q2	20/10/11	358,601,000	717,202,500

Source: Fieldwork findings

In FY2011/12 the district planned to carry out the following activities a) construction of maternity wards at Buwangwa HCIV, Nayiku HCIV and Bugohomutoto HCIII b) construction of staff houses at Namanyonyi HCIII and Bumadanda HCIV c) furnishing for the following health facilities i) maternity units at Nakaloke, Wanale, Madanda, Namawangwa, Wangoli HCIII's ii) OPD at Lwangoli HCIII, Buwanala HCIII, Bufumbo HCIV, Busoba HCII and iii) district health office in Mbale d) rehabilitation of a maternity ward and general ward at Busiu HCIV e) renovation of the mortuary in Mbale f) solar power for seven HC's which have maternity units g) connection to the electricity grid for Nakalooke HCIII, Nanyiko HCIII, Namawangwa HCIII, Bungohomutoto HCIII and Sila HCIII h) construction of ambulance and motorbike shed at the DHO's office and Wanale HCIII.

Several projects were carried forward from FY 2010/11 these were a) rehabilitation of the children's ward and fencing at Busiu HCIV b) maternity ward construction at Namawangwa HCIII and Bumadanda HCIII c) completion of staff house at Buwangwa HCIV d) construction of an OPD at Lwangoli HCIII, e) construction of latrines at Nankusi HCII and f) construction of solar powered water pump at Bufumbo HCIV.

Financial performance

Table 3.4.25: Mbale Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of maternity ward at Wanale sub-county	M/S African Construction Technicians	229,342,548	21,786,908
Construction of pit latrine in Wanale, Budwale, Bumadanda and Bufumbo	BUMU International Contractors	31,800,744	23,716,980
Construction of 4 stance pit latrine at Busiu HCIV and Namawangwa HCIV	M/S Labour Enterprises	31,800,744	27,577,695
Construction of maternity ward at Bumadanda HCII	M/S Mukawa Transporters and Building Contractors	174,736,397	76,000,400
Construction of staff houses at Buwangwa HCIII	K&K Commercial Agencies	65,560,200	43,986060
Construction of OPD at Lwangoli HCIII	Bivime Construction Co Ltd.	139,171,973	132,164,596
Construction of maternity ward at Namawangwa HCIII	Lab Plus Contractors	196,199,266	138,866,628

Source: Fieldwork findings

Physical progress

Projects for FY 2011/12 are in the procurement stages and contracts are planned to be awarded in December 2011. For projects carried forward from FY2010/11, the construction of the maternity ward in Bumadanda HCIII started in March 2011 and has overrun its completion date but should be completed by December 2011. The maternity ward still requires connection to power, completion of internal plastering and renovation of the ceilings. The construction of the OPD at Lwangoli HCIII was completed in September 2011. The quality of the work was to a high aesthetic standard. The funds for patients seating was sacrificed for the installation of power in the maternity ward. The construction included a maternity room, immunization room and two new latrines. The construction of a maternity unit and children's ward began in January 2011 at Namawangwa HCIII. The BMAU team was informed that the construction would be finished by the end of November 2011. Rehabilitation of a children's ward and fence at Busiu HCIV has not started.

Mbale Local District: ceiling of maternity ward at Bumadanda HCIII (left); OPD at Lwangoli HCIII (right)

Challenges

- **Poor Integrated Financial Management Systems network** as the system is only available to district staff at certain times of the day, which leads to delays in accessing funds. The CFO has access to the funds but it's inconvenient and cumbersome for the DHO and other district staff to use the CFO's computers because of physical distances of the offices.

- **Contractor quotes are high** for planned activities compared to the estimates made by district engineers. The discrepancy means that time is spent negotiating with contractors about reducing their estimated contract price. Often the district engineer's estimates will come in around April/May and the bids from the contractors will come in approximately four months later in September hence there will be cost increases in this time due to inflation. If the contract sum is too low there is the risk of sub-standard work or the need to later request for a contract variation which will delay the project or that the contractor may abandon the project.

i) Ntugamo District Local Government

In FY 2011/12 Ntugamo District has an approved budget for PHC Development grant of UShs 200,525,000. During the BMAU monitoring visit, the district had received a total of UShs 100,262,000. This represents a release performance to the district of around 50% of the approved budget. From FY 2010/11 money carried forward was UShs 34,267,137. Of this UShs 19,161,360 has been spent on a maternity ward in Rubaare HCIV.

Table 3.4.20: Capital development funds received by Ntugamo Local District in FY 2011/12

Period	Date of release	Amount released (UShs)	Cumulative release (UShs)
Q1	9/8/2011	50,131,000	50,131,000
Q2	4/11/2011	50,131,000	100,262,000

Source: Fieldwork findings

In FY 2011/12 Ntugamo District planned the following projects a) construction of staff houses at Rubaare HCIV, Kyamwasha HCII and Ngomba HCII b) the construction of 5 stance pit latrine at Rubaare HCIV and c) completion of maternity ward at Rubaare HCIV.

Financial performance

Table 3.4.21: Ntugamo Local District capital development payments

Output description	Contractor	Contract sum (UShs)	Payments to date (UShs)
Construction of a maternity ward in Rubaare HCIV	Datek Contractors	87,206,720	64,050,480

Source: Fieldwork findings

Physical performance

Planned activities for FY 2011/12 are at the procurement stage. The construction of the maternity ward at Rubaare HCIV was rolled forward from FY 2011/12. The contractor has completed the exterior structure but further work needed includes cementing of the floor and fixing of the windows and doors.

Ntugamo District PHC Development: maternity ward at Rubaare HCIV (above)

Challenges

- **Increased prices** of most inputs for capital development have been rapidly rising. Hence with the original budget it is often not possible to procure all the required inputs to complete the planned projects.

3.4.5 Key Policy Issues and Recommendations

i. Capital development projects are often delayed due to insufficient funds to pay contractors once work has been certified by the Ministry of Health and/or Ministry of Works and Transport.

Recommendation:

Delays can be reduced if the PHC Development grants were paid in full to Regional Referral Hospitals and Local Districts during Q1 and Q2 of the financial year. This would allow payment to be made to contractors as work is certified and therefore completed to the required standards. This will aid progress towards completion of more capital development projects.

ii. Acute staff shortage in the health sector needs to be addressed. In order to recruit and retain the required number of staff in the health sector, the target is 59%[37] for financial year 2010/11, the remuneration package for health sector staff must be improved.

Recommendation:

The Ministry of Health and the Ministry for Public Service must continue to work to increase the PHC wage ceiling so that additional staff can be recruited and remuneration improved. The Ministry of Health must continue the work being carried out to revise the payment of the Hard to Reach allowance so that *all* medical workers in a designated Hard to Reach district receive it.

iii. Need for District Health Officers' to prioritise projects for the upcoming financial year while in the previous financial year. This would allow the district engineers to produce the cost estimates/bills of quantities for the planned projects prior to the budget meeting.

By estimating costs of planned projects prior to the budget meeting, the DHO can better advise councilors on whether their suggested amendments to the list of projects produced by the DHO are financially feasible. Projects should be selected based on those that give the greatest return to patients.

Recommendation:

Timely project planning needs to be undertaken by the DHO to ensure that engineers can provide cost estimates'/bills of quantities ahead of the budget meetings. This will enable more informed discussions to take place around the projects that are financially feasible for the upcoming financial year.

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[37] Source: Government Annual Performance Report FY2010/11 – Volume; page 98

iv. **When awarding contracts the Contracts Committee needs to take all possible steps to ensure that the contractors have the capacity to complete the project to the required standard of work.**

Recommendation:

The Contracts Committee could get advice from district engineers who have more specialist knowledge on which contractors are best placed to complete a project, on time and to the standard required.

v. **The National Medical Stores (NMS) often fail to deliver the drugs requested for by Health Centre's IV and Hospitals.**

Recommendation:

Where NMS is not able to provide the required drugs, a report detailing why this is should be submitted to the Health Centre/Hospital and the Ministry of Health. This will help identify the underlying reason as to why the drugs are not able to be supplied and the issue can be resolved.

3.5 INDUSTRIALIZATION

3.51: Introduction

Industrial development is an integral and important part of the Government's overall development strategy. The strategy is to be achieved through transforming Uganda into a modern and industrial country through, among other things; adding value by processing to reduce post-harvest losses and by increasing exports of higher value products, especially from agricultural and mineral resources. Industrialization also offers greater prospects for increased employment, more export earnings, wider tax base, increased purchasing power, increased integration with agriculture, product diversification, greater efficiency, and technical skills for modernization and higher productivity throughout the whole economy[38]. The industrial sector has averagely performed partly due to the continuing presence of binding constraints, especially insufficient hydro electric power, poor transport infrastructure and weak institutional frame work for industrial development. In turn, these constraints have resulted in less investment in the sector and less adjustment and integration along the value chains.

Scope

The aim of this report is to assess whether the level of reported expenditure is commensurate with the physical outputs monitored for the period under review. Physical and financial monitoring during quarter two focused on annual development activities FY 2011/12 undertaken by the Ministry of Finance, Planning and Economic Development (MFPED), Uganda Investment Authority (UIA) and Uganda Industrial Research Institute (UIRI).

Under the MFPED, monitoring covered construction of a banana processing plant in Bushenyi under the auspice of the Presidential Initiate on Banana Industrial Development (PIBID) and the construction of Buhweju Tea Factory; Under UIA, monitoring focused on development of industrial parks in Bweyogerere, Luzira, Jinja, Kasese and Soroti; Uganda Development Corporation (UDC), the team focused on progress of Luweero fruit drying factory, Soroti fruit factory and Kalangala Infrastructure Services (KIS). Under the Uganda Industrial Research Institute (UIRI), attention was paid to the fruit juice processing plant in Arua, Nabusanke fruit processing plant in Mpigi district, Peanut processing facility in Lira district, Bamboo and potatoes processing facilities in Kabale and support to wine processing in; Maziba-Kabale district and Nyamitanga in Mbarara district.

The sampled outputs were randomly selected from the information provided in the Ministerial Policy Statement and progress reports of the respective departments.

Priority was given to monitoring outputs that were physically verifiable. The geographical range of projects and districts monitored covered West Nile, North, Central and South western regions.

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[38] National Industrial Policy, 2008

Methodology

Physical performance of projects and outputs was assessed through monitoring a range of indicators and linking the progress to reported expenditure. The variables monitored depended on whether an output was complete or ongoing and if implementation was according to budget and schedule. For completed projects, monitoring focused on value for money.

Financial data was sourced from the Integrated Financial Management System (IFMS), progress reports (Performance Form A) and bank statements from implementing agencies.

Prior to the field visit, literature was reviewed on the reported progress on projects and outputs with reference to previous monitoring reports. Data collection methods included interviews with key informants and observations. Photographs of progress status were taken and form part of this report.

Limitations

Information inadequacies; for some projects, financial data was not readily available making financial analysis difficult.

Majority of projects under industrialization are subventions with separate accounting mechanisms off the IFMS. This makes analysis of planned versus actual expenditure and absorptive capacity difficult to assess.

Financial Year 2011/12 Mid-Year Release Performance

Table 3.5.1: Vote 008 Selected Development projects' releases as of 1st December 2011

Project Code	Project Name	Approved Budget	Releases	% Release
978	Presidential Initiative on Banana Industrial Development	10,200,311,688	2,870,478,000	28.14
994	Development of Industrial Parks	9,363,224,997	4,681,612,000	50.00
1059	Value Addition Tea	1,901,058,090	534,978,500	28.14
1111	Soroti Fruit Factory	5,000,000,000	500,000,000	10.00
1128	Luweero Fruit Drying Factory	500,015,279	125,004,000	25.00

Source: IFMS

3.5.2 Uganda Investment Authority (UIA)

Development of Industrial Parks: Project code 0994

The Government of Uganda committed itself to a 10 year national industrial parks development program in different regions of Uganda with effect from FY2008/09 to FY 2018/19[39]. This strategy was to ensure that 22 industrial parks are created across the country. The process started with the set

[39] UIA project profile-Development of Industrial Parks

up of the Kampala based industrial parks at Namanve, Bweyogerere and Luzira, spreading to up country towns in strategic locations. It was anticipated that the Kampala parks would be fully operational by FY 2010/11.

The purpose of establishing the parks is to provide serviced areas (with roads and utilities) for manufacturing and value addition to Ugandan made goods. Industrial parks would strengthen the Ugandan private sector to enable it play it's expected role as the engine of the country's economic growth and development as well as create employment.

Scope of the project:

Industrial Parks are being set up to maximize benefits of Industry to the population of Uganda. It is planned that in each park there will be special provision for Small and Medium Enterprise (SME) factories, Information, Communication and Technology (ICT) zones, and social service amenities such as hospitals, schools, recreation centre's, housing and meeting halls. Some of the parks will be specialized for example the proposed Cotton Park at Busitema University whose aim is to promote research based education, a Leather Tannery Park in eastern Uganda. These industrial parks are being developed on a self sustaining model with the creation of shared common user facilities such as water supply network, sewerage treatment plants, solid waste disposal facilities and power supply.

At the end of the project duration, Uganda is expected to realize specific outcomes which will include among others:

- Employment opportunities: projected at over 332,600 jobs created within Uganda.
- Increased acquisition of technical knowledge among the working population
- Improvement of manufacturing skills through introduction of innovative and research based technologies.
- Growth in overall industrial performance.
- Introduction of cleaner and environmentally sensitive technologies for production.
- Increase in value addition for raw materials produced in Uganda especially within the agro based sector.
- Improvement in the overall infrastructure network within the country as these parks will have all the relevant utilities.

The planned activities in FY 2011/12 included operationalization of Luzira Industrial Park (70 acres), Mbarara SME Park (12 acres) and Bweyogerere Industrial Park (50 acres); allocation of land to deserving investors, construction of infrastructure and industries in the aforesaid parks; implementation of Soroti park master-plan (219 acres), preparation of Kasese master-plan (217 acres); Installation of boundary markers for all parks, and procurement of land for new parks.

Financing

The approved budget for FY 2011/12 is Ushs. 9.36 billion, of which Ushs 4.68 biliion was released as of second quarter representing a release performance of 50%.

Physical Performance

1. Kampala Industrial and Business Park (KIBP);

The KIBP is located 11km east of Kampala adjacent to the Kampala-Jinja road and is planned to be a modern industrial park for the rest of the country. The park is approximately 896ha in size and comprises four estates namely; Namanve north (100.1ha), South A (126.9ha), South B (294.5ha), and South C (375.2ha) estates. The area is arranged according to clusters namely; agro-processing, beverage, grain milling, light industries, heavy industries, industrial rail, printing and publishing, ICT park, commercial/leisure, country club, SME park, in-land container depot, warehousing, residential, common services, open green space, road reserve, roundabout, sewage and effluent plant, solid waste and wetland.

Financing:

The Government of Uganda received credit worth US$ 26m from the International Development Agency (IDA)-World Bank for development and servicing of the Kampala Industrial and Business Park (KIBP) at Namanve. The KIBP development is the project Component 1 of the Second Private Sector Competitiveness Project (PSCPII)[40] and is being implemented by Uganda Investment Authority.

Field Findings

- The annual budget monitoring report FY 2010-11 highlighted pending works at this park as servicing the estate with sealed roads, electricity, water and fiber optic cables. The report further highlighted the concerns of the project funders (World Bank) including inappropriate change of designs/site for the office block and justification of the resultant costs; non-compliance with environment safeguards; and non-compliance with the Credit Agreement among others.
- The World Bank mission of November 2011 informed UIA that funding of this park would not be extended as initially thought and all outstanding obligations had to be concluded by the end of January 2012. The mission cited implementation challenges, failure to fulfill the requirements of de-gazetting a forest with an alternative planted land of equal size and wetland encroachment among the reasons for non extension of funding.
- It should be noted that on 1st June 2011, The World Bank had sent an objection to the award of major works contract with reservations related to environmental safe guards, poor supervision of the first contract by the consulting firm and scoping of the major works as one package and had advised splitting of the works into four lots namely: 1) Paving of park roads and construction of a flyover across Jinja road, 2) Extension of Power supply to the park, 3)Water supply and sanitation facilities, and 4) Telecommunications infrastructure.
- By the time of the mission communication of November 2011, some concerns had been addressed including environmental safeguards and re-advertising the works under the four

[40] Uganda Investments Authority: http://www.ugandainvest.go.ug

lots. Given that this project was majorly funded by credit from the World Bank, withdrawal of funding has left a big gap that is likely to affect implementation progress which is already too slow, if urgent action is not taken and alternative funding sought.

Recommendations

- GoU should take over the full funding and implementation of this project and seek alternative sources of funding to take care of the entire project costs.

- UIA should be allowed to collect Non Tax Revenue (NTR) from investors' allocated land in the park. At a conservative price of US$ 60,000 per acre, South A alone with 200 acres will raise US$12 million in lease premiums.

- Investors should be allowed to take possession of their plots after fulfilling all the lease conditions and immediately start operations to avoid further delays in operationalising the park.

- UIA should use part of the Masindi land to plant a forest in response to environmental safeguards related to the de-gazettement of the forest reserve in Namanve.

2. Luzira Industrial Park (70 acres);

The park is located 5Kms East of Kampala and is operational with functional basic infrastructure such as water, power and roads, however due to a number of power distribution challenges procurement of a dedicated power provider was still in progress. Fifteen Investors had been allocated land of which seven are operational. These include; Quality Chemicals, Graphic Systems, BlueWave Beverages, Transpaper Uganda, MasterWood Industries, Basere (U) Ltd, and Pipeline (U) Ltd.

At the time of the monitoring visit, November 10th 2011, the contract for extension of 200 meters road works had been awarded to M/s Nicontra Limited and signed on 6th November 2011, at a contract price of Ushs 279 million. The contractor was reportedly mobilizing to start works by end of November 2011. M/s Trim Engineering Works and Services was contracted to undertake routine road maintenance including de-silting, roadside bush clearing, road sweeping and opening side drains in the park for a period of one year at a contract price of Ushs 72 million.

Evacuation of power from Kiwanga-Namanve to Luzira was split into five lots:

- **Lot 1**: Designing and supervision of power line of which designing had been completed while supervision will commence once construction begins. This lot is contracted to M/s Multi consult at a price of Ushs 172 million.

- **Lot 2**: Design of Substation: Preliminary designs had been carried out and a review conducted. UIA had entered into partnership with Uganda Electricity Transmission Company (UETCL) to have the needs of UIA integrated into the UETCL Luzira electricity area master plan where a 132KV station is already planned for the area.

- **Lot3:** Construction of Power line from Kiwanga to Luzira: This lot was reportedly set aside in view of the master plan. A taskforce composed of UETCL, UMEME, Uganda Electricity Distribution Company Limited (UEDCL) and UIA agreed to have this component implemented by UEDCL.
- **Lot4**: Construction of Sub-station: This activity was postponed in line with the UETCL master plan
- **Lot5**: Acquisition of way leaves (12 kms): It was reported that UIA had received a valuation report on all affected properties along the way leaves from the Chief Government Valuer. The report indicated that over Ushs 6.5 billion will be required to compensate the affected property owners.

Challenges and recommendation

- Installed road furniture on the completed road section was vandalized and stolen, in addition refuse and debris from the neighboring prison is released into the drainage channels of the park roads.
- Parts of the neighboring wetland are being reclaimed with a lot of gravel (murrum) dumped on the already sealed roads. This partly contributes to drainage blockage and water overflow during the rainy season. UIA should regulate the use of the park roads to avoid unnecessary damages and high routine maintenance costs.

3. Bweyogerere Industrial Park;

The park is located 10 kms North East of Kampala. The land was allocated to seven investors including Bweyogerere Hospital and Uganda National Bureau of Standards (UNBS) among others. M/s Omega Construction Company was awarded a contract at a revised contract sum of Ushs.3, 591,396,840. The client was represented by a supervising consulting firm M/s Gauff consultant at a contract sum of Ushs.338, 982,000.

Civil works commenced on 12th May 2010 and was expected to be completed by 12th October 2010, however due to a number of delays related to land acquisition; re-designing some sections and service relocations, completion was extended to 30th July 2011. Accordingly, the supervising consultant's contract ended in July 2011 and the client is currently represented by a team of engineers from Ministry of Works and Transport.

Scope of works included; re- processing the existing pavements tracks; provision of new material to form a new sub-grade; construction of a new pavement layer, lime stabilization and surface dressing/sealing; rock filling in swamps; construction of new pavement layers across localized swamp sections involving use of geo-textile and rock fill; drainage works involving installation of new culverts, stone pitched drains, head walls and wing walls; auxiliary works involving installation of guard rails, signage and road marking.

Financial Performance

As of 7th December 2011, a total of Ushs.2, 448,990,889 (including advance payment) had been paid to the contractor.

Physical Performance

Table 3.5.2: Road name, length and percentage progress

Road name	Road Length	Financial Progress	Time progress	Physical Progress	Outstanding/Remarks
Kyaliwajala road	580ms	Ushs.2.44 bn	130%	95%	Auxiliary works; drainage works, signage and road marking pending.
By-pass link	895ms		130%	82%	Double surface dressing, Auxiliary works; drainage works, signage, guard rails and road marking pending
First Street	278ms		130%	96%	Auxiliary works; drainage works, signage and road marking pending.
Second Street	172ms		130%	95%	Auxiliary works; drainage works, signage and road marking pending.
Total	**1.925Kms**	**68%**	**130%**	**73%**	**The contractor should be made to pay liquidated damages due to several inadequacies and lack of professionalism.**

Source: MoWT Engineers and UIA

A security firm to take care of encroachers was procured and took possession of the site.

L-R, *Unsealed shoulders, broken culvert and a sealed section of First Street*

Implementation challenge;

- After the extension of the project to July 2011, the contractor still failed to deliver the project as re-scheduled for unknown reasons. Works that had been scheduled for completion in March 2011 were still ongoing in December 2011 (9 months later). The project has experienced unnecessary delays due to lack of professionalism on the side of the contractor.
- Although the contractor had indicated that auxiliary works would be completed by December 2011, the relevant materials (guard rails, signage, etc) were not visible on site or site office,

as of 23rd December 2011, the sealed parts had not been swept. It was therefore impossible to ascertain whether the contractor would be able to complete works as claimed.

- The design is not clear on sealing the road shoulder up to the side drains; if left unsealed, it is likely to cause early damages to the road.
- Works on First street, Second street and Kyaliwajala road had peeling chip stones This is associated with inferior works along these roads. The consultants however noted that the bitumen distribution machine had anomalies and the contractor was asked to change the distributor which he finally did and the contractor was asked to re-do the poorly done sections.
- The nearly complete roads are substantially higher than the plots they are meant to serve especially along the First Street, Second Street and Kyaliwajala road. Owners of plots are likely to be forced to dump gravel onto their land to achieve the necessary level to access the roads and in effect the roads might be damaged.
- Installed culverts along the bypass link connecting to Bweyogere hospital site had been damaged by the heavy traffic (3 axles) to the construction site. Given that the industrial park is likely to host more of these trucks (heading to UNBS calibration rig and other construction sites), there is no guarantee that most of the culverts will serve the intended purpose. According to the Consulting Engineers, the designed roads are not meant to service heavy traffic/vehicles.

Recommendations

- The UIA should apprehend the contractor for liquidated damages related to his internal weaknesses and non performance.
- UIA should ensure that the park is fully serviced with water and electricity and is operationalised by June 2012.
- Arrangements should be made to ensure that road shoulders are sealed to avoid early failures; investors should be advised to overlay the culverts leading to their plots with concrete slabs in order to reinforce their strength.
- UIA should plan to cover the surface dressing with an overlay if the road is to last for a longer period of time.
- The Ministry of Works and Transport, PPDA, the Association of Building and Civil Contractors, the Association of Professional Engineers and other stakeholders should strive to professionalise the construction business to eliminate unserious practitioners who present very good bids with poor implementation records.
- UIA should always undertake pre-contractual due diligence through contractor/supplier reviews to identify weak contractors. M/s Omega's poor performance should be recorded and reported to PPDA for necessary action.

4. Kasese Industrial Park (217 acres)

The park is located 430 Kms south west of Kampala near the border with the Democratic Republic of Congo (DRC). The industrial business park (IBP) location is intended to stimulate agricultural products value addition and mineral beneficiation in the region. M/s Savimaxx Ltd was contracted to undertake an Environment Impact Assessment (EIA) and master plan for this park at a contract price of Ushs 88 million. During the June 2011 BMAU monitoring visit, it was reported that the IBP master-plan including environmental impact assessment report preparation had begun. By November 2011, a draft report was reportedly received by UIA for comments and the final report was expected in January 2012. A security firm had been procured to guard the land from encroachers.

Challenges related to this park include dealing with encroachers including wildlife especially elephants from the neighbouring Queen Elizabeth National Park and the many applications for land in this park.

5. Soroti Industrial Park (219 acres)

The park is 350 Kms North East of Kampala and is 219 acres in size. The master-plan and cadastral survey of the plots were completed and advertisements for prospective investors were put in press on 13th May 2011. As of November 2011, subdivision of plots had been completed with a total of 153 plots in the park of which 24 plots had been allocated to prospective investors. M/s Malu Construction Limited was contracted to open boundaries of the land and erect boundary markers around this park at a contract sum of Ushs 90 million. A consultant to design roads for the park was being procured together with a security firm to guard the land.

6. Mbarara SME Park

It is a 12 acre facility built up to cater for small scale enterprises adjacent to Mbarara Municipality 280 kms southwest of Kampala. It is comprised of 5 buildings housing 41 work spaces of approximately 60m^2 each including verandah working area. In the previous monitoring reports, it was noted that a number of occupants in this park had rejected UIA's tenancy agreements claiming that Government had procured this land on their behalf and as such they were not supposed to pay rent.

During second quarter monitoring visit (December 2011), it was noted that a meeting between the tenants, UIA and the municipal council had been held and tenants accepted to sign the agreements. UIA further engaged a firm to undertake maintenance works for open spaces, however during the monitoring visit (1st December 2011) the grass had overgrown.

Procurement of a contract for setting up communal sanitation centres/toilets for each block was reportedly at award level pending clearance from the Solicitor General.

7. Mbale Industrial Park

The 619 acre facility is yet to take off due to a court case filed by "squatters" under the umbrella of *bona fide* occupants against Uganda Investments Authority for criminal trespass.

8. Jinja Industrial Park

Established on 182 acres located 80 Kms east of Kampala, Jinja is being re-activated as a major industrial town that it once was. During FY 2011/12, UIA planned to undertake a master plan and an Environmental Impact Assessment culminating into servicing the park with roads, electricity, water, boundary opening and demarcating plots. During the monitoring visit, the process of procuring a contractor to develop a master plan and environment impact assessment had started and award was expected in December 2011.

9. Moroto Industrial Park

As of 30th November 2011, the procurement process for the 417 acres of land in Moroto for mineral beneficiation activities had been completed pending signing of an agreement.

10. **Gulu, Masaka** and **Tororo land acquisition**

Local governments in these districts had been engaged to help UIA identify suitable land for industrial development.

3.5.3 Value Addition Tea (Buhweju Tea Factory)

Government of Uganda through the Ministry of Finance, Planning and Economic Development committed funds to the building of the factory complex and additional buildings to facilitate factory operations. A memorandum of understanding to this effect was signed between GoU and Igara Growers Tea Limited (the promoter of Buhweju Tea Factory) in July 2008.

M/s Trust Builders and Civil Engineering was awarded a Ushs 6.4 billion contract for civil works. The project commenced on 9th September 2009, and was expected to be completed by July 2012 (within four years). Ms. Habitat Consultants was awarded a supervision contract worth Ushs.141 million.

Project Objectives

1. Establish a tea factory for processing the green tea leaf produced by farmers from Buhweju.
2. To increase and sustain the benefits to farmers in the area from tea growing and reduce poverty by improving household incomes.

Financial Performance

The total estimated project cost is US$ 7.44million. The project is expected to be jointly financed as follows; GoU Grant of US$3.2 million, Bank loan of US$2.805 million and residential building and working capital by Igara Growers Tea Factory of US$ 1.43 million.

With effect from FY 2008/09, GoU undertook to disburse the grant to the project on an annual basis amounting to Ushs.1, 601,000,000/= per year.

The total approved budget for FY 2011/12 is Ushs 1,901,058,090 of which, a total of Ushs 534,978,500 had been released for the first two quarters representing a percentage release of 28.14%. Ushs 805,706601 was expended during the same period being payment to M/s Trust builders for cleared certificates (this amount includes unspent balances from FY 2010/11). The overall release to this project over the medium term was Ushs 5,258,824,500 of which Ushs 5,181,179,115 had been spent on construction of the factory complex representing 98.5% absorption of releases.

Physical Performance

Table 3.5.3: Overall Progress of works at Buhweju Tea factory

Section	Remarks/ Outstanding Works	% Progress
Section 1 i) Main plant	Main civil works complete and electrical installations and fittings. The first processing line is installed and the weathering area operational. Pending minor finishes, office partitioning, fittings and painting	95%
ii) Underground tank	Substantially complete awaiting final finishes with water proof layer and installation of man hole covers	90%
Section 2 Administration block	Construction Complete with the first coat of paint; pending works include: electrical fittings, plumbing installations, furniture and final painting.	95%
Section 3 Boiler House	Construction completed, boiler installed and tested	100%
Section 4 Generator House	Civil works complete. Pending electrical installations and fittings	95%
Section 5 Motor Vehicle garage	All civil works completed awaiting electrical installations and fittings	95%
Section 6 Input House	Electrical installation completed pending connection to grid power	96%
Section 7 Firewood House	Substantially completed pending installation of stair case	98%
Section 8 External works	Revised design completed with a 25% increment in the original contract price. -pending works include retainer walls, fencing of the factory complex, construction of internal roads and parking areas.	16%
Overall progress		**87%**

Source: Field findings, Client and Contractor

The revised designs for external works had been completed however, external works had not started as the revised price estimates significantly changed the overall contract price by over 25% at a varied cost of Ushs 2,108,138,250. External works to cover: road works, compound, fencing, water tanks, drainage and sanitation, retainer walls among others had not commenced. The promoter had submitted a request to MFPED for guidance on handling the variations.

Installation of factory equipment for the first processing line was reportedly at 80% progress, the weathering section of the main plant is already operational. During the monitoring visit, 29th November 2011, all the 42 installed troughs were in use. The green leaf collected from Buhweju is weathered from the factory and transported to Igara for crushing and packaging. The client was awaiting the transportation of the shipped generator and a few accessories to complete the installation.

The guest house and the staff house now under construction are being financed by the promoter (Igara) in fulfillment of her obligation under the MOU. The cost of the works is Ushs 604,133,290.

Arial view of factory complex, Tea weathering and Construction of hostel block at Buhweju

Implementation challenges

- Inadequate release of funds: two certificates had been partially paid due to inadequate releases; the project was poorly financed especially in 2nd and 3rd quarters of FY 2010/11. This affected the speed of implementation. By the time of the monitoring visit, the promoter owed the contractor Ushs 189,680,177 being balance on certificate No. 5. Which the promoter had partially paid.
- External works design variations have significantly affected the project costs and there is need for additional funds to complete the project. Major earthworks were required to get the factory buildings anchor on hard ground. As a result, high embankments were created that will now require retaining walls. This accounts for about 30% of the external works. The soil structure on site was found to be uneven, and very soft. Extra ground beams had to be created to avert the possible risk of structural failure. Over Ushs 1.5 billion is required to accommodate the new designs.
- Bad weather (rain) during the months of July to November affected civil works progress and further affected the roads to the plant. The condition of the road to the site continued to be poor during the tenure of the project. Delivering building materials and machinery to site was not only time consuming but also very costly.
- Although some operations have taken off at this plant, there are no residential units (Housing) for employees, in addition; the premises have only two guards leaving a big security gap for the unfenced complex. During the monitoring visit, it was observed that the kitchen house, administration block and motor vehicle garage had been turned into accommodation units for factory employees.

- The proposed installation of a water system had not taken off, pending the approval of the varied designs. The underground water tank for rain water harvesting is incomplete, meantime, factory operations had already started. This leaves a sanitation risk for tea processing and handling.
- Igara secured a loan from DFCU, taking advantage of the Government facility to private sector. The loan was financed in shillings. As a result, Igara suffered enormous exchange losses as the shilling continued to depreciate since acquisition of the loan in July 2010. As of November 2011, the recorded loss was Ushs 746,000,000 (Seven hundred forty six million only).

Recommendations

- The flow of funds needs to be improved in light of the fact that major works are still going on.
- The Ministry of Finance and the project team should urgently seek advice from PPDA on whether to advertise the revised external works or clear the contractor to undertake these works to avoid any further delays and cost overruns on this project.
- The client should fast track the completion of the underground water tank as soon as possible to ensure a remedial stable source of factory water since some operations have already taken off.
- The client should hire more security guards to mitigate risks related to the lack of fence at the factory complex.
- UNRA should plan to upgrade the road to bitumen standards. This will not only ease transportation of raw materials and finished products to and from the factory rather it will reduce on travel time, reduce dust emission to the factory as well as reduce road maintenance costs.
- The Ministry of Finance should ensure timely release of funds to avoid any delays in project implementation and cost overruns related to interest fees resulting from failure to pay cleared certificates in time.

3.5.4 Uganda Development Corporation (UDC)

Uganda Development Corporation (UDC) was established by the Uganda Development Corporation Act (Cap 329) of 1952 with the objective of facilitating industrial and economic development of Uganda, promote and assist in the financing, management or establishment of new undertakings; schemes for the better organisation and modernization, more efficient carrying out of any undertaking; and the conduct of research into the industrial and mineral potentialities of Uganda[41].

[41] Laws of Uganda, chapter 326

Due to the economic liberalization policies implemented by the Government in the late 1980s, UDC wound up in 1998. However, given the need for Government to continue having an Agency to facilitate the industrial and economic development of strategic projects, it was decided that UDC should be revived. UDC was therefore revived at the beginning of 2008.

During FY 2010/11, the revived UDC was assigned implementation responsibilities of two projects namely Soroti Fruit Factory (project code 1111) and Value Addition-Luweero Fruit Drying Factory (project code 1128). During FY2011/12, UDC in partnership with development agencies has planned to undertake more projects including Kalangala Infrastructure Services.

i) Soroti Fruit Factory (project code 1111)

The project is a proposed Government directed intervention aimed at providing value addition in fruit processing for promotion of industrial growth, income diversification and increasing household incomes in Teso region[42]. A five acre piece of land was allocated to this project within the Soroti Industrial Park by Uganda Investment Authority.

Financial performance

The Government of the Republic of Korea through the Official Development Assistance (ODA) framework committed a bilateral grant worth US$ 6.5 million for Teso region fruit processing facility. The turn key project is coordinated by Korea International Cooperation Agency (KOICA) and UDC. Counterpart funding is expected from GoU. The approved budget for Soroti Fruit factory FY 2011/12 is UShs 5,000,000,000 of which Ushs 500,000,000 was released as of 30th November 2011 and Ushs 273,621,000 had been spent over the same period, representing an absorption performance of 54%.

Physical performance

During FY 2011/12, UDC planned to undertake the following activities on this project: Finalization of feasibility study for the fruit project, production of an Environmental Impact Assessment (EIA), service project land with electricity and water, produce BOQs for civil works (roads), re-constitute farmers into productive units in the value chain and secure a grant from KOICA.

During the monitoring visit (10th November 2011), UDC was preparing to have the grant agreement signed before the end of November 2011. A draft EIA had been submitted to UDC for review; technical feasibility study had been conducted by KOICA. UDC was working out modalities with UIA to track servicing of the plot allocated to the factory with water, electricity and affluent treatment.

[42] Public Investment Plan FY2011/12-13/14

Challenges

- The industrial park is not yet serviced with roads, water and electricity, yet the grant is conditioned to availability of the above and a waste treatment plant.
- The project has dragged for the last three years when farmers were first engaged to increase production of fruits causing the current overproduction as well as demoralizing some farmers.

Recommendation

- UDC should engage NARO and NAADS to undertake research on quality and high yielding varieties.
- Assuming that the turn key grant is concluded, UDC should use part of the GoU funds to service her plot on recoverable terms from Uganda Investment Authority to avoid any delays.
- UDC should align all her activities on the plot with the overall UIA industrial park master plan.

ii) Value Addition-Luweero Fruit Drying Factory (project code 1128)

The vision of the Government of Uganda is to transform the country into a middle income country by 2035 through promotion of value addition and agro-processing[43]. In February 2008, pineapple farmers in Luweero under the Natural Uganda Cooperative Society Limited petitioned His Excellence the President for a fruit processing plant, to add value to their organic pineapples in order to attract both domestic and international markets. Originally, Government was to contribute 30% and the cooperative society 70% of the required funds.

The President directed the Ministry of Agriculture, Animal Industry and Fisheries and Ministry of Finance to take up the issue through a budget provision. During FY 2010/11, a total of Ushs 500 million were provisioned under the department of Investment and Private Sector Development of the MFPED to facilitate the process.

A total of Ushs 115 million was released to the cooperative society to procure five acres of land in Luweero Town council on which the processing plant was to be established.

After procuring the land, it was noted that a feasibility study for this project had not been conducted and the cooperative society wanted Government to contribute 100% to this venture.

During FY 2010/11, UDC was tasked to regularise the activities of this project. The cooperative society was asked to return the land title and have it registered in the names of Uganda Land Commission (ULC); however, consensus building has taken time to guarantee beneficiaries that the project will succeed under the guidance of UDC.

[43] Public Investment Plan 2011/12-2013/14

During FY 2011/12, a total of Ushs 500 million was approved for this project. UDC planned to harmonise interests of stakeholders in greater Luweero area through consultative meetings, conduct a feasibility study and Environmental Impact Assessment (EIA), sensitize the fruit farmers on the shareholding in Luweero Fruit Company, identify an investor/managing partner for the project and transfer the land title into the names of Uganda Land commission.

Physical performance

During the monitoring visit (10th November 2011), UDC was working on revising the project to cover fruit drying. Conducting the feasibility study and EIA had been halted to benefit from the studies done in Soroti as a benchmark for the Luweero studies. It should be noted however that the fruits grown in these two areas are different i.e citrus for Soroti, and mangos and pineapples for Luweero.

UDC management reported that Natural Uganda Cooperative Society had accepted to submit the land title for transfer into ULC names and the process is likely to be completed by end of February 2012. The agency had started mobilizing farmer groups to join the umbrella cooperative society covering the greater Luweero area. It is proposed that 20% of the project shares will be reserved for farmers' groups through the cooperative society.

Challenges

- The process of convincing management of Natural Uganda Cooperative Society to return the land title to UDC for transfer into ULC names has consumed a lot of project time thus affecting the implementation schedule.
- The process of engaging consultants to undertake feasibility studies is taking long, although it is good to benefit from studies done in Soroti, the fruits in question and locations are different. On the other hand, EIA are mandatory under the NEMA regulations.

Recommendation

- Studies related to this project should immediately start; materials from other studies should be used in the review process of the first draft to avoid any further delays in implementing the project. The studies will enable UDC ascertain the fruit production capacity in the region and come up with relevant recommendations in the production process.
- UDC should engage the Uganda Industrial Research Institute (UIRI) to benefit from the already existing fruit processing plant in Nabusanke and another plant under construction in Arua for technical guidance in undertaking a similar project.
- Partners in this process should be assigned clear roles and UDC should ensure that each of the players fulfil the assigned roles effectively.

iii) Kalangala Infrastructure Services (KIS)

The Government of Uganda through Uganda Development Corporation agreed to form a joint venture with IDC South Africa and InfraCo Africa Limited to improve infrastructure in Kalangala district.

InfraCo Africa acts as a principal, shouldering much of the upfront costs and risks of early stage development, thereby reducing the entry costs of private sector infrastructure developers. Its capital is provided by way of share subscription by a group of donors currently made up of the development agencies of Austria, Ireland, the Netherlands, Sweden, Switzerland, the UK and the World Bank.

InfraCo is working to develop environmentally sensitive infrastructure services to serve Bugala island residents with improved access to clean water (piped), safer transportation (two ferries plying Bukakata to Luuku route) services, more reliable electricity (Hybrid solar and diesel power plant producing 1.6MW) and improving the road network (widen and upgrade 66kms of roads to class B standard).

Financing

The US$50 million project is estimated to run for a period of three years. UDC will own 45% shares by raising US$6.5 million while InfraCo will own 55% shares by raising US$ 7.5 million. The balance will be raised through debt from financial institutions. IDC will have preferential shares.

Physical progress

By November 2011, UDC reported that a shareholder agreement between partners had been signed. All relevant licenses are in place and assurances of availability of funds from the lenders had been given. Activities on the water supply system on two islands had started and the site for the power plant had been cleared and graded. Installation of the first ferry was expected to start in January 2012. The Ministry of Finance had reportedly granted UDC permission to re-allocate some funds from the Soroti sruit factory to KIS as counterpart funding for the FY 2011/12, however, there was no documented evidence to this effect.

Challenges

- Mobilisation of funding and clearance has taken a long time especially getting international lenders in a green field in Africa as well as getting consensus from different stakeholders such as UNRA for ferry landing sites and roads; Electricity Regulatory Authority for construction of a power plant.
- Originally, international partners were working alone without a Government representative which made it difficult for lenders to get assurances that funds invested in this venture would be recouped.
- Inadequate local resource persons with skills and competencies to manage project work.

3.5.5 Presidential Initiative on Banana Industrial Development (PIBID)

Project 0978: Background

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

Project objectives:

- Establish benchmarks; build capacity for rural farmers in new production technologies and agronomic practices;
- Ascertain sustainable processing of quality market driven Matooke products;
- Link rural farmers to favorable micro-financing mechanisms;
- Establish reliable supply chain models linking farmers to profitable market outlets;
- Assess project impact on environmental sustainability and overall economic wealth;
- Transform the Bushenyi Technology Business Incubator (TBI) into a Banana Industrial Research and Development Centre (BIRDC);
- Promote entrepreneurship in private sector and training at public institutions through establishment of an Industrial Technology Park (ITP).

The project expected outputs

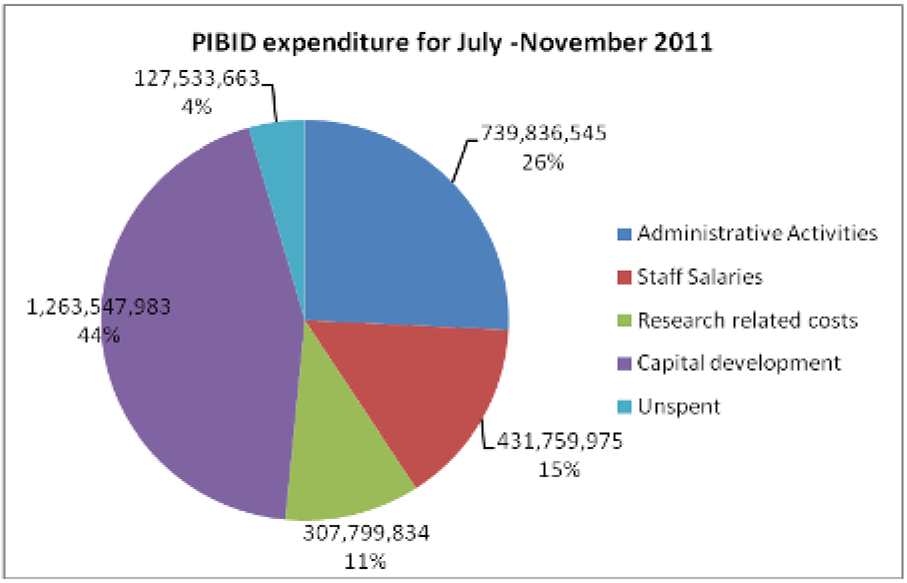
Construction of a state of the art rural based banana processing industry at Nyaruzinga-Bushenyi and Sanga- Kiruhura based on technology business incubator framework, a range of banana industrial – based products on the market, capacity building for market competitive banana production and value addition at all levels, irrigation scheme, research laboratories, power extension, road improvement and a hostel.

PIBID is executing two major infrastructure contracts including; construction of the main processing plant, renovation of office buildings, laboratory block, mechanical maintenance workshop, internal road works, fencing, security lighting and construction of a conference and resource centre at Nyaruzinga-Bushenyi on one hand and contraction of an irrigation scheme on the other hand. The contract for Tooke processing plant was awarded to M/s Dott Services Limited in September 2009 at a contract price of UShs. 23.3 billion, where as implementation of the irrigation scheme was awarded to M/s Vambeco Limited at a contract price of UShs. 2.5 billion. The main construction of the processing plant which was originally phased into two was merged and is undertaken concurrently with a revised completion date of October 2011.

Financial Performance

The total approved budget for FY 2011/12 is UShs10.20 billion[44] of which Ushs 2.87 billion had been released as of November 2011 representing a release performance of 28.1%.

Figure 3.5.1: PIBID expenditures as of 30 November 2011



Source: PIBID

Physical Performance

During the monitoring visit (28 November 2011), the overall physical progress was estimated at 60% from 53% reported in quarter four of FY2010/11, against a revised time progress of 88%.

Table 3.5.4: Status of PIBID main contract outputs as of November 2011

Item	June Progress	December Progress	Outstanding works/Remarks
Processing plant (production, milling and confectionary blocks)	80%	80%	At substantial completion. With outstanding painting works, electrical and water fittings and floor polishing. Installation of equipment was ongoing ie. Dryers, Silos and bakery line
Administration block	80%	90%	General finishing, electrical and water fittings ongoing.
Upgrading existing DFI structures (bakery block)	30%	60%	At general finishing, electrical, water, doors and window fittings

[44] MFPED: Performance contract Form A, July 2011

Item	June Progress	December Progress	Outstanding works/Remarks
Conference/Resource centre block	60%	60%	At general finishing; electrical and water fittings as well as shuttering still pending.
Quality control laboratory	35%	40%	Construction of the subsequent floors, roofing, general finishing and closing stalled.
Construction of lagoons	0%	4%	Digging of Lagoons Started
Construction of a 100,000 water tank reservoir	70%	95%	Water tank installed pending connection of fittings
Mechanical maintenance workshop	*70%*	70%	At general finishes; pending electrical and water fittings.
Shipment and installation of Machinery	*40%*	65%	Six 40ft containers of equipments delivered pending installation
Bio-fuel digester	*0%*	2%	Site cleared
Fencing and security lighting	0%	0%	Pending
Internal road works	20%	50%	Earth works substantially done.
Overall physical progress	53%	60%	Approximated % based on scope

Source: PIBID

Most of the construction activities had been halted save for road works and finishes at the administration block due to inadequate releases in Quarter 2.

Delivery and installation of factory equipment: Engineers and technicians from the equipment supplier were expected in the country in December to continue with the installation process, six 40ft containers of major equipment had been delivered to site during the second quarter. Two silos, three dryers had been installed in block B of the plant.

Irrigation Scheme

Construction of the irrigation scheme remained at 80% as the case has been for the past 12 months due to non payment. As of November 2011, it was reported that arbitration on the matter had failed and the contractor had issued intentions to return the matter to court.

Construction of hostel

Designs for the hostel had been completed; however, the board reportedly guided management to suspend the procurement process as the entity could not raise additional funds to accomplish the activity. Balances on funds released from MoES for the hostel were re-allocated to finance clearance of certificates raised by M/s Dott Services.

Laboratory equipment: One texture analyzer, a spectrophotometer and a vacuum oven had been delivered, installed and tested in the microbiology and physic laboratories. Additional key equipment was expected to be delivered by February 2012 including a bio reactor for checking enzyme PH alterations and a freeze dryer. The procurement process for a size exclusion chromatograph was going on.

Tissue culture: Agriculturalists were researching on production of disease and drought resistant Matooke varieties. In addition, plants for intercropping with matooke were being tested at the green houses.

Acquisition of land titles: The title deeds for the land in Bushenyi and Kiruhura were yet to be secured from Ministry of Lands, Housing and Urban Development.

Extension of high voltage electricity: The Ministry of Energy and Mineral Development had delivered and installed the transformers and a transmission line to the site. UMEME was yet to deliver a metering unit to facilitate connection of power to the main plant.

Installed analyser, delivered equipment in containers and stalled construction of quality control laboratory block

Installed transformers and Water tank; graveled road and parked trucks at Nyaruzinga

Implementation challenges

- A number of activities had been suspended by the main contractor due to inadequate funding and failure to clear certified works. It is likely that this contractor will demand for interest accrued which in turn will lead to cost overruns.
- The irrigation scheme contractor had issued indications to return the agency to courts of law after an out of court settlement for nonpayment of completed works failed to yield any results.
- Lack of a clear plan for management of the facility once it becomes operational;
- Re-allocation of hostel funds without seeking relevant approvals as stipulated in the Public Finance and Accountability Act 2003 may lead to audit queries.

Conclusions

The cash flow of the projects under PIBID is still worrying. By the time of the monitoring visit, M/s Dott services had two unpaid certificates and had suspended most of the works, the irrigation plant contractor had returned to court for redress. Delays related to failure to pay cleared certificates were likely to attract interest leading to cost overruns.

Recommendations

- Additional funds to meet the contractual obligations of the client should be provisioned to avoid cost overruns.
- The contractor should be asked to revise the work schedule so that some outputs are phased into the medium term expenditure framework.
- PIBID should start the process of acquiring management for the processing plant.
- MAAIF, MWE and UNRA should speed up implementation of the work plans related to PIBID.

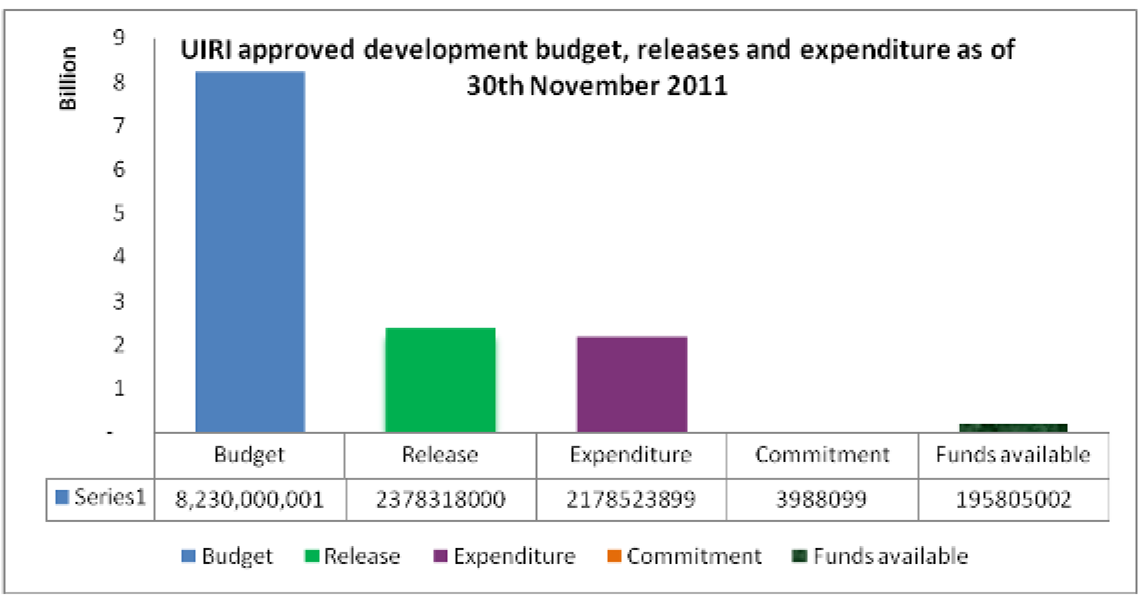
3.5.6 Uganda Industrial Research Institute (UIRI), Vote 110

UIRI's core objectives are to: Undertake applied research for the development of optimal production processes for Uganda's nascent industry; develop and acquire appropriate technology, in order to create a strong, effective and competitive industrial sector; act as a bridge between academia, government and private sector with respect to commercialization of innovation and research results; spearhead value addition activities in conjunction with national development priorities; lead the national effort in technology transfer and technology diffusion, to assure the deployment of appropriate technologies; and to encourage and promote the use of good manufacturing practices[45].

The agency aims at increasing opportunities for job creation through new value addition enterprises, support the increase of agricultural output by creating new markets for farm produce, mitigation of economic losses incurred by farmers as a result of post harvest losses especially for perishable produce, create efficiency in exploitation of natural resources, support nationwide efforts for improved product competitiveness in terms of export quality, quantity and high manufacturing standards[46].

Financing

The total approved GoU budget for the Uganda Industrial Research Institute (UIRI) for FY2011/12 is Ushs.14.043 billion[47] including taxes of which Ushs.8.230 billion is approved development budget.



Source: IFMS

[45] UIRI: Ministerial Policy Statement FY2011/12
[46] Ministerial Policy Statement: Ministry of Trade, Industry and Cooperatives: UIRI Vote 110
[47] Approved Estimates of Revenue and Expenditure FY2011/12

During the period under review, a total of Ushs 2.378 billion of the development budget had been released of which Ushs 2.178 billion had been spent as of 30th November 2011, representing an absorption capacity of 91.5%

During second quarter monitoring, focus was on operationalisation of value addition projects set up in Arua, Kabale, Lira and Mbarara under the Research and Development (R&D) vote function.

i) Arua Fruit Juice Processing Factory

UIRI in partnership with an *incubatee* (Mr. Emmanuel Ajedra) planned to promote fruit production and value addition through processing of fruits in West Nile region. In FY 2009/10, UIRI approved a proposal to setup the facility in Arua district. The facility is located at a piece of land owned by the *incubatee* within Arua Municipality, two kilometers along Arua-Koboko road.

The project was selected because of its viability based on fruit production data. West Nile region was said to annually produce over 4000 metric tonnes of citrus fruits, 1,000 metric tonnes of mangos, 500 metric tonnes of tomatoes, 200 metric tonnes of passion fruits and 40 metric tonnes of pineapples. On completion, it is anticipated that the 500 litres of fruit pulp will be processed per hour.

Financing

In October 2010, M/s Planbuild Technical Services signed a contract with UIRI to establish the processing facility at a contract sum of Ushs 685 million within a period of seven months. UIRI was to procure equipment for the plant at a budgeted cost of Ushs 465 million.

Table 3.5.5: Project Details for construction of Arua Fruit Juice Processing Factory

Item	Project Details
Project Name	Construction of Arua Fruit Juice Processing Factory
Client	Uganda Industrial Research Institute
Architect	Afrotec
Supervisor	UIRI (Technology Department) and Arua District Engineer
Contractor	Planbuild Technical Services
Contract Price	Ushs 685,000,000
Project Duration	Seven Months
Start Date	28th October 2010
End Date	30th May 2011
Revised End date	4th October 2011
Scope	Construction of factory plant with substructure, superstructure, roofing, installation of windows and doors, drainage system with waste water tanks, water tanks, plumbing and electrical installation, painting; parking yard paving, fencing and re-gravelling of road from factory to main road (200meters)

Source: Incubatee

Physical progress

Construction of the substructure, superstructure and roofing had been completed. The contractor was at finishes level and had embarked on installation of doors and windows. Pending activities included:- installation of ceiling, wall glazing, terrazzo casting and floor screeding, completion of drainage works, plumbing, electrical installations and all external works including paving the parking yard, gate house, waste water tanks, fencing and graveling the road.

Physical progress was estimated at 60% against revised time progress of over 100%. The project was one month behind schedule against the revised completion date and the contractor still required 90 days to finish the outstanding works. Delays were said to have resulted from budget cuts during the final quarter of the previous financial year and inadequate releases during the first half of this financial year.

Both the *incubatee* and UIRI were reportedly satisfied with the work so far done. All defects had been identified and the contractor had embarked on correcting them. A consignment of equipment for the plant was reportedly delivered to UIRI. Trial runs are expected in April and May when the factory is substantially complete.

Side view and internal works of the fruit juice processing plant in Arua

Challenges

- Inadequate releases: The project is off schedule due to inadequate releases.
- Manufacturer’s guarantee on delivered equipment was reported to have expired before they are installed and tested.
- Sustainability: Although the incubatee is passionate about the project, there was no clear sustainability plan.
- The designed plant did not take care of storage facility for finished products and office area.
- Lack of stable power supply in Arua: The district is still serviced by small thermal plants which supply electricity for less than 12 hours a day. Running a factory on generator may turn out to be very costly.
- Arrangements to recruit trained personnel to run the facility had not taken off; this is likely to affect early production.

Recommendations

- Alternative power sources including a generator and solar system for lighting and supply to low voltage appliances and accessories should be planned.
- Other stakeholders such as NAADs and NARO should be engaged to ensure that high yield fruit varieties are grown
- The incubatee should make arrangements for storage facilities and offices.
- A critical mass of skilled personnel should be identified and their capacity built to manage the processing line, marketing and related activities among others.

ii) Bamboo Processing Plant- Kabale

UIRI is undertaking business incubation of potato and bamboo in Kabale district. The purpose of business incubation is to nurture viable business that can be taken over commercially by the private sector. Since 2004, UIRI has been exploring how to add value to available yet untapped local materials. In 2005, UIRI in collaboration with China Bamboo Research Centre (CBRC) embarked on the possibility of manufacturing bamboo tooth picks among others from the available bamboo trees. Initially, the equipment for bamboo were installed next to the potato processing facility in Kabale, however, this proximity was likely to cause contamination of potato products with bamboo dust. It was agreed that a new building to specifically host the bamboo facility be constructed to mitigate and control any possible contamination.

A cross section of assembled bamboo processing equipment, toothpick sharpening and UIRI employees displaying a bamboo mat in Kabale

Physical progress

During quarter two FY 2011/12 monitoring visit, civil works were 100% complete. Most of the machinery had been installed except for the drier, boiler and bleaching tank. Trial weaving of mats, curtains, table mats and tooth picks is ongoing. The trial phase is expected to end in July 2012. Plans to engage local farmers into bamboo planting to sustain the factory were in advanced stages. Apparently, UIRI signed a memorandum of understanding with NFA to use bamboo trees from a gazetted forest reserve in Kisoro. The project was said to be viable given the big local market for toothpicks and crafts. Notably was the number of equipment locally fabricated by UIRI at the facility. The plant can produce 10 meters of woven mats every eight hours.

Challenges

- Limited raw materials; some raw materials are not locally available and have to be imported from China.
- Un-reliable power supply. During the period under review, the plant faced intermittent power supply thus affecting production and productivity as a whole. Management noted that it was too expensive to run a generator during the trial phase.
- Delayed delivery and installation of all machinery is affecting the next stages of research and trial runs.
- Some of the raw materials used for assembling craft products are imported for example glue, which might make finished products much more expensive than earlier thought.

Recommendations

- The institute should fasten acquisition of machinery to allow timely trial runs and market testing.
- Identification of bamboo farmers in the region and early planting is paramount for project sustainability.
- The Institute should engage stakeholders in identifying the right bamboo variety for planting. A model forest should be given priority for purposes of demonstration training.
- Arrangements to have an indigenous company/incubatee to produce related raw materials (glue, etc) should be made where possible.
- It was observed that electricity is much more stable at night in Kabale, arrangements to have night shifts should be made to benefit from the stable power supply.

iii) Potato Processing Plant - Kabale

During quarter four monitoring of FY 2010/11, it was reported that this plant had commenced trial processing operations in December 2010 with processing capacity of 400kgs daily. The specific potato varieties being piloted include; *Katchpot* and *Rwangume*[48]. During second quarter monitoring visit, it was reported that the plant produces 35 cartoons each containing 12 packets of 150gms of *Emondi African Potato Crisps*. Plans to introduce 75gms and 50gms packages were at advanced stage. 20 farmers operating on supply contracts were asked to produce and supply raw materials at different intervals. Farmers with the right species are allowed to supplement the contracted farmers with additional supply.

Benefits;

A number of benefits were identified including the following:

- Increased technology transfer to local communities specifically for those that express interest to replicate the venture elsewhere.

Crisps boilers in Kabale

[48] Annual Budget Monitoring Report July 2010-June 2011

- The price of potatoes had tremendously gone up hence benefiting a number of farmers in the region.
- Employment opportunities to the plant workers and supply contract farmers.
- Research ground for KAZARDI in food processing and plans are underway to make this plant a center for technology transfer.

Implementation challenges;

- Most of the farmers trained sale or eat raw materials meant for production;
- Frequent power shortages and blackouts translating into high operational and maintenance costs as the generator was too expensive to run.
- Seasonality of potatoes affecting full production for example in May 2011, the plant closed down for 3 weeks due to limited and expensive raw potatoes.

Recommendations

- The need to sensitize farmers to appreciate value addition and commitment to supply raw materials is paramount.
- UIRI together with KAZARDI should promote small holder irrigation systems to ensure availability of raw materials throughout the year.
- Plans to use potato peels for production of biogas and fertilizers should be made.

iv) Peanut Research and Processing Centre - Lira

Groundnuts are a high value crop that can be marketed with little processing. They are extremely versatile and can be used in a wide range of products. The oil can be used for cooking, as a shortening or as a base for confectioneries; as raw materials for making peanut butter, and peanut flour among others. In Uganda, Agago, Alebtong, Otuke, Lira, Pader and Dokolo are high producing ground nut districts.

During FY 2009/10, Uganda Industrial Research Institute embarked on establishing a peanut research and processing centre in Lira for ground nuts value addition and research. Land was secured at Lira industrial area adjacent to the airfield. By June 2011, the center was reported to have embarked on full operations with improved trial samples of peanut butter. During the monitoring visit, it was reported that M/s Akiba farm limited had been contracted to run peanut butter production with assistance from UIRI during the trial phase.

The processing plant was commissioned by H.E the President during the celebrations to mark the 49th Independence anniversary on 9th October 2011. The facility will operate on a time sharing schedule for interested *incubatees*/manufacturers.

Factory premises, an installed roaster and packed peanut butter in Lira

Findings

The facility had halted most of the operations due to inadequate fund releases during quarter two. Staffs at this facility were engaged in production process documentation in preparation for UNBS' pre-certification audit. The laboratory is not yet equipped to facilitate on site research.

The facility manager reported that studies were going on into different peanut brands with special attention to nutritional foods for children and adults, and production of flammable briquettes from peanut shells. It is anticipated that on completion of the laboratory tests, most of the required equipment will be locally fabricated at UIRI foundry. Equipment for processing of peanut flour and peanut oil were reportedly under procurement.

UIRI had prepared an MOU for Hossana Women's Group to get on board as an *incubatee* and Parabong Women's Group as a supplier of raw materials.

Implementation challenges;

- Inadequate releases: As of November 2011, the facility had taken two months without operations due to inadequate release to procure essential ingredients and undertake planned activities.
- Lack of specific guidelines on procurement of raw materials for research and development. This translates into cost overruns as the process is not tied to seasons yet production of raw materials is seasonal. Further still, there is inconsistent supply of raw materials during off season periods leading to unscheduled plant closures resulting into revenue losses.
- Low uptake of R&D innovations: The private sector and the general public have not yet appreciated the importance of value addition leading to low uptake of new innovations. Although UIRI has attempted to address the technology barriers, there is limited private sector investment to go commercial.
- Inadequate extension services and agricultural research to ensure increased production and multiplication of high yield ground nut varieties in the region.
- Intermittent power supply: Industrial development can only succeed with stable power supply, with the intermittent power supply, many prospective investors shy away from investing in businesses that depend on power. For example, in Lira, the manager said; "the facility does not have a standby generator, as such, once power goes off with nuts in the roaster, the whole 400kgs are lost as they cannot be removed without power".

Recommendations

- There is need to review procurement procedures for raw materials under Research and Development to avoid implementation delays. Implementers should adequately plan for procurement of supplies to avoid stock outs.
- Uganda National Bureau of Standards together with the manufacturers association should encourage private sector businesses to take advantage of available facilities and take up outcomes of R&D for quality assurance and expansion of local and export market.
- A standard quality mark should be encouraged and enforced by UNBS on all products made in Uganda. Provision of nutritional information on each product should also be compulsory.
- The need to strengthen institutional linkages along the value chain is important. Institutions like NAADs, NARO and the private sector should be encouraged to actively participate in this process.
- UIRI should budget and procure a standby generator to avoid losses related to intermittent power supply.If this is too costly, UIRI should get information on load shedding from UMEME and plan accordingly.

v) Maziba Fruit Wine Processing –Kabale

Maziba Sub County is located in Ndorwa county, Kabale district. The sub country was identified by the district as suitable for pineapple growing. Maziba Fruit Wine Producers' Association started in March 2008 originally as an individual's project targeting processing of pineapples and bananas. The association was formed in February 2009 to benefit from NAADs facilitation which targeted farmer groups. The group received a loan of Ushs 1.6 million from NAADs which they used to purchase fifteen 200 litre plastic tanks.

To improve on their output and productivity, the group contacted UIRI for assistance in May 2009. In response to the request, UIRI conducted project assessments and group members were trained in wine processing. In January 2010, the group received more support in form of bottles and a wine bottle packaging machine from UIRI.

Wine making has been around for thousands of years. In its basic form, wine making is a natural process that requires very little human intervention. There are five basic components or steps to making wine: harvesting, crushing and pressing, fermentation, clarification, and aging and bottling. At each of the above steps, there are several variations and deviations that make each wine unique and ultimately contribute to either the greatness or disrepute of a particular wine.

During the monitoring visit, the group reported that they produce 140 litres of processed wine per month. Processed wine is sold within Kabale district. The group members had secured a piece of land in Maziba where they intend to construct a winery.

Cans containing wine under fermentation and bottled wine on sale in Maziba

Challenges

- Seasonality of fruits: Operations are always suspended during off season especially for pineapple wine which affects supply to committed clients.
- The facility is located deep in Maziba with poor road network which affects delivery of raw materials and transportation of finished products
- Limited capital to expand the facility and procure better machinery for wine processing for example, there are no specific quality standards followed in the processing of Maziba wine which ultimately affects the quality of the final products. The group recycles bottles of other wines locally produced or imported making it difficult for the Maziba brand to have a unique identification.
- Lack of desirable storage for wine processing. Currently the storage facilities used are not safe for food processing. The work area lacked any waste disposal facilities.

vi) Nyamitanga Grape Wine Processing - Mbarara

This project is located in Katojo village, Nyakayojo Parish, Rwampara County in Mbarara district and is involved in grape growing for local wine production. It was initiated to enable farmers get an income to alleviate household poverty and improve on their livelihood standards. The project was pioneered by Mr. Stanislaus Kamanyiro who started growing grapes in 1979 on small scale before he started commercial production in 1997 and exhibited his first wine in 1998 at the National Agricultural Show in Jinja.

Mr. Kamanyiro's Vineyard, raw grapes, a crushing press and cans of aging wine in a cellar - Mbarara

Between 2002- 2004, the *pioneer* farmer was involved in the sensitisation and training of farmers in Mbarara, Ibanda, Isingiro, Kabale and Kanungu with assistance from the National Agricultiral Advisory Services(NAADS). During the same period Mbarara Grape Farmers Association (MBAGFA) was formed, under the stewardship of Mr. Kamanyiro, the association has 320 registered members and over 6000 grape out growers.

According to Kamanyiro, there is ready market for grapes in the country. "Ugandans have started appreciating grapes. In hospitals, doctors advise patients to eat grapes because they are highly medicinal". From a one-acre vineyard, a farmer can on average harvest 3.5 metric tonnes of grape fruits every season. Each plant can bear 20-30kilograms of grapes per year. Currently, the farm gate price for a kilogram of grape fruits sells at between Ushs 4,000 and Ushs 6,000, depending on quality. The price doubles to Ushs 12,000 for the same quantity packaged for supermarkets and fruit markets in Kampala. "However, processing grapes into wine fetches more money" said Kamanyiro.

In 2002, members agreed to setup a winery to process the produced grapes, the two roomed winery at Mr. Kamanyiro's residence could not accommodate the delivered tonnage of produce leading to post harvest losses. One room works as the primary processing section, while the other is a store/cellar for the finished product. It is equipped with a simple grape press used to extract juice out of the grapes and jerry cans for fermentation, aging and storage.

In 2005, the association secured 1.5 acre of land to construct a winery. The Government promised to assist the farmers with construction and equipment through NAADs. A total of Ushs 200 million was budgeted and released through Mbarara District Local Government in FY 2009/10 for procurement of winery equipment however, the district reportedly failed to secure a supplier. During the monitoring visit, it was not possible to ascertain whether the funds had been returned to consolidated fund or re-allocated to other items, as key district officials were attending a regional budget workshop.

In April 2011, H.E. the President directed UIRI to evaluate and review the performance of the project and the feasibility of setting up a wine processing plant. UIRI submitted a report to State House with an estimated budget of Ushs 900 million for a specially designed and equipped winery with an 11Kva electricity transmission line and a transformer. This amount however is neither included in UIRI nor State House's budget for FY 2011/12. UIRI was reportedly helping the farmers' association to identify specialized equipment suppliers in Europe and South Africa.

Challenges

- Unfulfilled promises: The promised government support is taking long to materialise. "The Government promised us support which is not forthcoming," lamented the Chairperson of MBAGFA. The promised equipment includes a press for extracting, tanks for fermenting, and barrels for storing the wine.
- Farmers are frustrated and demoralized to grow more grapes without a ready market. A private investor in Bushenyi was reportedly paying less than the market price of grapes and many farmers felt cheated.

Recommendation

- Government should fulfill its long standing promise of assisting grape farmers as a new non-traditional cash crop. Grapes were said to be drought resistant and can be grown/harvested throughout the year. This business is likely to supplement banana and livestock production in the area.
- Funds released to Mbarara district should be traced and channelled back to the project.
- The project should be regularized and formally allocated funds through a relevant government agency.

Key Issues

Implementation challenges;

- Withdrawal of World bank funding for Kampala Industrial and Business Park: The World Bank mission of November 2011 informed UIA that funding of this park would not be extended as initially thought and all outstanding obligations had to be concluded by the end of January 2012. The mission cited poor implementation, failure to fulfill the requirements of de-gazetting a forest with an alternative planted land of equal size and wetland encroachment among the reasons for non extension of funding.

- **Intermittent power supply**: Industrial development can only succeed with stable power supply, with the intermittent power supply, many prospective investors shy away from investing in businesses that depend on power. For example, in Lira, the manager said; "the facility does not have a standby generator, as such, once power goes off with nuts in the roaster, the whole 400kgs are lost as they cannot be removed without power".

- **Inadequate releases**: As of November 2011, most of the industrialization projects had taken two months without operations due to inadequate release to procure essential ingredients and undertake planned activities.

- Lack of specific guidelines on procurement of raw materials for research and development. This translates into cost overruns as the process is not tied to seasons yet production of raw materials is seasonal. Further still, there is inconsistent supply of raw material during off season leading to unscheduled plant closures resulting into revenue losses.

- **Low uptake of R&D innovations**: The private sector and the general public have not yet appreciated the importance of value addition leading to low uptake of new innovations. Although UIRI has attempted to address the technology barriers, there is limited private sector investment to go commercial.

- **Inadequate extension services** and agricultural research to ensure increased production and multiplication of high yield varieties.

- **Poor cash flow to the projects under PIBID**. By the time of the monitoring visit, M/s Dott services had two unpaid certificates and had suspended most of the works, the irrigation plant contractor had returned to court for redress. Delays related to failure to pay cleared certificates were likely to attract interest leading to cost overruns.
- **Poor Coordination**: it was noted that different government departments were undertaking similar projects and most of them having similar objectivities for example UIRI completed a fruit processing plant in Nabusanke-Mpigi and UDC is grappling with Luweero Fruit Processing and Drying in Kasana-Luweero. UIRI's project has many lessons for Luweero which UDC ought to benefit from.

Recommendations

- GoU should take over the full funding and implementation of this project and seek alternative sources of funding to take care of the entire project costs.
- UIA should be allowed to collect Non Tax Revenue (NTR) from investors' allocated land in the park. At a conservative price of US$ 60,000 per acre, South A alone with 200 acres will raise US$12 million in lease premiums.
- There is need to review procurement procedures for raw materials under Research and Development to avoid implementation delays. Implementers should adequately plan for procurement of supplies to avoid stock outs.
- Uganda National Bureau of Standards together with the manufacturers association should encourage private sector businesses to take advantage of available facilities and take up outcomes of R&D for quality assurance and expansion of local and export market.
- A standard quality mark should be encouraged and enforced by UNBS on all products made in Uganda. Provision of nutritional information on each product should also be compulsory.
- The need to strengthen institutional linkages along the value chain is important. Institutions like NAADs, NARO and the private sector should be encouraged to actively participate in this process.
- Alternative power sources should be invested in to address the problem of intermittent power supply that has affected industrial growth in the country.
- Additional funds to meet the contractual obligations for PIBID should be provisioned to avoid cost overruns related to court cases.
- The PIBID contractor should be asked to revise the work schedule so that some outputs are phased into the medium term expenditure framework.
- PIBID should start the process of acquiring management for the processing plant.
- UDC, UIRI, NAADS and MAAIF should develop synergies with a view of sharing information on related agro-processing projects to avoid duplication and find solutions to implementation challenges through a review of lessons learnt.

3.6 *INFORMATION AND COMMUNICATION TECHNOLOGY*

3.6.1 Introduction

Information Communication Technologies (ICT) can broadly be defined as technologies that provide an enabling environment for physical infrastructure and services development of applications for generation, transmission, processing, storing and dissemination of information in all forms which include; voice, text, data, graphics and video.

The Ministry of ICT was established in 2006 to address ICT development in a well organized, regulated and monitored way of operation through adopting the emerging new technologies in the governance processes, a practice commonly known as e-governance. Current applications of e-governance cover areas such as e-health, e-commerce and e-learning among others.

The Ministry's mandate is to provide strategic and technical leadership, overall coordination, support and advocacy on all matters of policy, laws, regulations and strategy; sustainable, effective and efficient development, harnessing and utilization of Information and Communications Technology in all spheres of life to enable the country achieve its national development goals.

Strategic Objectives:

- To promote use of information technologies in all spheres of life to enhance efficiency and effectiveness
- To promote affordable rural communications
- To increase tele-density and geographical coverage of telecommunications services with high quality of services
- To develop information technology services such that they can significantly contribute to national development[49]

Scope of monitoring:

Monitoring covered development projects under the National Information Technology Authority (NITA)-U, Uganda Communications Commision (UCC) and Ministry of Education and Sports.

Methodology

The projects were randomly selected; follow up was done on projects visited in the previous quarters to compare the physical performance against financial and time progress.

Limitations

For some of the projects monitored, financial information was not readily available and all outputs in the sector were not covered.

Sector Financing

FY 2011/12, the sector was allocated a total budget of UShs.12.11 billion less of taxes, **a**ccording to IFMS data, a total of Ushs.3.379 billion was released as of Q2. The actual warrant for the same period was Ushs 3.982 billion (including unspent balances). By 30th November 2011, Ushs.3.88

[49] Ministerial Policy Statement: MoICT FY 2011/12

billion (114% of actual release) had been spent and Ushs.23 million committed (IFMS expenditure information includes transfers to subventions).

3.6.2 National Backbone Infrastructure Project

Background:

National Data Transmission Backbone Infrastructure and e-Government Infrastructure Project (NBI/EGI) is being implemented by The National Information Technology Authority – Uganda (NITA-U). It is aimed at connecting all major towns within the country onto an Optic Fiber Cable based Network and to connect Ministries and Government Departments onto the e-Government Network. This is done to create an efficient government aimed at simplifying procedures, bringing transparency, accountability and making timely information available to all citizens.

The main objectives of the project are; establish a National backbone infrastructure (NBI) (high bandwidth data connection) in major towns of Uganda; connect all Ministries in a single wide area network; establish a Government Data Centre; and establish District Information Centers.

The following outputs are expected at completion of the project; all government ministries connected; e-government implemented; an optic fiber backbone transmission cable set up across the country; district information centers established to improve communication, improved service delivery by government ministries, reduced cost of communications, and increased economic development and poverty reduction in the long run.

The project is co-funded through a concessional loan from the Government of the People's Republic of China, under a commercial contract between the Ministry of Information and Communications Technology (ICT) Uganda and Ms. Huawei Technologies Co. Ltd of the Peoples Republic of China. The value of contract works for the overall project including all contractors' equipment, imported plant and materials, civil works and all services is USD 106,590,305 (One hundred and six million, five hundred ninety thousand, three hundred and five United States dollars only).

This project is divided into 3 phases namely;

Phase I (168.5 Kms), Phase II (1,542.33Kms) and Phase III (407.8Kms). Quarter two FY 2011/12 monitoring focused on completion of Phase II of the project.

Phase II (1.542.33Km)

Field findings

Phase II of this project had three key components namely;

(i) Trenching and laying of 1542km of Optic Fiber Cables (OFC) across the country
(ii) Installation of 17 transmission sites and
(iii) Setting up a primary data centre.

This phase further had two links: Link one was to cover Luweero Nakasongola, Masindi through Hoima, Kagadi, Kyenjojo, Kabarole, Kasese, Bushenyi, Mbarara up to Katuna. Link two was to cover the districts in the east and northern Uganda starting from Busia, Tororo, Mbale, Kumi, and Soroti through Lira, Gulu and Eregu (Uganda-Sudan boarder).

Financial Performance

Phase II of this project is financed by the concession loan and GoU counterpart funding. As of June 2011, a total of US47.5 million of the US$61 million for phase two had been paid to the contractor. The final payment is tagged to submission of a final acceptance certificate which was not ready by the time of monitoring. On the other hand, the total GoU approved budget for NBI FY 2011/12 is Ushs.3.392 billion. By 8th November 2011, a total of Ushs.848 million had been released, of which Ushs. 656.4 million (77.3% of the release had been spent. Expenditures covered salaries and other administrative items (77.3% and 22.7% respectively) as shown in Figure 3.6.1 and 3.6.2.

Figure 3.6.1 NITA-U Expenditure

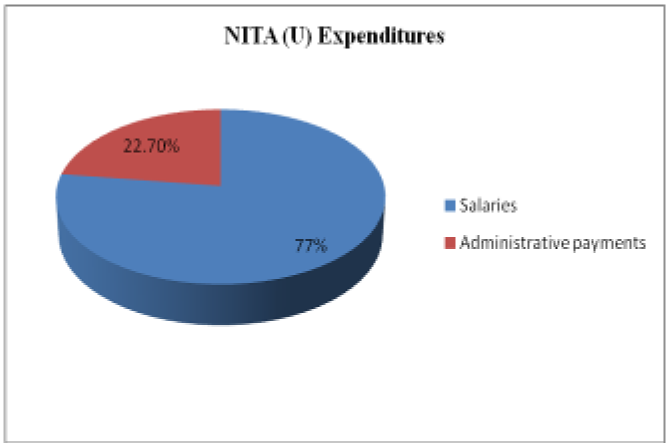
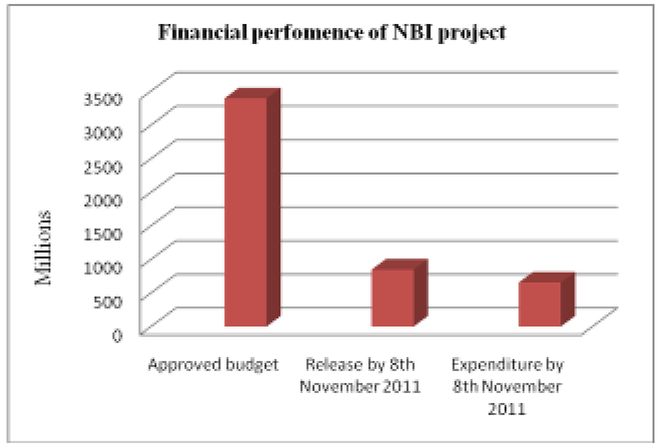


Figure 3.6.2 Performance of NBI



Source: NITA-U and IFMS

Physical Performance

By the time of monitoring visit, 8th November 2011, laying of OFC was 100% complete. Acceptance testing on all transmission sites had not been achieved. Final payment for phase II was awaiting outcomes of ongoing audits that included;

i) A forensic technical audit to ensure achievement of expected outputs and mitigate undesirable consequences.

ii) Security audit to ensure safety of both incoming and outgoing data.

iii) Status of telephone and bandwidth survey to establish telephone accessibility and usage by local population. The extent to which NBI will improve service delivery was also being assessed.

Ongoing activities included; procurement of a company to manage and commercialize the infrastructure; Unified Messaging and Collaboration System was reported to have been complete at NITA-U, and testing was ongoing at Ministry of ICT however, rolling out is awaiting readiness assessment and upgrading existing infrastructure at different ministries, departments and agencies (MDAs); Piloting of Voice over Internet Protocol (VoIP) covered four sites namely; Ministry of Internal Affairs, Ministry of Foreign Affairs, Ministry of ICT and NITA-U. The network was said to have adequate capacity and speed to support e-government services.

It was noted that phase I and II of the EGI/NBI project had been launched on 7th October 2011.

Phase 111(407.8 Kms)

This phase will cover the links; (1) Kampala – Masaka - Mbarara- Katuna. It is estimated to cost $15.4m. Implementation was expected to commence in January 2012, approvals were awaiting outcomes of the forensic technical audit which had commenced by November 2011.

Challenges

Implementation of EGI/NBI has faced and still faces a number of challenges (refer to Annual Budget Monitoring Report, FY 2010/11) summarized as: vandalism of infrastructure leading to network outages, resistance to change from manual to electronic systems across most of the MDAs, Cost overruns arising out of lack of supervision of initial implementation stages, negative publicity and inadequate counterpart funding.

Recommendations

- To optimise the benefits of the EGI/NBI, NITA-U should design and implement a change management strategy/campaign and prove to MDAs that the NBI network has the capacity, speed and stability to provide services currently sourced from private operators.
- NITA-U should finalise the pricing regime for NBI services
- MDAs should consider NBI network as the primary infrastructure for voice, data, Internet and email.

3.6.3 Business Process Outsourcing (BPO)

Background

Uganda embraced the integration of Information and Communication Technologies (ICTs) into the National Development Framework and identified ICT as an enabler for development of the country that will substantially spur growth, create employment and increase incomes[50].

Business Process Outsourcing is defined as the strategic use of third party service providers to perform activities traditionally handled by internal staff and resources. BPO is typically categorized into back office outsourcing - which includes internal business functions such as human resources or finance and accounting, and front office outsourcing - which includes customer-related services such as call center services. BPO can only be achieved through a collaborative arrangement and strategic partnership between government, the private sector, civil society, academia, development partners and other stakeholders.

Many firms and organizations in the World today are choosing to externally source the execution and management of facilities to cut operational costs using ICTs. The approach presupposes the availability of low cost Internet bandwidth.

Government of Uganda decided to strategically position itself to support the private sector to invest in the outsourcing business. In 2008, the Ministry of ICT developed a BPO strategy and model for Uganda which proposes that for sustainability of the BPO industry, there is a need for government to partner with the private sector and provide support in areas of infrastructure development, human resource development, enterprise development, marketing BPO and creating an enabling environment for BPO to proliferate. [51]

Objectives

The main objectives of this project are to

- Set up an infrastructural network that can support BPO industry in Uganda
- Market Uganda as a preferred BPO destination within the region
- Establish partnerships with the private sector to enable the sustainability of the industry once it is set up
- Set up policy framework for BPO in Uganda

Expected outputs

- BPO infrastructure set up;
- Created market share for Uganda in the BPO industry Worldwide;
- Entrepreneurship skills development programs implemented;
- A critical mass of human resource developed to sustain the industry;
- Creation of employment;
- Increased government revenue;

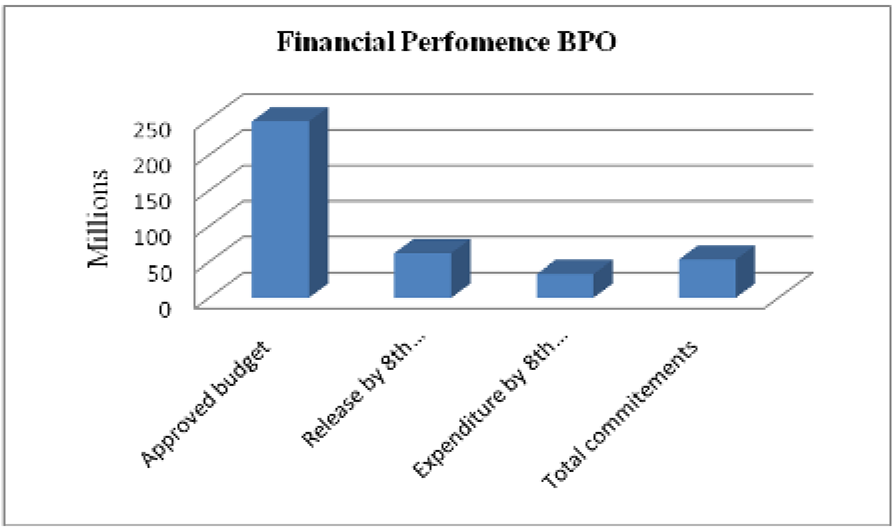
[50] Public Investments Plan FY2009/10-2011/12
[51] Business Process Outsourcing Strategy

- Increased investment in infrastructure and skills development; and
- Increased economic development and poverty reduction

Financial Performance

The project is fully funded by GoU. FY 2011/12, the total approved budget is 247.9 million, of which Ushs. 33.2 million (13.3% of approved budget) was expended and Ushs. 53.2 million (21.4% of approved budget) was committed by 8th November 2011. Last FY, this project received a supplementary budget of Ushs 5 billion and the bulk of the funds were not spent by the close of the year.

Figure 3.6.3: Financial Performance of Business Process Outsourcing Project



Source: NITA-U

Physical performance

Space for the establishment of a BPO center had been identified at Statistics House (3rd and 4th floor). A consultant had been contracted to undertake a turnkey solution for the BPO center. The scope of works include; repartitioning of the premises according to sitting arrangement, provision of machinery and necessary equipments to start operations. The contractor is expected to handover the BPO center by February 2012. Two out of three required BPO operators' had been procured namely: Spanco and Dhanish.

A Memorandum of Understating had been signed between Makerere University School of Computing and NITA-U to provide BPO related training to a number of youths. A total of 500 youths were trained in the following modules; Computer skills, Personal care, Basic Finance and Accounting skills, English language focusing on accent neutralization among others.

3.6.4 District Business Information Centers (DBICs)

Background

The Ministry of Information and Communications Technology (MoICT) started implementing the concept of District Business Information Centers in selected districts of Uganda in FY 2008/09. This was to ensure equitable access for all people to seize the new Information and Communications Technology (ICT) opportunities.

District Business Information Centers (DBIC) are meant to address the challenge of enhancing productivity and fighting digital marginalization of the rural and sub-urban areas, by bringing ICTs to the rural communities thus enabling individuals as well as Small and Medium Enterprises(SMEs) in the surrounding areas to exploit the significant potentials of ICTs towards the creation of employment.[52]

Through this project, the MoICT supported the establishment and operation of the DBICs to serve the districts and the local business community by introducing both supply and demand driven services through a partnership with the districts and a local partner. The district local leadership and the identified local partner were to take charge of the facilities once the initial support from the MoICT ends.

DBICs are meant to provide demand and supply driven services. The demand driven services include among others: Business information services such as web-to-SMS tools for market information; business training in ICT skills, management and entrepreneurship; access to quality and reliable Internet; affordable computers and software solutions; communication services e.g. telephony, fax, Voice Over Internet Protocol (VOIP), secretarial services and advisory services.

The supply driven services include: E-government services e.g. policies, Acts, regulations, application forms, tax related forms; distance learning; entertainment information; SMS Portal Services with Uganda Business Information Network (UBIN); Other Information services to the community e.g. checking utility bills for water and electricity among others.

It was phased into four stages with the first phase entailing revitalization of old tele-centres based on DBICs model and setting up six new DBIC sites. An additional ten DBIC sites were expected to be established in each subsequent phase. Implementation of this project was transferred to the National Information Technology Authority during the course of financial year 2009/10.

Planned Outputs

- Establishment of information centers in 30 districts (four new DBICs FY 2010/11)
- Integration of District web-portal with District Business Information Centre.
- Strengthening ICT infrastructure and networking with local governments and the Ministry of ICT.
- Establishment and promotion of Municipal ICT forum.
- Proliferation of ICTs usage at district level.
- Creation of linkages to community information systems being setup at sub county level

[52] First Quarter FY 2009/10 Progress Report, MoICT

Financial Performance

This project is funded by the Government of Uganda. The annual approved budget for FY 2011/12 was Ushs.199.9 million. A total of Ushs.50 million was released during quarter one of the financial year. As of 8th November 2011, no commitment or expenditure had been made on these resources representing percentage expenditure of 0%.

Physical progress

NITA-U planned to establish three DBICs in the districts of Rakai, Hoima and Amuru during FY 2010/11. By quarter one of FY 2011/12, all the three centres had not been established. This was attributed to inadequate funds received during FY 2010/11 where the project received zero release for Q3 and Q4. NITA-U management reported that M/s United Engineering Company Limited had been contracted to provide a turnkey solution for the three aforesaid DBICs at a total cost of Ushs.138 million.

According to IFMS data for FY2010/11, Ushs.120 million of the budgeted Ushs.200 million was released as of 30th December 2010. These resources would have substantially serviced the contract.

Challenges

Poor planning on the side of NITA-U; procurements were not initiated early enough for execution to take place in the same financial year.

Inadequate funding; leading to delays in implementation of planned activities. No releases were made for both quarter three and four FY 2010/11 yet there was an outstanding contract for establishment of DBICs in Hoima, Rakai and Amuru.

Delayed transfer of funds; NITA-U operates as a subvention within MoICT vote. Funds are transferred first to MoICT before actual transfers to NITA-U. This scenario increases process time for payments thus constraining service delivery.

Conclusion

This project being multi-year, the contractor would have been paid from the released funds and any balances accrued paid in the subsequent financial year. Alternatively the scope would have been adjusted to cover fewer facilities with full payment.

Recommendations

- NITA-U should be made a vote to ease payment and reduce process delays.
- The agency should improve on the planning aspects to realize set targets and outputs
- The Ushs 120701,000 released last financial year was not spent on DBICs as approved; these funds should be channeled back to the project.

3.6.4.1 Lira District Business Information Centre

The centre is managed by Lira NGO Forum. The outstanding procurement of Internet bandwidth was finally awarded to M/s Orange telecom for a period of one year with effect from April 2011 to March 2012. The centre provides a number of services namely; Scanning, Printing, Typesetting, Internet services, and Computer training among others.

According to the User's Registration Book, the centre on average receives 20 patrons daily, of which 28% were female. Internet was the most utilized service at the centre and it accounted for 85% of all services provided.

Management reported that they were working closely with UNIDO to commission a needs assessment study covering all SMEs in Lira Municipality in order to identify and address the requirements of the key clientele. UNIDO promised to boost the centre with additional equipment in line with the needs assessment findings.

Business at Lira District Business Information Centre

At the time of monitoring visit, 25th November 2011, the DBIC was transferred to Lira District premises however; the room where the DBIC was housed had limited space to accommodate the five computers and accessories (DBIC collection).

According to Lira NGO forum management; plans to secure a container for additional space were in progress as a stopgap measure. Plans to acquire land were underway and the district local government had promised to allocate 25 decimals to the centre for expansion.

Sustainability plan

The team was informed that M/s Orange telecom was requested to identify short and long-term financial implications of providing Internet services to the DBIC.

The monitoring team noted that the centre was in position to generate some revenue to sustain most of the services provided however there is need to invest generated profits in capital development for expansion and acquisition of more computers.

Challenges

- **Theft and burglary;** On 13th July 2011, two CPUs and one generator battery were stolen from the DBIC premises. These equipment were not insured, thus could not be replaced.
- **Outdated technology**: according to the DBIC management, the fax services had never been used by any client. "The fax machine has never been used since it was delivered, our clients prefer email instead of fax" said the centre Manager.
- **Unreliable power supply**: The centre experienced long spells of power blackout during the past six months. The 5.4 KVA generators had broken down and neither the supplier nor the Yamaha agents in Kampala had the required spare parts to replace the broken parts.

Recommendations

- Lira DBIC management should finds means to replace the stolen equipment for higher levels of output.
- Security guard services should be procured to guard the premises both during the day and at night to improve security of the premises. Collaborations with police should also be made to secure the DBIC.
- For effective competition with other service providers in the region, there is need for provision of all round services including photo copying services at the centre.
- NITA-U should re-deploy the fax machine to where it is required.
- Other DBICs should undertake needs assessment to enable them provide relevant services to the clients.
- NITA-U should undertake an evaluation of DBICs performance against intended objectives to guide future rollout.

3.6.5 Uganda Communication Commission (UCC)

In 2007, Uganda Communication Commission (UCC) took a decision to support the establishment of ICT facilities in selected government secondary schools, Primary Teacher Colleges, National Teacher Colleges, Technical Colleges, district health facilities/centers and other vanguard institutions. Implementation is done through the Rural Communications Development Fund (RCDF).

ICT projects are established as key partnerships between UCC and a private or public partner. UCC provides technical support and partial funding. The ICT facilities are wholly owned by the partner who is obliged to ensure that the facility is available to UCC at all times for a given period of time (one to five years). By the end of this period, it's expected that facilities have developed capacity for self sustainability and other people are able to replicate them within the area in order to satisfy a bigger demand

Selection Criteria

In conjunction with various project stakeholders, UCC/RCDF determines a specific location for each project. Population distribution within the district is a key determinant of the location of the project.

Q2 monitoring covered 11 secondary schools, 2 Primary Teachers' College (PTC), One National Teachers' College (NTC), and One Technical College(TC).

3.6.5.1 School ICT laboratories

This is a program providing support to Ministry of Education and Sports to increase access and usage of ICT in schools. Priority is given to government aided secondary schools, PTCs, NTCs and technical colleges. The program is comprised of 3 main components.

i) A project for establishment of ICT laboratories in schools

ii) A project for providing connectivity

iii) A project for supporting content delivery

There are different designs for different locations, for example solar powered ICT laboratories provided in areas that do not have access to national grid electricity supply and electric powered system where grid power is available. According to UCC, a total of 500 secondary schools had been covered and an additional 200 schools were expected to be covered by end of FY2011/12.

This program has enabled schools to do the following among other things;

i) Teach computer studies as a curriculum subject at O level

ii) Teach general purpose computer applications such as MS Office packages aimed at providing computer literacy

iii) Access local learning resources such as UNEB past papers on web portals like www.uderb.org

iv) Access use of computer based learning aides such as ENCARTA program to support the teaching and learning of conventional curriculum subjects.

v) Access to other Internet based e-learning resources.

The Ministry of Education has an oversight role for the school ICT laboratories and all other activities. During the second quarter budget monitoring exercise (November-December 2011), the eleven schools below were sampled to assess implementation progress.

Nyarilo Secondary School, St Charles Lwanga College Koboko, Mvara SS Arua, Arua Technical Institute, Sir.Samuel Baker School, Christ the King PTC, Unyama National Teachers College, Bukinda Primary Teachers College, Masindi SS, Kabalege SS- Masindi, and Gombe SS

Findings

Delivery and installation of the equipments was made between April 2009 to November 2011 to the various institutions monitored

Benefits;

i) Schools reported significant increase in computer literacy among students and teachers. Computer lessons were compulsory for S1 and S2 in all secondary schools visited. At Gombe SS, computer lessons were also compulsory for S5 students. At Christ the King PTC, computer lessons were compulsory for all first year students

ii) Use of e-learning techniques. At Masindi Secondary School, computers were used as teaching aids whereby students are taught using a projector and some practical sessions for physics and chemistry are done electronically. St Charles Lwanga College Koboko and Masindi SS were using cyber technologies to enhance computer literacy at school level.

iii) Ability to carry out research by teachers and students in various schools.

iv) Improved student to computer ratio per class from zero and 6:1 to 2:1 in a number of schools visited. *See table below*

Students are divided into streams of 30-100 students in all schools visited, thus making easy access and use of equipment. On average, a minimum of two hours had been allocated on the general school time table for computer studies in all schools and colleges.

v) A number of schools were able to register students for computer studies as an examinable subject at UNEB for academic year 2011. These included;

a) Arua Technical College with 350 students

b) Gombe SS Butambala with 31 students.

c) St Charles Lwanga Koboko with 14 students,

d) Nyarilo SS Koboko with 9 students

e) Kabalega SS Masindi with 8 students

Table 3.6.1: Summary of supplied units and challenges

School	Student Computer ratio per stream	Design type	Date of delivery and installation	No of Items delivered				Challenges/remarks
				Monitors	Key boards	Mice	CPUs	
Nyarilo SS Koboko	6:01	Solar powered	April 2009	10	10	10	10	Delayed supply of Internet bandwidth
								Inadequate teaching staff to conduct computer lessons
St Charles Lwanga College Koboko		Solar powered	8th Nov 2011	11	11	11	11	Inadequate teaching staff to conduct computer lessons Inadequate computers in relation to school population Inadequate space to accommodate computers, furniture and students in the available computer laboratory Incomplete LAN hence internet connection was impossible
Mvara SS Arua	01:01	Solar powered	April 2010	10	10	10	10	Inadequate computers in relation to school population
								Un reliable network in terms of speed and connection Inadequate space to accommodate computers, furniture and students in the available computer laboratory

School	Student Computer ratio per stream	Design type	Date of delivery and installation	No of Items delivered				Challenges/remarks
				Monitors	Key boards	Mice	CPUs	
Arua Technical Institute	4:01	Grid power, standard	29th August 2009	10	10	10	10	Un reliable grid power Inadequate skilled teachers to conduct computer lessons Un reliable Internet connection Inadequate computers in relation to school population
Sir. Samuel Baker Sec. School Gulu	2:01	Grid power,	Dec. 2010	41	41	41	4	Un reliable grid power Inadequate skilled staff to conduct computer lessons Inadequate space for streaming of classes for easy access and use of computers Inadequate computers making practical classes impossible. Frequent viral attacks since computers did not come with relevant antivirus.
Christ the King PTC Gulu	2:1	Grid power, standard	May 2009	12	12	12	12	Inadequate computers in relation to school population Inadequate space for streaming of classes for easy access and use of computers Un reliable grid power which keeps going on and off Delayed supply of Internet bandwidth
Unyama National Teachers' College Gulu		Grid power, standard	Dec 2010	80	80	80	80	Inadequate computers in relation to school population High cost of internet connection Un reliable grid power that keeps going on and off. Generator cannot effectively power the laboratory. Not adequately utilized by female students Frequent breakdowns hence high maintenance costs. Breakdowns

School	Student Computer ratio per stream	Design type	Date of delivery and installation	No of Items delivered				Challenges/remarks
				Monitors	Key boards	Mice	CPUs	
								as a result of students without knowledge/background on how to handle computers Inadequate staff to teach computer. A number of teachers in this school were reported to be computer illiterate.
Bukinda Primary Teachers College	3:01	Grid power, standard	2008	10	10	10	4	Inadequate human resource since in the college establishment, there is no provision for an ICT tutor. No laboratory to house equipments. Building that accommodated the laboratory cracked and collapsed in May 2011 High maintenance costs for electricity, staff and internet services.
Masindi SS		Grid power, standard	2010	10	10	10	10	Inadequate skilled teachers to conduct computer lessons. The available instructors were recruited by the school to fill the staffing gap. This not only increases the school's expenditures on ICT but leaves teachers unmotivated since they are inadequately paid.
Kabalega SS Masindi		Grid power, standard	2010	10	10	10	10	Inadequate IT teachers to conduct computer lessons Learning software provided by UCC could not be broadcasted on monitors. An extra Ushs.400, 000 was charged from the school as transport to fix the problem. Subcontracted Service providers did not handover necessary software such as driver CDs hence computer breakdowns cannot be adequately handled. Inadequate computers in relation to school population

School	Student Computer ratio per stream	Design type	Date of delivery and installation	No of Items delivered				Challenges/remarks
				Monitors	Key boards	Mice	CPUs	
Gombe SS	2.01	Grid power, standard	Feb 2011	41	41	41	5	Inadequate IT teachers in relation to school population Misuse by students; use of infected flash disks, CDs, pornography.
								Unreliability of grid power hence affecting practical lessons.
								Subcontracted service providers did not handover necessary software and drives to schools hence breakdowns cannot be adequately handled.

Source: Field Findings

Implementation challenges

- The major challenge in most of the schools is the lack of IT teachers/instructors. IT studies is a new subject, currently, training institutions do not have ICT as part of subject combinations for teachers, as such, the Education Service Commission recruits and posts instructors to some schools while other schools have to recruit their own instructors off the payroll.
- Servicing and maintenance skills were reportedly inadequate especially in rural schools. A number of computers were reported to have broken down and suppliers (based in Kampala) were charging hefty sums to have the equipment repaired. For example, Kabalega SS was charged Ushs.600, 000 as transport and labor by the supplier after fixing one CPU that had malfunctioned.
- The contracted suppliers did not handover/leave behind any tool kit, user manual or software drivers. This made trouble shooting very difficult. Most schools therefore have to rely on suppliers for minor repairs. It should be noted that none of the benefiting schools visited had a maintenance contract/service level agreement.
- Learning software provided by UCC could not be broadcast on networked monitors.
- A number of schools had not engraved the equipments received from UCC. This posed a safety risk to equipment.
- Most schools had not received the promised internet connectivity.

- Inadequate training in the use of facilities provided. The schools reported that the training provided by UCC was inadequate to grasp the practical operations.
- Most facilities visited had not been commissioned/ handed over to MoES and schools.
- Lack of a maintenance budget for ICT under the education sector.

Recommendations

- There is need to review the staffing needs at school level in light of the new policy pronouncement for A level students to register for a maximum of three principle subjects and two subsidiaries including general paper, and computer studies or sub maths.
- MoES, National Curriculum Development Centre and training institutions should start subject combinations for ICT in teacher training colleges/universities to bridge the skills gap in secondary schools.
- UCC should prepare and provide software drivers, tool kits/manuals to schools to ease trouble shooting.
- UCC should supply the promised Internet connection and commission/handover completed facilities.
- The MoES should provide for maintenance costs of the facilities post UCC implementation for sustainability of the project.
- UCC should ensure that all supplied equipment is engraved to ease identification, stock taking and mitigate avoidable losses.

3.6.4.2 Health ICT Facilities

This program provides support to Ministry of Health to enhance usage of ICT in health service delivery in the country. Through this programme, ICT facilities have been installed in selected government health facilities country wide. This program enables health facilities and health practitioners to among others access the following health related ICT services.

i) Interlink all District Health Offices, government hospitals, 50 major health center IV facilities, and the Ministry of Health web portals www.health.go.ug
ii) E-continued medical education
iii) Access to online medical journals
iv) Access to selected e-libraries
v) Support to e-consultation at national and international level
vi) Support e-health management information systems (HMIS)

During the monitoring visits, three health facilities were sampled, they include; Gulu Regional Referral Hospital, Arua Regional Referral Hospital and Masindi Hospital. These hospitals received the following equipments;

Table 3.6.2: Equipment delivered and implementation challenges

Health facility	Item	Number of items	Implementation challenges
Gulu Regional Referral Hospital	Computers	6	Inadequate training regarding use and maintenance of equipments provided Equipment could not be adequately powered because the wiring system installed on top of the walk way was blown away by a storm. Theft and burglary; a computer was stolen from the surgical ward.
	Digital camera	1	Incomplete LAN and no Internet connectivity
	Scanner	1	
	Battery	1	
	Solar panels	3	
Arua Referral Hospital	Computers	6	Incomplete LAN and no Internet connectivity
	Digital camera	1	
	Scanner	1	
	Battery	1	
	Solar panels	3	
Masindi Hospital	Computers	6	Theft and burglary; a computer was stolen from the maternity ward. Incomplete LAN and no Internet connectivity Inadequate training on use of equipment.
	Digital camera	1	
	Scanner	1	
	Battery	1	
	Solar panels	3	

Source: Field Findings

The following wards/departments benefited from this initiative; Pediatrics ward, Maternity ward, Surgical ward/Theater, X- ray/Radiology department, Administration office and Office of the Medical Superintendent

Packed equipments at Masindi Hospital

- The team noted that none of the above hospitals was using the supplied equipment for intended purpose. Some equipment had been stolen for example; in Gulu hospital, a computer was stolen from the surgical ward while another was stolen from Maternity ward in Masindi Hospital.
- Computers in all health facilities visited were being used for document processing for example keeping staff records. Masindi hospital had kept some of its equipments under lock and key in the pediatric ward for fear of being stolen.

Implementation Challenges

i) None of the healthy facilities visited had internet hence tele-medicine could not be achieved

ii) Theft and burglary; two computers were reportedly lost through theft in Masindi and Gulu Hospitals.

iii) Access to internet hence telemedicine could not be practiced.

iv) None of the equipment seen in all health facilities visited was engraved. This posed safety risk.

Recommendations

i) UCC together with Health facilities should ensure that all supplied equipment is engraved to mitigate risks related to theft.

ii) Procurement of Internet services to all beneficiary health facilities should be expeditiously done to achieve key project objectives of tele-medicine and improved health service delivery.

iii) Management of Hospitals should ensure that lost/stolen equipment is replaced to fully benefit from the project

iv) Facilities should budget for operation and maintenance costs of these facilities.

v) UCC should organize specialized hands -on training for hospital personnel to enable them appreciate the technology and its relevance and significance in health service delivery.

3.6.6 Vote 013: Development of Secondary Education; (Output 070202):

Establishment of ICT laboratories in Nine Secondary Schools

The Ministry of Education and Sports (MoES) work plan for FY 2010/11 provided for the establishment of a two unit fully furnished and equipped ICT laboratories in nine government aided secondary schools namely; Bishop SS Mukono, Wanyange Girls SS Jinja, Kibibi SS Butambala, Sacred Heart SS Gulu, Rock High School Tororo, St. Mary's College Rushoroza- Kabale, Kinyansano Girls' SS Rukungiri, Nyarilo SS Koboko and Mwererwe SS Wakiso.

Seven of nine schools except Nyarilo SS Koboko and Mwererwe SS Wakiso were monitored during quarter four of FY 2010/11. During Quarter two monitoring FY 2011/12, the two aforesaid schools were visited and follow up was made to three schools that had not taken off in the previous financial year and one school that was nearly complete to assess physical progress against financial and time progress. These schools include;

i) Bishop SS Mukono,

ii) Kibibi SS Butambala

iii) St. Mary's College Rushoroza Kabale and

iv) Sacred Heart SS Gulu.

Scope of Works

The general scope of works for all schools included; site clearance, mobilization, site setting out and excavation, building of substructure and casting of ground slab, building of superstructure, roof works, plaster and cement screeds, general finishes and painting, and furnishing of ICT laboratories with tables and chairs.

Financing

There was no specific budget for this project in FY 2011/12. The balances received during FY 2010/11 were followed. All the schools visited reported to having received at least Ushs.25 million from USE capitation grant through district local government.

Field Findings

Financial performance:

The time of monitoring, schools visited had received a total of Ushs.188 million inclusive of an extra Ushs.25million for USE capitation had been received in November 2011 to facilitate completion of works. All Schools were further anticipating Ushs.100 million to facilitate procurement of equipments as indicated by MOES in a letter dated 17/10/2011

Physical Performance

i) Kibibi Secondary School

The school is located in Butambala district with a total population of 1,300 students, M/S Protech Property services was contracted to undertake the aforesaid project at a contract price of Ushs.158 million. Works commenced on 6th June 2011 and was expected to be completed by 30th October 2011(5 months). At the time of the monitoring visit (6th December 2011), the school had received a total of Ushs.223 million (of which Ushs.60million was to facilitate procurement of equipments).

A total of Ushs.159 million had been spent (100.6% of the original contract sum).

In terms of physical progress; substructure, super structure and roofing were 100% complete, ceiling works were at 80%. Overall physical progress was 65% against 100% financial and time progress. A contractor had requested for extension of time which had not yet been approved, however the contractor expected to complete works by end January 2012. Although physical and financial progress was approximated as above, some payments were made without corresponding certificates of work done.

Outstanding works include; door and window fittings, painting, plastering of the building and ceiling, electrical wiring, construction of the water tank, installation of gutters and furnishing.

The team noticed some design changes on the structure; where galvanized poles were used instead of reinforced concrete column indicated in the BOQs.

Implementation challenges included; Slow progress of the contractor was reportedly due to; weather changes and power interruptions leading to slow welding of doors and windows; Poor communication by MOES regarding availability and use of funds. The school received a total of Ushs. 25 million and Ushs.35 million received on 19th August and 11th November respectively through the district. These funds were however reallocated to other school activities instead of procurement of ICT equipments.

Recommendations

- Management must re-reimburse re-allocated funds to the project in order to achieve intended objectives
- The accounting officer for Kibibi SS should be reprimanded for approving payments without corresponding certificates.
- Communication between Ministry of Education and Sports, district local governments and schools regarding receipts and expenditure details should be improved.

ii) Sacred Heart Gulu

The school is located in Gulu district off Gulu-Lacor road. On 18th October 2010, M/S Kwite Ber Construction Company and services was awarded a contract to undertake the project at a revised contract price of UShs.191, 077,650. Works commenced on 15th March 2011 and was expected to be completed by 17th June 2011 (within 3months). Extension of time was granted to the contractor and revised completion date was 15th December 2011

By 23rd November 2011, the school had received a total of Ushs.188 million and expended Ushs.95.6 million inclusive of 5% retention, 6% WHT and 7.9% variation cost.

Variations included installation of ceiling, diversion of the sock pit, electrical and water pipes, removal of existing mango tree. All these had not been included in the original bills of quantities.

Completed exterior and interior of the ICT laboratory at Sacred Heart Gulu

Works were at substantial completion. Physical progress was estimated at 99% with outstanding works on furnishing the ICT lab, final coat of paint and installation of gutters.

iii) Mukono Bishop SS

The school is located in Mukono district. M/S Civil Tech Company Ltd was awarded a contract to undertake the project at a sum of Ushs.175, 660,700. Works commenced on 1st August 2011 and expected to be completed by 1st November 2011 (within 3months)

Structure at Mukono Bishop's SS

By 22nd November 2011, the school had received a total of Ushs.163million of which a total of Ushs.81 million had been spent. Physical was estimated at 50% against 46.3% financial progress and 100% time progress.

Outstanding works included; door and window fittings, plastering of the building and ceiling, painting, electrical wiring and installations, construction of the water tank, installation of gutters and furnishing the lab.

iv) St Mary's College Rushorooza

The school is located along Katuna road in Kabale district with a total population of 820 Students. M/S Vidas Engineering Services Limited was awarded a contract to construct a 2 unit ICT block at a contract sum of Ushs.189, 000,000. Works commenced on 19th June 2011 and expected to be completed by 1st November 2011 (within 5 months).

By 22nd November 2011, the school had received a total of Ushs.188 million of which a total of Ushs. 103.8million had been spent, representing 55% financial progress against 75% physical progress and 100% time progress.

Ongoing works at St. Mary's College Rushoroza

Outstanding works included; door and window fittings, installation of ceiling, painting, electrical wiring and installations, construction of 10,000litre water tank, installation of gutters and furnishing the laboratory.

Implementation challenges included;

- Late release of funds that greatly delayed implementation of works;
- **Variation**; Ceiling had not been included in the original BOQ;
- **Understaffing;** the school employs only one government computer teacher.

v) Nyarilo SS-Koboko

The school is located in Arua district. M/s Gibo Cheap Stores had been awarded a contract to undertake the project at a contract sum of Ushs.175, 660,700. Works commenced on 6th April 2011 and was expected to be completed by 6th August 2011 (4 months)

By 22nd November 2011, the school had received a total of Ushs.223 million (inclusive of Ushs.25 million to facilitate completion of the structure and Ushs.35 million being payment for procurement of equipments). A total of Ushs.83.5 million had been spent (47.4% of contract sum). Physical progress was estimated at 70% against 53% financial progress and 100% time progress.

The team observed number of cracks in the walls of the super structure. Contractor had been asked to rectify the aforesaid defects.

Outstanding works included; door and window fittings, plastering of the building and ceiling, painting, electrical wiring and installations, construction of the water tank, installation of gutters and furnishing.

Implementation challenges included;

- **Rocky ground** that slowed down foundation works;
- **Variation**; Ceiling had not been included in the original BOQ,
- Power interruptions that made welding of doors and windows almost impossible.

vi) Mwererwe SS-Wakiso

Structure at Mwererwe Secondary School

The school is located 12 Km along Matuga-Semuto road in Wakiso district with a total population of 820 Students. M/S Mitala Technical Works was awarded a contract to construct a 2 unit ICT block at a contract sum of Ushs.159, 175,000. Works commenced in June 2011 and expected to be completed by 30th September 2011 (within 3 months).

By 22nd November 2011, the school had received a total of Ushs.163 million of which a total of Ushs. 92.7million had been spent representing 57.8% financial progress and 60% physical against 120% time progress.

Outstanding works included; door and window fittings, plastering of the building and ceiling, painting, floor screeding, electrical wiring and installations, construction of the water tank, installation of gutters and furnishing the laboratory.

Implementation challenges; Slow progress, works were generally behind schedule as a result of cash flow problems on the side of the contractor.

3.6.7 Key Issues, Conclusions and Recommendations

National Information Technology Authority:

- The team noted that underperformance in implementation of DBICs was attributed to both inadequate funding and poor planning.
- **Proper planning on the side of NITA-U;** procurements should be initiated early enough on all projects and where releases are inadequate, projects should be accordingly scaled down to resources.
- **More than 70% of the GoU development budget to NITA-U** is spent on activities of recurrent nature which raises a question on allocative efficiency.
- **Delayed transfer of funds;** NITA-U operates as a subvention within MoICT vote. Funds are transferred from MFPED to MoICT before actual transfers are made to NITA-U. This delays progress of work as well as proper service delivery.

Uganda Communication Commission: Establishment of ICT laboratories in Government Secondary Schools

- Inadequate staffing; there is general lack of trained personnel to undertake both computer studies teaching and ICT equipment repairs and maintenance at school level.
- Learning software provided by UCC could not be broadcasted on some monitors.
- All equipment sent to secondary schools from UCC were not engraved. This posed a safety challenge to machines provided. Reports of stolen computers were noted.

Health ICT Facilities

- Theft and burglary; A number of computers had reportedly been lost to theft in Masindi hospital and Gulu Referral Hospital.
- None of the healthy facilities visited had access to Internet hence telemedicine could not be implemented as planned.
- Target users of the facilities in hospitals were not adequately trained and prepared to use them in order to optimize benefits.
- None of the equipment seen in all health facilities visited was engraved. This posed safety challenges to equipments provided.

Ministry of Education and Sports: Establishment of ICT laboratories in selected Secondary Schools

- Most projects visited were at substantial completion of the main structure with outstanding works on door and window fittings, plastering of the building and ceiling, painting, electrical wiring and installations, construction of the water tank, installation of gutters and furnishing.

- Progress of works had been slowed down by intermittent power supply leading to slow welding of doors and windows, weather changes and unapproved variations.
- Inadequate communication from MoES to secondary schools/local governments regarding availability and use of capitation funds by beneficiary schools leading to reallocations/misallocations of resources in some schools**.**

Recommendations

- NITA U should be made a vote to ease requisition and payment processes. NITA-U's finance division is currently equipped with skilled staff to manage the vote requirements.
- There is need to review the staffing needs at school level in light of the new policy for A level students to register for 3 principle subjects and two subsidiaries including computer studies.
- The MoES through a policy direction should guide Teacher Training Institutions/Universities in the development of new subject combinations for teachers to bridge the gap of lack of trained teachers in computer studies.
- UCC should provide installation software and user manuals to secondary schools/health centres to enable them undertake timely troubleshooting.
- UCC should ensure that all equipment delivered to schools and health facilities are engraved to control equipment losses.
- UCC should expeditiously procure and supply Internet services to all project health facilities and schools in order to achieve key project objectives.
- Management of hospitals and schools should ensure that lost/stolen equipment is replaced.
- A hands-on training for hospital personnel is paramount for effective use of equipments provided.

3.7 ROADS

3.7.1 Introduction

The country's roads infrastructure plays a pivotal role in the social, political and economic development of the nation. Since 1986, the Government of Uganda embarked on road improvements in order to enhance economic and social development of the country. It is against this background that the total resource envelope to be availed by government to the sector for FY2011/12 is Ushs 1,273.29bn.

The sector strategic objectives include:

i) Develop policy, set standards, regulate and ensure compliance and monitor transport infrastructure and buildings to meet the needs of users and promote social and economic development;
ii) Plan, design and ensure construction and maintenance of well co-ordinated and efficient transport infrastructure and buildings which meet the needs of users and promote social and economic development;
iii) Develop the capacity of the local construction industry;
iv) Ensure safe and environmentally friendly transport and physical infrastructure;
v) Ensure the mainstreaming of cross-cutting issues namely: Environment, HIV/AIDS, Gender and Occupational Health and Safety (OHS) into the policies, programmes and activities of the Sector.

Key institutions involved in the implementation of planned activities within the Roads sub-sector include: Ministry of Works and Transport (MoWT); the Uganda National Roads Authority (UNRA); the Uganda Road Fund (URF); district local governments, lower local governments (sub-counties) and urban councils. Other institutions outside the works and transport sector that have projects with roads subcomponents include the Office of the Prime Minister (OPM) and the Ministry of Local Government (MoLG).

The report covers input – output monitoring of selected road development projects and road maintenance programmes for the first quarter of FY 2011/12. It highlights the progress made on key planned activities as well as the financial performance of the Projects/ Programmes, and outlines implementation challenges identified, any arising policy issues, and recommendations.

The report specifically covers Projects/Programmes monitored for performance during the first quarter of FY 2011/12 as outlined in Table 3.7.1. They were selected on the basis of regional representation, level of capital investment, planned quarterly output, and value of releases during the first quarter of the FY. The methodologies adopted during the monitoring included: literature review mainly of annual work plans and other government documents, quarterly progress reports for the first quarter, and IFMS data showing release, payments and commitments; interviews with the respective responsible officers or representatives; and observations on site.

The Table 3.7.1: Project/ Programmes Monitored in the First Quarter, FY 2011/12

Implementing Institution	Project/ Programme Monitored in first quarter FY 2011/12
Ministry of Works and Transport	• Interconnectivity Projects in; -Ntoroko, Insingiro and Ntungamo districts
Uganda National Roads Authority	• Reconstruction and Rehabilitation of Tororo – Mbale - Soroti road; • Strengthening and Upgrading of Fort Portal-Bundibugyo- Lamia road and Nyakahita-Kazo-Kamwenge road; • National Roads Maintenance Programme - Fort Portal, Kitgum, Soroti and Mbarara stations
District Local Governments	• District Roads Maintenance Programme - Kayunga, Wakiso and Kyenjojo districts

Source: Author's Compilation

3.7.2 Uganda National Roads Authority - UNRA

3.7.2.1 National Roads Maintenance Programme

Project Background

The programme involves several activities for maintenance of 19,600Kms on the national roads network, ferry services or inland water transport services and axle load control across the network. It is a recurrent programme which aims at improving and maintaining interconnectivity across the country by reducing the rate of deterioration of the national roads network, lowering vehicle operating costs and travel time as well as ensuring safety of road users and ferry services.

In FY 2011/12, the programme was allocated a total annual budget of UShs 181.870 billion on the draft maintenance plan for FY 2011/12 under the Uganda Road Fund (URF). Planned activities under the programme included manual routine maintenance of 19,591Kms; mechanized routine maintenance of 14,849Kms; resealing of 28 Kms of paved roads; re-gravelling of 556 Kms of unpaved roads; rehabilitation of 5 bridges; maintenance of 175 bridges; operating and maintaining services of 9 ferries and 12 weighbridges for axle load control on the national roads network.

For the first quarter of FY 2011/12, the programme was monitored at four UNRA stations with maintenance programmes covering a total road network of 4906 Kms and with interventions done by both force account and contracts supervised by the stations. These included: Fort Portal, Kitgum, Soroti and Mbarara. For the first quarter, the programme had received a total of UShs 13.349 billion, and by the time of monitoring the expended funds could not be established for the whole maintenance budget because of the one quarter reporting lag. Below were the findings

Findings

Financial Performance-

Table 3.7.2: Financial Performance of the National Roads Maintenance Programme

Station	Implementation by Force account			Implementation by Contract		
	Receipts *(UShs Million)*	**Expenditure** *as at end of* **Nov 2011** *(UShs Million)*	**% of Receipts Spent**	**Contract Name**	**Financial Progress** *(% Expended)*	**Remarks**
Fort Portal	605.20	53.76	88.88	Kamwenge – Dura – Rwimi (60kms)	20.0	41% Physical progress
				Fort Portal - Kijura (41kms)	62.9	Substantially complete.
				Sogahe – Kyarusozi (20kms)	31.2	40% Physical progress
				Bubandi – Kahuka - Malindu (11kms)	14.0	14% Physical Progress
				Bubandi - Bundibugyo Army Barracks-Butama Health Centre, 5kms	20.0	14% Physical Progress
				Fort Portal – Kyenjojo /Access roads	46.8	50.4% Physical Progress
Soroti	717.74	679.76	94.71	Katakwi – Usuk - Orungo (33kms)	65.2	Under defects liability period
				Amuria – Acowa – Usuk (38kms)	97.5	Under defects liability period
				Soroti – Gweri – Kapujan –Toroma - Magoro – Ngariam (81kms)	52.0	41% Physical progress
Kitgum	684.02	228.76	33.45	Kitgum - Orom, 90Kms	67.5	80% Physical progress
				Orom - Locomo - Karenga, 42Kms	43	70% Physical progress
Mbarara	608.74	377.28	61.98	Biharwe - Bwizibwera (24kms)	51.5	75% Physical progress
				Ishongororo - Bisheshe (26kms)	72.5	Substantial completion
				Kyankanda – Bitsya - Ruhoko (44kms)		98% Physical progress
Approved Budget Estimates UShs 181.870billion **Releases as at end of September 2011, UShs 13.349 billion** (7 % of annual budget)						

Source: UNRA Station Engineers; IFMS Data

As shown in Table 3.7.2, at the time of monitoring done in November/December 2011, the programme in the first quarter had received a total of UShs 13.349 billion (7% of annual budget) and total expenditures for the activities of the quarter were being prepared. The table also shows financial performance of selected maintenance works contracts and some activities directly implemented under Force Accounts (FA) at the various UNRA Stations.

It should be noted that the financial progress on the contracted works is measured against certified works and not actual payments made to the contractors. There has been a general problem of late payments to contractors on the urgent repairs program for the additional road network and this in turn has affected progress of the works. Hence whereas the certification of the works is done on time by the station engineers payments are being made outside the contracted time indicating poor financial performance.

Physical Performance

A) Fort Portal Station

The station has a total road network of 980.4Kms comprising of 547.4Kms (55.8%) from the old network and 443Kms (44.2%) from the additional network that is made up of roads upgraded from district to national roads in FY2009/10. Furthermore, 160.40Kms (16.361%) of the road network is paved and 820Kms (83.64%) are gravel roads. The station network is comprised of roads in 7districts that include; Bundibugyo, Kabarole, Kamwenge, Kibale, Kyegegwa, Kyenjojo and Ntoroko. Planned maintenance activities during the FY included: maintenance using contracts on 355.2Kms (36.235%); and maintenance using force account on 579.9Kms (59.15%) of which 166Kms were planned to be maintained by both force account and contracted works at different times of the year. Labour Based maintenance contracts (LBC) have been earmarked for 885.1Kms. The station handles all maintenance activities on the networks including supervision of the maintenance contracts.

i) Maintenance using contracts

The following roads which were maintained using contracts were monitored between the 22nd and 24th November 2011. These were the contracts that spilled over from last FY 2010/11 and below are the respective findings:

Kamwenge-Dura-Rwimi (60kms)

This road links the districts of Kasese and Kabarole to Kamwenge and traverses Kibale National Game Park. The terrain of the area is gentle at the beginning with several stream crossings, however, further on the road traverses numerous steep slopes and crosses a number of rivers which require bridging. It is meant to carry heavy traffic from Dura transporting raw materials (limestone) for Hima Cement Factory.

The project involves the reconstruction of 60Kms of the road from Rwimi along Fort Portal-Kasese road to Kamwenge town was procured by the Ministry of Works and Transport and handed over to UNRA for implementation. It was awarded to M/S Marvel Contractors and Road Maintenance Ltd and the planned scope of work in first quarter of FY2011/12 involved clearing and grubbing, removal of top soil, fill, grading, culverts installation, stone pitching of drains and gravelling at a total contract price of UShs 3.229 billion. Civil works commenced on September 7th 2010 and were expected to be complete within 11 months (August 6th 2011). The works were supervised by the UNRA Station Engineer Fort Portal and physical progress was at 41% as on November 14th 2011, the time progress is so far 116.7%. The contractor requested for a time extension of 96days that was granted but with progress less than 50% this contract is likely to run into performance problems both physical and financial since there are no commensurate financial variations allowed for.

During the site visit, the monitoring team observed that several major works had not yet commenced on some sections like bush clearing and widening, heavy grading, culvert installation, etc yet the level of mobilisation of the contractor was still wanting. Completed sections at the beginning of the road that had been graded and gravelled were generally in good condition with a good running surface and though some sections have deteriorated as a result of being exposed for a long time without gravel and heavy rains. By the end of the first quarter of 2011/12, the contractor had installed 290ms of culverts and gravelling of 4kms. financial progress is at 20% and the delays on the project have been greatly caused by the poor mobilisation of the contractor and the rains.

The challenge here is that the contractor is not fully mobilised on this road to complete within the stipulated period despite the rains hence earthworks on this road have become critical to the delivery of the project and this requires that he mobilises more earth moving equipment. It is recommended that should there be an extension of time the contractor should provide a detailed program for the acceleration of the works and his capacity duly assessed at this point.

Sections of Kamwenge-Dura-Rwimi road (left) completed graded and gravelled section still in good condition; (centre); a section that had just been graded; (right) cutting to spoil aimed at widening of the road at a narrow section.

Fort Portal - Kijura (41kms)

This project involved the periodic mechanised maintenance of 41Kms of the road starting from Fort Portal (off Fort Portal- Kampala highway) to Kijura at Sogahe Bridge and was awarded to M/s Tahoc Enterprises Ltd. The works involved reshaping of the road by heavy grading, drainage improvement, and re-gravelling of the entire section with 100mm gravel wearing course, at a total contract price of UShs 1.9billion. Civil works commenced on 30th August 2010 and were expected to be complete within 6months (by 29th March 2011). The works were supervised by the MBW Consulting Engineers Ltd and were substantially completed on 20th June 2011, 3 months behind schedule.

Sections of Fort Portal-Kijura road (left) graded section of the road developing potholes; (centre); spot gravelled section still in good condition; (right) Sogahe bridge at the end of the road..

During the site visit, the monitoring team observed that the works had been substantially completed though some minor works on culvert crossings remained outstanding. The team observed that a section of the road in the between KM 0+000 and 14+000 from Fort Portal town was deteriorating fast and had multitude of potholes across the carriageway probably due to the heavy traffic in this section. However the section of road beyond KM 14+000 was in good condition partly due to better quality gravel used. Physical progress was estimated at 98% against a contract time progress of 100% and a financial progress of 62.9%.

Sogahe-Kyarusozi (20kms)

The urgent repairs on 20Kms of the road from Sogahe bridge to Kyarusozi town in Kyenjojo district involving reshaping of the road by heavy and medium grading, drainage improvement, and spot gravelling was awarded to M/s Kasese Nail and Wood Ltd under urgent repairs contract on seven other stretches for a total of 79.2kms. These roads were among the roads taken over from the district local government by UNRA. They link different districts and government institutions and were in a very poor condition.

The works were contracted out at a total cost of UShs 554.3 million, commencing on 13th May 2011 and expected to complete within 6months (12th November 2011) supervised by the UNRA Station Engineer Fort Portal.

During the site visit, the monitoring team observed that the contractor graded the first 15kms of road from Sogahe Bridge and was still in a fair condition with a few sections having some defects. The road had a rough surface between chainage 0+000 and 0+800 attributed to a rocky surface; chainage12+800 has water crossing on top of the road making the surface muddy and slippery due to lack of a culvert crossing. Outstanding works included spot gravelling and compaction of the newly graded sections and installation of culverts and their end structures. Physical progress was estimated at 49% against a contract time progress of 104% and a financial progress of 32.8%.

The delays in physical progress were attributed to delayed payments of certified works by UNRA leading the contractor temporarily withdrawing from site. However, he is now fully mobilised on site to complete the works with a camp at chainage 15+000. Grading works have commenced at this chainage though without any compaction.

Sections of Sogahe-Kyarushaozi road (left) graded section at KM 12+800 with deteriorated surface due to lack of drainage structures; (centre); a section where water is crossing on the road surface; (right) graded section of the road in good condition.

Bubandi-Kahuka-Malindu and Bubandi-Bundibugyo Army Barracks-Butama Health Centre

Urgent repairs were carried out on the above two roads involving reshaping of the road by heavy and medium grading, drainage improvement, and spot gravelling of 11kms and 5Kms respectively of roads linking Bubandi along Fort Portal - Bundibugyo road to Malindu and Butama in Bundibugyo district was awarded to M/s Pekasa Enterprises Ltd as a combined contract of Urgent Repairs of 56kms at a total contract price of UShs 382 million.

These are part of the additional road network that UNRA took over from the district local governments after being upgraded to national roads status. These were roads that were in a bad state or none existent for example Harugale - Bupompoli which had hardly one kilometre accessible and Bubandi-Kakuka-Malindi which is only accessible for six kilometres.

Civil works commenced on 24th April 2011 and were expected to be complete within 5months ending 21st September 2011 and were supervised by UNRA Station Engineer Fort Portal.



(left) completed graded and gravelled section in good condition; (centre); a graded; (right) section of Bubandi-Bundibugyo Army Barracks-Butama Health Centre road which is deteriorating due to poor compaction and no gravelling.

During the site visit, the monitoring team observed on Bubandi-Kahuka-Malindu that the graded sections were generally still in good condition though gravel works were required in some sections. At Km 3+200 the team observed drainage crossing with inadequate backfill and likely to be broken by heavy traffic. Beyond Km 7+300, the road was inaccessible requiring a change in scope. The team was informed that the contractor has asked for a variation of works to proceed with the works.

On Bubandi-Bundibugyo Army Barracks-Butama Health Centre the team observed the entire road had been graded but had not been compacted and this is likely to make the road impassable on a rainy day. This was also leading to major deterioration of the improved upon road surface. Some sections had been gravelled but not compacted making the riding comfort low. The team also noted that gullies were likely to develop on the road within a short time as there were no culverts installed to carry the water across and water was running along the road. There was need for widening the road to national standards, gravelling and compacting the entire section of this road.

However, the contractor had abandoned site due to delayed payments and claim that parts of the roads he was awarded were in the mountains and required different type of equipment than that specified in the contract. This he claims should be treated as a variation to the works.

On the two roads visited, the team observed that the works were under-scoped with respect to the works that were required like widening of the road, number of culvert crossings and gravel. Physical progress was estimated at 14% against a contract time progress of 100% and a financial progress of 20%.

ii) Maintenance using Force account

In FY 2011/12 force account interventions were planned to be done on 579.9Kms (59.15%) including 166Kms that would additionally be contracted out during the FY. The scope of works under force account included: grading, spot gravelling, pothole patching (using stabilised murram/grouted stone/ premix), emergency repairs of roads and bridges and limited drainage improvement.

At the time of the monitoring field visit, for the first quarter, the station had received a total of UShs 318.62 million in the first quarter earmarked for the maintenance of the following roads: Fort Portal-Kyenjojo, Fort Portal-Mubende boarder, Fort Portal-Bundibugyo, Fort Portal- Rwimi, Kakara-Rwebisengo, Katooke-Muzizi, hump works (Kaihura TC, Rugombe TC), works on Aswa, Kahombo, Nsongi and Soghe bridges, culvert installation on Kasiisi-Kyanga and Haruboha-Virika, topographical survey for Kisege bridge, and UShs 40.340 million for mechanical repairs of the road construction equipment.

Expenditure on force account operations at the end of first quarter was at UShs 54.765 million (8.8% of the funds received). Works done included pothole patching using hot premix on Fort Portal - Rwimi (45.5kms) and Fort Portal-Mubende boarder (114Kms), grading, spot regravelling, culvert installation and head wall construction on Kakara-Rwebisengo (26.4Kms), and drainage improvement works on Kitumba – Harubaho - Kigarama-Virika (13kms) and Kasisi-Kyanga (30kms).

The monitoring team visited Fort Portal-Rwini and observed that pothole patching had been done on the road however several potholes along the shoulder/carriageway interface were seen in the last 20Kms of the road. The team also visited Karugutu-Ntoroko road and Kakara-Rwebisengo road and observed that grading, spot gravelling and installation of culvert lines of the roads had been done to completion, and that the roads were generally still in good condition though some culvert line works were not yet completed.

(left) Section of Fort Portal-Rwimi road which was patched with premix; (centre); Section of Karugut-Ntoroko road graded and gravelled still in good condition; (right) Silting of culvert crossing along Kakara-Rwebisengo road.

Implementation challenges at the station included:

- inadequate resources (personnel and equipment) for management of the new additional road network and repair of the fleet;
- heavy rains seriously affecting the condition of most roads;
- late release of fuel affecting performance;
- scarcity of gravel material in some sections of the road network;
- under-scoping of some contracted works leading to multiple interventions and recurrence of unplanned emergency works; and
- The lengthy procurement procedures that lead to a distortion of the scoping of contracted works.

B) Soroti Station

The station has a total road network of 1010Kms, of which 125Kms (12.4%) is paved and 885Kms (87.6%) are gravel roads. The total road network comprises of 444Kms (44%) of roads from the old network and 556Kms (56%) from the additional network upgraded from district to national roads in FY 2009/10. The road network traverses through nine districts of Soroti, Amuria, Katakwi, Kabermaido, Dokolo, Serere, Ngora, Kumi and Bukedea. Planned maintenance activities during the FY 2011/12 included: maintenance using contracts on 286Km (28.38%); and maintenance using force account on 678Kms (67%) of which 352Kms were planned to be maintained by both force account and contracted works at different times of the year. The station handles all maintenance activities on the networks including supervision of the maintenance contracts.

i) Maintenance using contracts

The following roads which were maintained by contract were monitored on 30th November 2011 and 1st December 2011and below are the findings:

Katakwi-Usuk-Orungo (33kms)

The works on this project involved urgent repairs of 33Kms of the road from Katakwi through Usuk to Orungo and was awarded to M/s Peremi Technical services Ltd involving reshaping of the road by grading the entire length of road, spot gravelling and drainage works at a total contract price of UShs 250.809 million. Civil works commenced on 10th April 2011 and were substantially completed on 28th July 2011. The works were supervised by the Soroti UNRA Station Engineer and the defects liability period of the road expired on 28th November 2011.

During the site visit, the monitoring team observed that the works had been completed and the road was generally still in good condition with a good running surface though some sections had overgrown grass across the shoulders and side drains. Labour based contractors had however cleared the grass in some sections and the whole road had been contracted out by the station. Section 19+300 – 20+000 has failed and is partly rocky the station is in the process of carrying out emergency works and some culverts have been delivered to this point. Physical progress was at 100% and the financial progress was at 65.2% against a time progress of 100%.

The challenge on this project is of a financial nature where Contractors are not being paid on time despite the certification being done on time. Further to this the area is low lying and prone to floods during the wet season.



Sections of Katakwi-Usuk-Orungo (Left) Graded and graved section at Km0+000 in good condition; (Centre); failed exaction at Km 19+600; (Right) Graded and graved section at Km31+800in good condition.

Amuria-Acowa-Usuk (38kms)

Urgent repairs were carried out on 38Kms of road from Amuria through Acowa to Usuk and the contract for the implementation was awarded M/s Pamoja Technical Services Ltd and involved reshaping of the road by medium grading of the entire road length, drainage improvement works and spot gravelling at a total contract price of UShs 230.64 million. Civil works commenced on 5th April 2011 and were completed on 28th July 2011, 1 month ahead of schedule supervised by Soroti UNRA Station Engineer.

During the site visit, the monitoring team observed that the works had been substantially completed; only 8.5km of road could be inspected due to the road being flooded at this point for 2km at Ajelek swamp. However, the inspected section was in fair condition with a relatively good running surface. Between Km 0+800 and 1+500 the road was silted and eroded, low points required drainage structures and the formation was generally of sandy soils. At Km 3+900, the road was deteriorating very fast due to high velocity of runoff. The section inspected also had overgrown grass along the shoulders and side drains.

The team also observed that this area needs to be raised since the culvert crossings were found inadequate during flood situations and the surrounding ground is higher than the road itself and no offshoots could be constructed to channel the water away. The road also required more gravel than provided for in the contract due to the sandy soils formation in the area.

Physical progress was at 99% and the financial progress was at 97.5% against a time progress of 100%.



Sections of Amuria-Acowa-Usuk (Left): Sandy section undergoing silting and erosion between Km 0+800 and 1+500. (Centre); Well graded and gravelled section still in good condition with water at the road sided due to the flat terrain. (Right); Inaccessible road after Km 8+500 at Ajelek Swamp

Soroti-Gweri-Kapujan-Toroma-Magoro-Ngariam (81kmS)

This is a routine mechanised maintenance (RMM) contract of 81KmS of the road from Soroti through Gweri, Kapujan, Toroma, Magoro to Ngariam and was awarded to M/s Higstan Technical Services Ltd. It involves reshaping of the road by heavy/medium grading; drainage improvement, and re-gravelling of 10.3Km at a total contract price of UShs 487.856 million. Civil works commenced on 10th March 2011 and was expected to be completed by 10th October 2011 though works were still ongoing. The contract is being supervised by Soroti UNRA Station Engineer.

During the site visit, the monitoring team could only access 18kmS from one the Ngariam end to Toroma and only 5.8kmS from Soroti through to Gweri towards Kapujan. The Physical progress was at 40% against 128% time progress and 52% financial progress. This has been attributed to the fact that the road had been cut off by floods for two months.

The team was informed by the station engineer and also observed that the road crosses a 6km long swamp at KM 5+800 from Soroti and during the wet it is often submerged(refer to caption below) and the local population is forced to use boats for crossing over to Kapujan. This highlights the inadequacy of the drainage structures along this road.

The team also observed that the completed sections from the Soroti side were fairly motorable however, the road condition from Ngariam towards Toroma is in a bad state much as it has been graded but due to lots of rainfall, sandy soil formations and lack of drainage structures the road condition is bad as captioned below. The contractor is still on site and working on the Ngariam side off Moroto-Katakwi though the contract progress is slow. The sections that he was grading were showing early signs of failure as a result of poor soils in the area and the flat terrain that was brought about drainage problems. Much as some sections had overgrown grass on the shoulders and side drains, the team noted that labour based contract (LBC) works had been carried out along most sections of the inspected.

Sections of Soroti-Gweri-Kapujan-Toroma-Magoro-Ngariam (Left):. Double culvert installation works at km 1+000 from Ngariam. (Centre): Drainage problem due to flat terrain at Km 13+000 from Ngariam. (Right): well graded and gravelled section in good condition at Km 5+800 from Soroti-Mbale road. Note the slashing done by the LBCs. Further ahead is the 6Km swamp had submerged the road.

ii) Maintenance using Force account

In FY 20011/12 force account interventions were planned to be done on 678Kms (67%) of the road network under the station with a scope of works that included: grading, spot gravelling, patching (using gravel/ asphalt/surface dressing), emergency repairs of roads and bridges and limited drainage improvement. The roads maintained by force account interventions were monitored on 30th November 2011 and 1st December 2011.

At the time of the monitoring field visit, the station had received a total of UShs 717.74million earmarked for the maintenance of Soroti-Arapai road (10Kms), Arapai-Katakwi road (44Kms), Katakwi-Iriri road(40Kms), Arapai-Lira Junction road(9Kms), Ngora Township road(2Kms), Soroti Sate Lodge road(2Kms), Soroti-Serere road(27.5Kms), Brooks Corner-Serere road (10Kms), Katine-Ochera road(70Kms), Serere-Kasilo-Kagwara road(38Kms), Amurai-Obalanga-Alito road(39Kms), bridges (Komolo, Getom, Agu, Alito, Aloot and Ladot), mechanical imprest, office imprest and vigilantes allowances. Total expenditure at the time of monitoring was at UShs 679.77 million (94.7% of the funds received). Due to the late release of funds in quarter one, lack of equipment, fuel shortages and heavy rains in the area, the force accounts works had started late and most of them were still ongoing at the time of monitoring**.**

The monitoring team visited Arapai-Katakwi road (44Kms) and observed that medium grading, spot gravelling and drainage improvement had been carried out. There was major deterioration though despite works having been carried out in October 2011. This was attributed to the lack of a roller for compaction which compromised the quality of the earthworks hence causing repetition. This road is also used by World Food Programme trucks carrying food to Karamoja which on their way back, carry limestone raw material to Tororo cement factory. This heavy load from the trucks has also contributed greatly to the road deterioration. Along this road, at Km 29+300 and Km31+200 the team inspected Komolo and Getume bridges respectively.

On the bridges the team observed that installation of hand rails, painting and spraying of guard rails, erecting of piers at the entry and exit, sealing of cracks on the abutments, gravel backfill, river training, replacement of kerbs and construction of gabion protection works along the road embankments on Komolo bridge, and welding of the metallic deck on the Getume bridge. On the Katakwi-Iriri road the team observed that grading, spot gravelling and drainage improvements had been done on the road which was fairly still in good condition. The team also observed that LBC works had been carried out along the roads.

Left); Section of Arapai-Katakwi road showing deterioration at Km 15+100. (Centre); Komolo bridge works along Arapai-Katakwi road at Km 29+300 showing the new kerbs and sprayed guard rails. (Right); Section of Katakwi-Iriri at showing a well graded and gravelled road still in good condition

Implementation challenges at the station included:

- heavy rains in the region have damaged roads with most swamps flooding leading to multiple interventions and recurrence of unplanned emergency works;
- frequent breakdown of vehicles and equipment (excavator, grader, tippers, pick-ups) during work execution affecting the planned programme of force accounts;
- the equipment and vehicles need spares that meet the standard specifications and these are not readily available upcountry, thus time is lost when procuring these spares from Kampala;

- dilapidated and poorly equipped workshop with no door shutter in most of the offices and stores;
- very poor mechanised contractors' management capacity that is affecting the planned contract work programmes;
- standardised computerised reporting formats for force accounts and contract works is not effectively applied due to system failure and the staff is not yet fully conversant and trained in its application, yet the manual reporting wastes time of the road supervisors; and
- The untimely and delay of release funds affecting planned programmes; scarcity of gravel material in some sections of the road network.

C) Kitgum Station

The station has a total road network of 1117.7Kms, of which 526Kms (47.1%) is the old network and 591.7Kms (52.9%) is the additional network of roads that was transferred from Local Government of Kitgum, Pader, Lamwo and Agago as part of the 10,000kms upgraded from district to national roads in FY 2009/10. All the roads for Kitgum UNRA network are gravel roads. The road network is comprised of roads in 5 districts that include Pader, Kitgum, Amuru, Agago and Lamwo. Planned maintenance activities during the Financial Year included: maintenance using contracts on 504.7Kms (45.16%); and maintenance using force account on 613Kms (54.84%) of which 46Kms were planned to be maintained by both force account and contracted works at different times of the year. The station handles all maintenance activities on the networks including supervision of the maintenance contracts.

i) Maintenance using contracts

The following roads which were maintained by contract were monitored on 29th November 2011, the projects that were looked at spilled over from the previous Financial Year and below are the findings:

Kitgum-Orom (90Kms)

This project involving the routine mechanized maintenance of 90Kms of the road from Kitgum to Orom up to Tikao army barracks in Kitgum district was awarded to M/s Excel Construction Ltd and involved widening and opening up of the road by heavy grading, reshaping of the road by medium grading, drainage works including installation of some culverts, and re-gravelling the entire road section at a total contract price of UShs 2.879 billion. Civil works commenced on 2nd August 2010 and were substantially completed on 01st August 2011. The works were supervised by the M/s Newplan Consulting Engineers and Planners and the road was still under defects liability period.

During the site visit, the monitoring team observed that the works had been substantially completed and the road was in good condition with a good running surface though some sections had overgrown grass across the shoulders and side drains. Labour based contractors had however cleared the grass in some sections. The team also noted that; potholes had started appearing along the road between Km0+000 and 11+400 and the road was being eroded and murram washed away between Km 18+400 and 18+800. Physical progress was at 100% and the financial progress was at 67.5% against a time progress of 100% based on certified works

Sections of Kitgum-Orom road (Left); Km 18+400-road is being eroded and developing potholes. (Centre); Scour checks at Km 22+200 constructed along the sides of the road reduce on erosion. (Right); well graded and gravelled section still in good condition at Km88+800.

Orom-Locomo-Karenga (42Kms)

This project involving the routine mechanised maintenance of 42Kms of the road from Orom through Locomo to Karenga in Kotido was awarded to M/s Rhino Engineering Works Ltd under urgent repairs contracts. The works involved reshaping of the road by medium grading of the entire road length, drainage works and spot gravelling at a total contract price of UShs 293.05 million. Civil works commenced on 10th March 2011 and were to be complete on 9th August 2011 though the completion date had been extended to 30th November 2011. The works were supervised by the Kitgum UNRA Station Engineer and were not yet complete at the time of monitoring.

During the site visit, the monitoring team observed that much as the grading works had been done but the road was generally not in a fair condition. It was undergoing major deterioration in some sections where works needed to be redone. The team observed that culverts were on site and their positions identified by UNRA but not installed in a number of sections. Some areas were swampy and required filling and drainage works but these has not yet commenced.

The challenge to the contractor however, has been delayed payments the contractor was not fully mobilised. UNRA had already assigned Labour based contractors and had commenced on clearing the grass in some sections. In addition the team observed that the works had been substantially under scoped and the road required more gravel than provided for in the contract due to the low laying rolling terrain and the predominantly poor soils. Physical progress was estimated at 70% and the financial progress was at 43% against a time progress of 100%.

Sections of Orom-Locomo-Karenga road (Left and Centre); Graded sections undergoing major deterioration due to drainage problems that were yet to be fixed by the client. (Right); graded section at Km 17+400 still in good condition with LBC routi ne maintenance works done on the sides of the road.

ii) Maintenance using Force account

In FY 2011/12 force account interventions were planned to be done on 567Kms (50.7%) of the road network under the station with a scope of works that included: grading, spot gravelling, patching using gravel, emergency repairs of roads and bridges and limited drainage improvement. The roads maintained by force account interventions were monitored on 29th November 2011.

At the time of the monitoring field visit, the station had received a total of UShs 684.02 million earmarked for the maintenance of Kitgum-Palabek road (43Kms), Palabek-Atiak road (65Kms), Kitgum-Ngomorom road (76Kms), Kilak-Adilak (64Kms), Madiopei-Agoro hills (48Kms), Pajule-Pader-Kwonkic (27Kms), Pader-Kalongo-Paimol (46Kms), Paloga-Potika-Lututur (31Kms), Padibe-Paloga-Madiopei (35Kms), Palabek-Padipe (25Kms), Potika-Aweno Olwiyo-Ngomoromo (36Kms), Kitgum-Kalongo-Patongo (97Kms) and Patongo-Luker Bridge. Total expenditure at the time of monitoring was at UShs 228.76 million (33.449% of the funds received). Works that had been done included grading and gravelling of Acholibur-Aswa bridge and Kitgum-Puranga (Lira border) road, which was still on-going; grading, gravelling and culvert installation of Kitgum - Palabek road; spot regravelling of Kilak-Adilang and Namukora-Lokapel-Adilang roads which were unplanned works done due to flooding.

The monitoring team visited Kitgum-Puranga road (80Kms) and observed that grading and re-gravelling had been done in some sections. The sections where works had been completed in good condition with a good running surface though some sections were showing early signs of failure due to lack of gravel and poor compaction in others. On Corner Kilak-Adilang road (64Kms) the team observed that reshaping of the road by medium grading had been done and the surface was still in good condition. There was a bridge that was being constructed by the Ministry of Works and Transport funded by a grant aid from the government of Japan at Km14+100. The team also observed that LBC works were being carried along the sides of the roads.

Implementation challenges at the station included:

- old equipment with extensive breakdowns and high maintenance costs;
- inadequate resources (personnel and equipment) for management of the new additional road network and repair of the fleet;
- heavy rains seriously affected the condition of most roads;
- late release of fuel affecting performance;
- under-scoping of some contracted works leading to multiple interventions and recurrence of unplanned emergency works; and
- the lengthy procurement procedures that lead to a distortion of the scoping of contracted works.
- The status of workshop tools and equipment remained wanting, hence hindering the mechanical section from carrying out major and some minor repair works. The station still relies on private sector for major repairs. There is need for a mobile workshop unit to handle field related works effectively.

D) Mbarara Station

The station has a total road network of 1860.7Kms, of which 298Kms (16%) were paved and 1,569.7 Kms (84%) were gravel roads. The network included 1042.5 Kms of roads from the additional network that was upgraded to national roads in FY 2009/10. The network is comprised of roads in 10 districts that include Mbarara, Isingiro, Ntungamo, Kiruhura, Rukungiri, Bushenyi, Ibanda, Kamwenge, Buhweju and Sheema. Planned maintenance activities during FY 2011/12 include maintenance using contracts on 1355Kms (73%); and maintenance using force account on 505Kms (27%). Below are the findings from the field inspection carried out in December 2011

i) Maintenance using contracts

There were 21 maintenance contracts spilling over from the previous Financial Year and at the end of quarter one only four out the 21 had been completed. The rest of the contracts were still running due to delayed payments with the delays ranging from 5month and above following certification by the UNRA station engineers a situation that is likely to cause claim situations as it is a clear breach of the contract. Some of these had just been paid off using releases of Q2 of this financial year a situation likely to affect the road maintenance budget for this financial year. Below are the findings from the monitoring team:

Biharwe-Bwizibwera (24kms)

The works on this road are part of a joint contract awarded to M/s Coil Ltd to carry out urgent repairs on four roads. The other three roads are Kashongi - Kantaganya (24kms), Rwemikoma – Kijuma - Rwakitura (29kms), Engarusya - Buremba (18kms). The scope of works included heavy grading, spot gravelling and drainage improvement. The total contract price was UShs 656.8million and value of works for the Biharwe-Bwizibwera road was UShs 170.4million. Civil works commenced on 26^{th} April 2011 and a planned completion on 26^{th} September, 2011. The works were being supervised by the station engineer.

During the site visit, the monitoring team observed that the works had not been completed though the road was motorable; the entire road had been graded and gravel patching had commenced in the second quarter. The road sections where drainage was supposed to be improved upon had pools of water and on others like at Km14+100 the swamp waters had flooded the road. The team also observed that the road width of 6m had not been achieved and LBC works were yet to be carried out. Physical progress was at 75% and the financial progress was at 51.47% against a time progress of 100%.

Sections of Biharwe Bwizibwera road (Left): Km2+000 with a good running surface. (Centre); Km14+100 where culverts were yet to be installed with water crossing on top of the road. (Right): Km19+100 developing potholes which are likely to damage the road sub grade

Ishongororo-Bisheshe (26kms)

Urgent repairs of Ishongororo-Bisheshe (26kms) involved reshaping of the road by heavy grading, spot re-gravelling and drainage improvements at a price of UShs 184.6million and was awarded to Efra Limited. It is a contract that involved two roads at a total contract price of UShs 355 million. Civil works commenced on 16^{th} May, 2011 and were expected to be complete within 6months (16^{th}

October, 2011) but the contractor completed the works on 25th July, 2011 and was issued with a substantial completion certificate. The works were being supervised by the station engineer.

During the site visit, the monitoring team observed that grading had been done on the entire section of the road and re-gravelling had been done on about 2kms of the road section. In some sections though, the road width of 6ms was not achieved. The team observed that pot holes and gullies were forming on the road in some sections a sign which shows that water runs along the road when it rains. At Km13+400 the team observed a blocked culvert due to silting and at Km19+500; there was need for a culvert since water was crossing on top of the road. Other than those few defects, the road was in a good a condition with a good running surface. LBC works were not observed on this road. Physical progress was estimated at 95% and the financial progress was at 72.5% against a time progress of 100%.

Sections of Ishongororo-Bishese road (Left); Km2+200 showing re-gravelled works with a good running surface. (Centre); Km16+700 showing a culvert line with no headwall about to be blocked due to silting. (Right); Km22+700 showing a graded road surface at Ishongororo Trading centre.

Kyankanda-Bitsya-Ruhoko (44kms)

This project was executed as an urgent repairs contract involving reshaping of the road by heavy grading, drainage improvement, and spot re-gravelling of 44Kms of road from Kyakanda through Bitsya to Ruhoko and was awarded to M/s BMK (U) Ltd at a total contract price of UShs 298 million. The works were part of the interventions to alleviate the effects of landslides, floods, washouts and boulders rolling on to the road from the hilly surrounding terrain. Civil works commenced on 2nd May, 2011 and were expected to be completed within 6months (2nd October, 2011). The works were being supervised by the station engineer.

During the site visit, the monitoring team observed that entire road length had been graded and some sections of the road had been re-gravelled though due to the terrain traversed by the road being mountainous with the black cotton agricultural soils, the road was deteriorating fast. Some sections were muddy and got slippery making them impassable when it rains; other sections had ruts along the wheel trucks due to poor compaction of sub-grade and it is also prone to landslides in some sections. At some sections, the road edges were being eroded and water was running on top of road like at Km32+600 implying that there was still need for drainage improvements. The road was generally still in good condition with a good riding surface though some sections were showing early signs of failure as a result of poor workmanship. Some sections also had overgrown grass on the shoulders and side drains with communities blocking sections of the side drains to create accesses to their homes. Physical progress was estimated at 98% against a time progress of 100% and a financial progress of 90%.



Sections Kyankanda-Bitsya-Ruhoko road (Left): Km2+900 showing muddy and rutting wheel trucks. (Centre): Km16+300 showing a culvert blocked by a boulder due to landslides. (Right); Km36+000 showing a well graded and gravelled section still in good condition.

ii) Maintenance using Force account

In FY 2011/12 force account interventions were planned to be done on 547.2Kms (30%) of which 65Kms were planned to be maintained by both force account and contracted works at different times of the Financial Year. The scope of works under force account included: grading, spot gravelling, patching (using gravel/ Asphalt/surface dressing), emergency repairs of roads and bridges and limited drainage improvement. The roads maintained by force account interventions were monitored on 6th and 7thDecember, 2011.

At the time of the monitoring field visit, the station had received a total of UShs 608.744million in quarter one and had planned to carry out mechanized maintenance activities on 167.0 Kms[53] of paved roads, and 50.3Kms (Muzizi-Buremba) of unpaved roads; and routine maintenance activities across the entire road network. Expenditures on force account operations was at UShs 95.45million (15.7% of the funds received). Works done included mainly asphalt and gravel patching on the pavement and shoulder of Mbarara-Ibanda (65kms), Ishaka-Rugazi (37Kms) and Ishaka-Rugazi (37kms). Other works included grading, spot gravelling, minor drainage works and pothole patching of Isingiro-Ntatamukyi (54.2Kms), Muzizi-Buremba (50.3Kms), Nsongezi-Kikagati-Kafunjo (48Kms) and Nyakayojo T.C-Kibingo PTC (3Kms).

The monitoring team visited Mbarara-Ibanda road (65Kms) and observed that pothole patching was on-going from Km20+000 up to Ibanda on the carriageway and edges. The first 20Kms of the road had been done under Backlog maintenance by Stirling which resealed that section. The team observed that patch works were bound to fail due to water that was logging in the depression of the wheel trucks on the road. In some sections, the road had failed for example between Km 2+500 and 3+000. In some sections there was a lot of silting resulting from poor drainage provisions. Between Km12+000 and 13+500 along Rubindi trading centre, the driange had been de-silted but the material was yet to be removed off the road where it was piled. The team observed that this road was beyond its design life and was due for reconstruction.

On Muzizi-Buremba road, the team observed that a greater section of this road was motorable following grading the entire road and spot re-gravelling being carried out at the time of monitoring. Because of the heavy rains in the area and poor soils, there were silting of drains and potholes had started developing on the road. This was also attributed to poor compaction. The road was however still in good shape partly due to light traffic plying this route.

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[53]Mbarara-Ibanda road (65Km); Mbarara-Ishaka road (61.0Km); Ishaka-Rugazi road (37Km); and Nyamitanga-Katete road (4.0Km)

  

(Left); Ongoing gravel and asphalt patch works along Mabara-Ibanda road at Km 22+700. (Centre): Asphalt patches at the edges at Km41+600 along Mbarara-Ibanda road. (Right); well graded section along Muzizi-Buremba road in good condition

Implementation challenges at the station included:

- insufficient equipment and manpower to handle the maintenance needs of the increased road network;
- old road construction equipment which is very unreliable with frequent breakdowns and high maintenance costs (only 2 graders, a wheel loader, roller, 2 water tankers, 1 tipper were only operating at the time of monitoring);
- inadequate mechanical imprest;
- late release of funds and payments of contractors leading to claims and abandoning of work;
- unprecedented amount of rains since September 2011 which have caused floods and landslides thus damaging the roads and also delaying and causing repetition of works;
- weak capacity of some contractors, which led to delays in completion of contracted works;
- the scarcity of gravel in some areas;
- communities – block accesses and fill drains with rubbish leading to their blockage especially in trading centres;
- Emergencies that come in and derail the station from the programme they are implements causing loss in time during demobilizing and mobilizing.

3.7.2.2 Upgrading of Nyakahita – Kazo – Kamwenge – Fort Portal Road

Project Background

The project for upgrading of Nyakahita – Kazo – Kamwenge – Fort Portal road (208Kms) is funded by a loan and grant from the African Development Fund (ADF) and in part by government of Uganda and expected to cost UShs 301billion. The road starts at Nyakahita approximately 210Kms from Kampala along Kampala-Mbarara road to Fort Portal through Kazo and Kamwenge and is an existing gravel road of class B standard forming part of the major link to the Northern Corridor. The works were contracted out in two sections namely Lot I Nyakahita-Kazo (68Kms) and Lot II Kazo-Kamwenge (75Kms) commenced on 1st March, 2011. Lot III (Kamwenge-Fort Portal) is yet to be procured.

The direct beneficiaries of the project are an estimated 800,000 people living within the project zone of influence and those of western Uganda. It also serves places of high tourism and will facilitate the development of the hydropower plant at Mpanga River.

Upgrading of the road from a class B gravel road to a class II bitumen paved national roads standard targets an improvement in the general condition of the road, lowering travel times, providing the structural strength necessary for an increasing traffic load, reducing vehicle operating costs and adopting the more cost effective option of maintaining the road, so as to stimulate trade, investment, economic growth and delivery of social services within the region.

The Nyakahita-Kamwenge project entails construction works for the upgrading of a total of 143Km of the road from the existing Class B gravel road to class II paved road standard with a 6.0m wide (2x3.0 m lanes) carriageway, surfaced with a Double Bitumen Surface Treatment (DBST), and 1.5/ 2.0m wide (rural/urban) shoulder stretches surfaced with a Single Bitumen Surface Treatment (SBST). The major works include widening of existing gravel road, construction of an improved sub-grade (300mmwith material class G15), sub-base (200-250mm natural gravel class G30) and crushed stone base (200-275mm CCR fine type), followed by surface dressing (20mm first seal and 10mm second seal) of the carriageway and shoulders over the entire length of the project; construction of new cross and longitudinal drainage systems, 4 bridges and ancillary works including installation of traffic road signs, guardrails and road markings.

Monitoring was done on 9th December 2011, findings and recommendations for project implementation are presented below:

The Table below shows summaries of contract data for the two contracts and progress of the construction works on the road.

Table 3.7.3: Nyakahita-Kazo-Kamwenge Project Summary

	Nyakahita - Kazo Road	**Kazo - Kamwenge Road**
Contract Number	ADF/HW/C014A	ADF/HW/CO14B
Funding Agency	ADF (75%) and GoU (25%)	ADF (85%) and GoU (15%)
Supervision Consultant	J. Burrow South Africa (Pty) Ltd in Association with Prome Consultants Ltd	SNC LAVALIN International Inc, Canada in association with Prome Consultants Ltd and Case International Ltd
Contractor	China Communications Construction Company Ltd	China Seventh Railway Group Corporation Ltd (CRSG)
Length	68 Kms	75Kms
Works Contract Price (Original)	UShs 134,385,576,794.65	UShs 167,458,031,180
Supervision Contract Price	n/a	n/a
Commencement Date	1st March 2011	1st March, 2011
Construction Period	36 Months	36 Months
Original Completion Period	28th February, 2014	1st March, 2014
Contract Time Elapsed	9 months (25%)	9months (25% Time Progress)
Works Payments Certified	USD 18,242,252.50 and U shs 13,875,694,225.70 (41.27% of Original contract price)	USD 19,295,344.57 and Ushs 7,910,060,546.87 (30.75% of Original contract price)

Actual Payments to Contractor	USD 10,112,152.68 and Ushs 7,689,030,345.70	USD 17,757,318.72 and Ushs 7,155,328,974.07
Payments to the Consultants	USD 202,513	n/a
Weighted Physical Progress	22.80%	8.26%
Cumulative Financial Progress	22.80%	28.21% (actual payments at time of monitoring)

Source: Respective Resident Engineers of Supervising Consultants.

Findings

i) Financial Performance

Civil works on the project were contracted out in two lots at a combined cost of UShs 301.841 billion and at the time of monitoring, total cumulative payments to the contractors were at UShs 77.984 billion representing a combined financial progress of 25.83 inclusive of 20% advance payment to the contractors.

It was however difficult to assess the overall financial performance of the project given that it is only a subcomponent of the Transport Corridor project, which has no disaggregated budget allocations, releases and expenditures for the subprojects. The project is undergoing a design review by the project managers which is likely to vary the total project cost however; the final projected cost variation has not yet been ascertained.

There has however been a price adjustment arising mainly from compensation for inflation on Nyakahita-Kazo and the total VOPS that have been certified to date is Ushs 5.666 billion.

ii) Physical Performance

a) Lot I Nyakahita-Kazo (68kms)

- By the time of monitoring, 25% of the contract time had elapsed with a total of 22.80% of the physical progress achieved against a planned progress of 10.50%. This was attributed to the contractor's efforts toward mobilisation. The contractor had divided the works into 3 sections of 20Kms and construction is on-going on each of these sections. This implies that works were going in on the whole stretch of the road. From this the Team observed that the contractor had allocated lots of resources on the road and it is anticipated that it would be finished on time.
- The main activities that were on going at the time of monitoring included; crushing of base course material, laying of prefabricated culverts, clearing and grubbing, removal of topsoil, road bed preparation, treatment of swamps with rock fill, cut to top soil of unsuitable material, common excavation to embankment, fill for embankment construction and maintenance of the road in sections where works are not being carried out.
- During the month of October, a total of 7.3% of the works was realised compared to the 4.10% of the previous month. The rate of progress achieved during that month was more than that of the previous month of 2.40% according to the approved

programme. The team was informed that the weather was a major hindrance to the progress.

- The team also observed that some sections along the road were not being worked upon or had been skipped; the contractor however, claimed that these were areas where land compensation has not been done. This is affecting the project programme and is likely to lead to claims.
- The team was informed that there was an improvement in the gender and equity since the project commenced. More female workers were now involved in the project as flag women, cleaners, cooks and as security guards in the accommodation camps. In so doing, the contractor has raised the financial empowerment of both male and female workers.
- The contractor employed a service provider to coordinate and supervise issues related to prevention of HIV/AIDS, provision of occupational health and safety (OHS), gender mainstreaming and community mobilisation. This has helped realise a first aid clinic which runs daily alongside a mobile unit; sensitisation of work force and communities about sanitation and hygiene, HIV/AIDS prevention, safety, distribution of condoms, and voluntary counselling and testing.

Nyakahita-kazo road (left) section undergoing benching works but with property that has not been compensated hindering works from going on; (right) a section where earthworks have been completed

b) Lot II Kazo-Kamwenge Section (75Kms)

- Progress of works was estimated at 10.35% against an overall planned progress of 12.12% by the end of September. This indicates an overall project slippage of about 1.78% from the planned rate of growth of 2.1 km/month.
- The team observed that contractor was working from two fronts, i.e., one from Km 68+000 (Kazo) working towards Km 100+000 and the other from Km 114+000 progressing towards Km 100+000. He had also established a bridge camp at Km 77+600.
- Works in progress include: major earthworks activities of common excavation to spoil, rock bed preparation, fills in embankments and construction of bridges and slab culverts were all progressing on the two work fronts. Site clearing, grubbing and top

soil stripping from Km 68+00 to Km 78+00 and from Km 114+000 to Km 103+000 was complete. Other works going on were the removal of existing structures, breaking of existing pavement and maintenance of the existing road in sections where works were not on going.


Kazo-Kamwenge road (left) Swamp treatment at Km 74+000 with rock fill and geo fabric; (right) culvert installation and and area to be treted with rock fill at Km 82+823

- The team was informed that on the advice of the UNRA, apart from the two slab culverts under construction, the rest of the slab culverts(6) had been proposed to be replaced with box culverts at all the remaining six locations and all the four bridge structures were to be redesigned with provision of walkways.
- The team was informed that nearly over 95% of the land compensation issues concerned with this project had been handled apart from a few complaints that had come up in Ibanda town.
- The contractor had fully mobilised equipment for the ongoing earth works and bridge/slab construction works. He has set up a quarry site and installed two crushers units at Km 112+000. Crushing of aggregates for use in concrete works and stone base had already commenced.
- The team observed that there were changes in the vertical alignment in the town areas. For this, the team was informed that the contractor tried to maintain the level of the road in town areas so that the people who had settled along the project are not affected by the change in levels that could cause accessibility and drainage problems.
- The contractor had engaged a service provider to handle the occupational health and safety, HIV/AIDS and gender mainstreaming component of the project. An HIV/AIDS awareness campaign was already in place with the service provider conducting workshops, counselling and testing of STIs and HIV/AIDS since June 2011. The contractor established two clincs; one at Ibanda and the other at Bugarama. Several steps had also been taken to ensure that traffic management issues are adequately addressed by the contractor. No accidents had been reported in the previous month.
- Environmental protection measures that were mainstreamed in the civil works included and routine conducting of compliance assessments by the consultant's environmentalist in collaboration with the UNRA environment officers. The monitoring team was additionally informed that while minimum occupational safety measures like provision of protective gear

for the workers had been instituted, it was observed that the contractor had not fully complied with the requirements.

- The project had however not mainstreamed issues of gender and people with disabilities. For example there were no specific schemes to ensure equal employment opportunities for women and people with disabilities on the project.

iii) Challenges and Setbacks Experienced by the Project

a) Lot I Nyakahita-Kazo

- The project is facing a major setback in delays of payments for both the contractor and consultant. For example, the advance payment to the contractor (20% of contract sum) that was supposed to be paid in March 2011 was released in November 2011. Certificates issued still have the local component outstanding. Much as the contractor has not abandoned works, he has raised a claim for delayed payments. The invoices from the consultant amounting to USD 200,000 from August 2011 to November 2011 have also not been paid. The monitoring team was told that basically the consultant and contractor were financing the works at the time of monitoring.
- Land compensation for the right of way (ROW) is still incomplete. Several project affected persons (about 79) along the road allege that they have not been paid and have denied the contractor access to their land. If this matter is not cleared soon, a claim situation may arise due to late possession of site.
- The contractor's having a lot of human and plant resources with good mobilisation skills that have seen the road works going on along the entire project section, however this acceleration of the works has stretched the Consultant's/Project manager's staff which has only one team allowed for supervising the works at the three camps. Since the works need to be supervised adequately, their quality is likely to be affected.
- The service provider for OHS and HIV/AIDS has a problem of lack of a convenient time and venue for sensitization of the work force. The time the workers have is only the lunch hour. Mobilising them for sensitization at that time is a problem.

b) Lot II Kazo-Kamwenge

- The contractor has continued to fall behind schedule by approximately 2months. This is blamed on inadequate machinery, absence of technical personnel, poor planning and work methods and lack of coordination and direction.
- The contractor's ability to consistently produce good quality works is still a major problem. The contractor has failed to deploy skilled technical manpower to help effectively plan and carry out the works in accordance with the technical requirement of the contract.
- There was a delay in relocation of electric poles by UMEME. UMEME asserts that payments be made on a new pro-forma invoice that was issued recently yet there was an earlier arrangement with the same institution. The quotations are questionable and are found to be high and disproportionate.
- Poor working conditions for local labour.

- Delay in payments to contractor which is affecting the full mobilisation of the contractor and making project management difficult as the project managers can't put the contractor to book on his performance.

Conclusions and Recommendations

- Lot I Nyakahita-Kazo indicated an encouraging 5month progress lead that is being jeopardised by late payments coupled with a failure to expedite settlement of all the land compensation claims. It is recommended that the issue of land compensation should be treated as a matter of urgency as this has been found to be the number one cause of time slippages that are out of control of the client once the projects commence. The policy at UNRA regarding compensation should be revised in such a way that this is done prior to the commencement of works rather than during the construction stage.
- The Project Managers of Nyakahita-Kazo indicated that extra effort required for project management. It is recommended that this effort should be compensated from the likely savings in time of implementation by the Contractor in order to avoid loss in quality of the resultant works.
- Lot II Kazo-Kamwenge was lagging with a 2 month slippage. The consultant asked the contractor to submit a work programmes showing clearly how he intends to realign and possibly deploy additional resources with the objective of catching up on the lost time. The contractor submitted a revised work plan and their commitment is encouraging. This project is however stilled marred by problems of late payments of IPC's. However, the employer (UNRA) has to give a clear position regarding payments to the contractor, otherwise this contract is likely to have time and cost overruns arising out of contractual interpretations on the performance of either party.
- Labour issues remain persistent as long as the locals are in a poor negotiating position. Projects like these provide an opportunity to provide skills and employment to people in the communities. A workers union was proposed by the consultants to iron out such issues.

3.7.2.3 Upgrading of Fort Portal – Bundibugyo - Lamia Road (103kms)

Project Background

The upgrading of Fort Portal – Bundibugyo - Lamia gravel road (103Kms) to Class II Bitumen Standard being implemented under funding from the African Development Fund and is being constructed by Chongqing International Construction Company (CICO) as the contractor with the supervision services being provided by M/s Gauff Ingenieure in association with Gauff Consultants (U) Limited.

The project road starts from Fort Portal town, 300kms west of Kampala and follows a north westerly direction through a rolling terrain up to Kichwamba, at Km 14 +000, before descending through the foothills of Rwenzori Mountains on a route that avoids excessive gradients by closely following the contours of the mountain up to Itojo at Km 34+761. The original detailed engineering design for the upgrading works done in 1996 was updated in 2007 and 2008. In this update the road upgrading works are to follow design in which the route via the current section between ltojo – Sempaya has been deviated. The existing road between Itojo and Sempaya, has been circumvented, to avoid the hair pin bends in rocky and steep terrain, via a northerly route (Alternative 2A, 10.9kms longer than the existing road). From Sempaya the road follows the existing road in a south westerly direction through Bundibugyo town to Lamia the border post with the Democratic Republic of the Congo.

The upgrading of the project road to bitumen standard is considered to be important, not only in terms of completing the national paved road circuit, but also for international transit traffic to the Democratic Republic of Congo (DRC) in addition to providing another important access to Uganda's section of the great western rift valley which covers over 500 kms long Albertine rift endowed with minerals and has great potential for tourism.

The upgrading of the access to Semuliki national park with its Sempaya hot springs will no doubt boost the country's primary tourist destination.

The project road is typically being constructed to a 6m carriageway, with 1.5m shoulders on each side of the road in flat terrain, and reduced shoulder width of 0.5 m in mountainous areas. In selected areas 1.2/1.5 ms wide foot-paths (side-walks) will be provided for pedestrians and a couple of bridges. The Table shows a summary of the project contract data.

Table3.7.4: Fort Portal – Bundibugyo - Lamia Road Project Summary

Funding	82.6 % by African Development Fund through a loan agreement. AfDB Loan No.2100150015793 17.4 % by the Government of Uganda
Contract No.	ADF/HW/C016
Implementing Agency	Uganda National Roads Authority (UNRA)
Supervision Engineer	Gauff Ingenieure in association with Gauff Consultants (U) Limited.
Contractor	Chongqing International Construction Corporation, (CICO)
Commencement Date	4^{th} January 2010
Possession of Site	km 0-km 60 was issued on 4th January 2010
	km 60 - km 103.6 was issued on 19th July 2010
Original Contract Price	Ushs 168,214,943,915.54 (US$ 86,152,296.71)
Supervision Contract Price	Design Review - Phase I: Euro 169,647, Ushs 99,215,200; Supervision – Phase II: Euro 1,487,420, Ushs 2,030,468,664; Support Staff: Euro 203,232
Project Road Length	103.6 kms
Contract Period	36 months including 3 months of mobilization
Contract Time Elapsed	60.6% (665days/ 21.8 months) [as at 31^{st} October 2011]
Works Payments Certified	UShs 97,729,409,479.75
Payments to the contractor	UShs 109,656,531,054
Payments to the consultants	n/a
Weighted Physical Progress	54% against 53% projected as per approved programme of works
Cumulative Financial Progress	65%(of original contract price)

Source: Supervising Consultants' Resident Engineer.

Findings

i) Financial Performance

- **Works Contract**

The contractor applied for 20% of the contract price for Advance Payment comprising US$11,060,747.5 and Ushs 11,802,246,084 but initially received Ushs 244,302,056 less than what was applied for. The remaining US$ 139,000 was paid on 28th April 2011.

Fifteen out of seventeen Interim Payment Certificates, (IPCs), submitted have been paid by AfDB while Uganda Government has paid twelve (12) IPCs. IPCs No. 16 and 17 are being processed.

Increased costs on the project due to Variation of Price of 44.3% local currency and 60.8% foreign currency of the IPC continue to be experienced and are expected to impact heavily on the overall project cost.

- **Supervision Contract**

The consultant was paid all fees for the Design Review phase and invoices covering the supervision period from December 2009 to the end of March 2011. AfDB has paid their portion of fees for Invoices No.12. Uganda's portion of IPCs 12, 12A, No.13 and 13A, No.14 and 14A from the months of April to September 2011 are pending.

ii) Physical Performance

The following were the field findings on physical performance of the project:

- The 103.6 kms project road is divided into the following three sections:- Section I comprising the existing road from Fort Portal to Itojo (34.76kms); Section II from Itojo to Sempaya is a new (24.48km) road through the realignment to avoid the existing steep hazardous gravel road section with hair-pin bends and Section III from Sempaya to Bundibugyo up to Lamia which is an existing road having a length of 44.36 kms.

Fort-Port-Bundibugyo-Lamia road (left) excavating of the Rwenzori slopes to widen the road and to curb land slips/slides (right) priming works applied on a finished surface between Km 43+000 and Km 45+000.

- Overall physical progress of works on the project was estimated at 54% though the progress for the financial year was estimated at 7% which when compared to the targeted annual output of 35% clearly indicates that the physical progress of works was behind schedule. The progress in time however is at 60.6% and the project is in its 23rd month. Despite that overall physical progress of works of 54% against 53% projected as per approved programme of works is commendable.

- Mobilization of personnel, construction equipment and the campsite establishment is 100% complete. More equipment was brought in to cope with the increased scope of works. However, despite this intervention the project requires an extension of time which is yet to be determined following the variations in works that are yet to be instructed.
- Earthworks activities involving site clearing and removal of topsoil excavation, and fill are spread between Km 0+400 and Km 19+700, from Km 39+600 to Km 51+300 while pavement works are ongoing from Km 24+500 to Km 37+600 and km 0+400 to Km 3+000.
- 53kms had been cleared of bush, top soil removed, while excavation, fill and drainage are in progress between Km 17+400 to Km 19+700.
- Natural sub-base has been constructed from Km 24+500 to Km 39+600 and Km 0+400 to Km 3+000, covering a distance of 17.7 kms.
- Construction of CRR base course is completed between Km 24+500 and Km 39+600, covering a total distance of 15.1kms.
- Surface dressing is completed from km 24.5 to km 37.8.
- The team observed that there were earthworks activities ongoing in Section II as well as excavations in Section I in the escarpment area between km 14 and km 24. The team was informed that on completion of the excavations in the escarpment, pavement works in Section I will be given priority in order to complete Section I first. The contractor has been instructed to revise the programme of works due to increased scope of works and delayed start of pavement.


Fort Portal-Bundibugyo-Lamia road (left)A cut section and (right) A filled section on the road between Itojo and Sempaya.

- The contractor employed an NGO experienced in the control and management of STD and HIV/AIDS alleviation measures called Family Rescue Initiatives-Uganda, (FRI-U), to undertake the programme of STD, HIV/AIDS and TB alleviation measures. They are sensitizing and testing the project workers and communities in the vicinity of the road project at several places along the road and nearby villages and urban centers on HIV/AIDS.

 

Fort Portal-Bundibugyo-Lamia road; (left) Ndugutu bridgeworks at Km 100+950c; (right) one of the box culvert installation

- The team observed that traffic management need to be improved. Positioning of correct traffic control signs, barriers and flagmen/women in relation to working construction equipment is still disorderly. Maintenance of sections of the project road especially Section III during the rains has not received the deserved attention.

iii) Challenges and Setbacks Experienced by the Project

- Increase in scope of works due to unexpected ground conditions, land-slides scope and nature of the works. Adjustments of road alignment from km 14 to km 24.5 to avoid unstable ground in steep slopes increased earthworks quantities mainly rock excavation. A number of land slips have been experienced during the excavation of the cut-slopes between km 15.4 and km 20. More rock quantities in Section II, rock fill with grade raising of vertical profile in waterlogged materials and swamps in addition to cut to spoil of unsuitable material forming the existing road banks between km 0.7 and km 14 have all added to the increased earthworks quantities.
- Payment for works and services are not being made on time. For example contractor's payments for IPC No.11 and 12 were late. Payments were made for IPC No.13 to No.15 by ADB only and Uganda Government has not paid. Such situations are likely to raise claims.
- Excessive Variation of Price increase over 44.3% in foreign currency and 60.8% in local currency are being experienced due to significant change in indices against base values. This is expected to result into substantial increase of the overall project costs.
- Non-availability of site or parts of the site for construction works due to land compensation for more areas needed on high fills, deep cuts and discharge ditches.
- The consultant is experiencing difficulties due to inadequate vehicles to cover the project activities of pavement works in Sections I and II, bridge works in Section III (Km101 to Km103) which are in progress while the earthworks and drainage are spread from Km 0+400 to Km 58.
- Heavy rains have continued to slow down the construction works. Earthworks excavations and filling have however continued with difficulties due to wet weather.

- Land slips in along the roads have created a need to excavate into the mountains hence causing a need for more funding of close to 100 billion which is approximately 6% of the contract price.
- It was observed that there is a lot of expatriate labor at site yet locals can still do the same jobs like operating of equipment and driving of tipper trucks.

iv) Conclusion and Recommendations

- The increased costs are to be mitigated by adjustments in quantities for safety and protection activities as the road is moved to more stable and safer cut area instead of widened embankment.
- There are persistent blockage of the road especially during excavation works in the escarpment for long hours much as the contractor has tried to work on this sections in the night there still remains some road safety issues to be addressed.
- The project management team proposed that road reserves should be changed from 30m to 60ms in line with what is the norm in other East African states to cater for construction of high embankments. Otherwise it becomes a challenge to start negotiating for land and thereafter start the compensation during construction.
- Valuation and actual compensation for land should be made in time so that land acquisition does not delay the implementation of the project as is being experienced on the project.
- All labor should be local and in future equipment which needs to be operated by expatriate labor should have a component for equipment instructors to train local labour to operate such equipment for a limited period of time.

3.7.2.4 Upgrading of Tororo – Mbale – Soroti Road

Project Background

This project is one of the reconstruction projects implemented under the Transport Corridor Project, which was created primarily to address the deteriorating condition of national roads and other major export/import highways with a goal of facilitating intra and international trade. The project is part of the Transport Corridor Project subcomponent of "Roads for Reconstruction/ Rehabilitation" and the project road is part of the road connecting Eastern Uganda to Northern Uganda and neighboring Southern Sudan. The road is a class II bitumen road that was in poor condition with urgent need for rehabilitation.

The original scope of the works consists of the staged reconstruction and rehabilitation of Tororo - Mbale – Soroti road (152kms) involving; widening the existing carriageway to a 6.3m carriageway and a 1.5m shoulders on either side, mechanical modification of the existing gravel base with crushed rock (CRR) material to form the new base across both the carriageway and shoulders, drainage works (i.e. cleaning the existing culverts, extension of the existing culverts where necessary, adding new culverts where necessary, outfall drains, side drains, cut-off drains, etc), double bitumen surface dressing across both the carriageway and shoulders, ancillary works including road marking, traffic signs, guardrails, humps, rumble strips, etc., and other miscellaneous works necessary for the successful completion of the project.

Upgrading of the road from a class II bitumen road that was in poor condition with urgent need for rehabilitation is aimed at improving the general condition of the road, lowering travel times, providing the structural strength necessary for its increasing traffic loading, reducing vehicle operating costs, adopting the more cost effective option of maintaining the road, lower transport costs, and to stimulate trade, investment, economic growth and delivery of social services within the region.

The project expected to cost UShs 76.36billion and is funded by the Government of Uganda (GoU). The implementing agency is UNRA and the works were tendered out in two separate contracts namely Lot D: Tororo - Mbale (49Km) and Lot E: Mbale - Soroti (103Km), which all commenced on November 2010 and were awarded to M/S Dott Servicers Ltd (the Contractor).

The Table 3.7.5 below summaries of contract data for the two contracts and progress of the construction works on the road

The Table 3.7.5: Soroti – Dokolo – Lira Project Summary

	Tororo – Mbale Road Contract	Mbale– Soroti Road Contract
Contract Number	RDP/HW/C010	RDP/HW/C011
Funding Agency	World Bank and GoU	World Bank and GoU
Supervision Consultant	GIBB Africa Ltd in association with Prome Consultants Ltd	GIBB Africa Ltd in association with Prome Consultants Ltd
Contractor	Dott Services Ltd	Dott Services Ltd
Length	49 Kms	103Kms
Works Contract Price (UShs)	UShs 30,285,508,100 (Original Contract Price) UShs 75,715,581,155 (Revised Contract Price)	UShs 46,083,277,750 (Original Contract Price) UShs 115,311,053,349 (Projected Final Cost)
Supervision Contract Price	Contract time based	Contract time based
Commencement Date	21st November 2010	21st November 2010
Contract Period	18 Months	18 Months
Original Completion Period	21st May 2012 (547 days)	21st May 2012 (547 days)
Contract Time Elapsed	344 days (62.9% Time Progress)	344 days (62.9% Time Progress)
Works Payments Certified	UShs 1,266,489,650 (4.18% of Original Contract Price)	UShs 1,262,071,331 (2.7% of Original contract price)
Payments to the Contractor	UShs 6,057,101,620 (20.0% of Original Contract)	UShs 9,216,655,550 (20.0% of Original contract price)
Payments to the Consultants	none	none

	Tororo – Mbale Road Contract	Mbale– Soroti Road Contract
Weighted Physical Progress	3.6% (Based on original contract)	3.6% (Based on original contract)
Cumulative Financial Progress	20.0% (Based on Original contract sum)	20.0% (Based on Original contract sum)

Source: Respective Resident Engineers of Supervising Consultants as of November 2011.

Findings

At the time of monitoring done on 1st December 2011, the findings were as follows in 3.7.4.2:

i) Financial Performance

On Tororo-Mbale road (49Kms), financial progress was estimated at 20% of the original contract price. As of 31st October 2011, the contractor had submitted the following payment certificates to the consultant, who had certified and forwarded to UNRA; Advance Payment Certificate amounting to Ushs 6,057,101,620. This is 20% of the contract price. Payment for the Advance Payment Certificate has been made; IPC No. 1 for work done up to 31 August 2011, amounting to Ushs 1,266,489,650. This IPC was submitted on 12th September 2011 and is still under process at UNRA.

On Mbale-Soroti road (103Kms), financial progress of the project was at 20.0% of the original contract price. As of 31 October 2011, the contractor had submitted the following payment certificates to the consultant, who had certified and forwarded to UNRA: Advance Payment Certificate amounting to Ushs 9,216,655,550. This is 20% of the contract price. Payment for the Advance Payment Certificate has been made; IPC No. 1 for work done up to 31 August 2011, amounting to Ushs 1,262,071,331. This IPC was submitted on 12 September 2011 and is still under process at UNRA.

Citing the changed scope of works, especially the increased earthworks on both projects, the contractor requested for a reduction in the minimum amount of IPC. The consultant recommended a reduction of the minimum amount of IPC to Ushs 800 million for Tororo-Mbale road project and to Ushs 1.2 billion for Mbale-Soroti road project, in order to improve on the contractor’s cash flow (and therefore improve progress on the works). UNRA approved the request but for a period of 6 months, by which time the contractor is expected to have started all operations.

The Consultant is yet to submit any invoice / fee note for the consultancy services on both projects. Following discussions with UNRA, the consultant is in the process of preparing amendments to the consultancy contract to make the supervision part of the contract time based and to take in to account changes which have occurred between the time of tender (proposal) submission and the actual implementation of the contract like extra effort spent on the design review which took 6months as there was no design and information presented to the consultant for review was not adequate.

The consultant’s Final Design Review Report on both contracts has been approved by UNRA, which also instructed the consultant to prepare the Variation Order for the works contract based on the approved Design Review Report. The Variation Order is currently under preparation.

 

Tororo-Mbale road(left) Earth works going on along the road near Mbale. (left) Benching working going on aimed at widening of the road. Rains have hampered the contractors speed to execute works. (right) completed bench works.

ii) Physical Performance

The following were the field findings on physical performance of the project:

a) Lot D: Tororo-Mbale Section (49Kms)

- Works that were completed on this section include 3 trial sections of mechanically modified base totalling to 300ms (i.e., each 100m length) and are under review. The last trial section is in progress; Clearing, grubbing and removal of topsoil – completed for about 11.6 kms between Km 28 and 40 (both LHS and RHS widening); benching to formation level – completed for about 5.5 km on LHS and 6.8 km on RHS between Km 28 and 38; sub-base (on widening) – completed for 3.3 km on LHS and 3.6 km on RHS between km 28 and km 35. All the above works are also in progress along other sections of the road between Km 28 and Km 41.
- Works on pipe culverts started during October, and extension of two pipe culverts (at Km 28+671 and 34+150) is in progress. No culvert has yet been completed to date.
- The contractor continues to maintain the existing road by filling the potholes with gravel material. The maintenance standards have however been inadequate to date, mainly due to delayed repairs and the old age of the road, which has resulted in numerous potholes all along the road. This has been made worse by the recent rains in the project area. The contractor has been instructed to use cement stabilized gravel base and slurry seal surfacing for the repairs of the potholes in Tororo and Mbale towns to enable the repairs last longer.
- The contractor has also carried out investigations and testing for several borrow pits as probable sources of gravel materials. To date, fourteen (14 No.) of these have been approved by the Project Manager and are already in use.
- The Contractor has given his intention to claim for extension of time (EOT) due to several factors which he considers to be compensation events as per the contract provisions, the main one being the delayed issuance of the strip maps for the project. It is expected that the Contractor is entitled to some EOT due to this. However, he is yet to submit his claim.
- In regard to health and safety, the following had been carried out; most of the workforce has been provided with protective clothing e.g. safety boots, helmets for the quarry, and reflector jackets, dust masks and hand gloves. The Contractor has a designated safety officer who is currently based in Kampala and his assistant based on site.

- The contractor's safety and HIV/AIDS officer has carried out workshops for the project workers and the local communities along the project area, where issues concerning HIV/AIDS are discussed. The last workshop was conducted at Busiu Trading Centre on 26th October 2011.
- The project had however not mainstreamed issues of gender and people with disabilities. For example there were no specific schemes to ensure equal employment opportunities for women and people with disabilities on the project.


Tororo-Mbale road (left) section undergoing benching works and widening after blasting of rocks around the bend. (right) a trial section

b) Lot E: Mbale-Soroti Section (103Kms)

- Progress of works was estimated at 3.6% (as at end of October 2011), against a contract time progress of 62.9%. The project was also lagging behind the contract time progress and was expected to complete after the original completion date.
- Works completed as of the time of monitoring included; Clearing, grubbing and removal of topsoil – Completed for about 10 km between Km 70 and 80 (both LHS and RHS widening); benching to formation level – completed for about 7.6 km on the LHS between Km 71 to Km 80, and 5.0 km on the RHS between Km 75 to Km 80 on RHS; subbase (on widening) – completed for 4.2 km between Km 71 to Km 80 on LHS and 4.9 km on RHS between Km 75 and 80
- Ongoing works included, benching to formation level - for about 1.7 km on LHS between Km 70 and 80; subbase (on widening) - for 3.4 km on LHS between Km 70 and Km 80 and 0.1 km on RHS between Km 75 and 76; desilting of the existing pipe culverts and excavation of outfall channels between Km 75 and Km 80.
- Also in progress was the maintaining of the existing road by filling the potholes with gravel material. The contractor had been instructed to use cement stabilized gravel base and slurry seal surfacing for the repairs of the potholes in Mbale and Soroti towns to enable the repairs last longer. This work is in progress in Soroti town.
- The contractor operates a quarry and crusher at Kachumbala, which is located 3 km off the project road at km 14. This quarry will be used as a source of hard stone materials for Lot D as well as the part of Lot E near to Mbale town. Crushing of CRR material for mechanical modification of base, chippings for surface dressing and aggregates for concrete continues.

- The contractor also continues to carry out investigations and testing for borrow pits as probable sources of gravel materials. Ten (10 No.) of these have already been approved by the Consultant and are already in use on maintenance of the existing road, improved sub-grade
- The contractor has given his intention to claim for extension of time (EOT) due to several factors which he considers to be compensation events as per the contract provisions, the main one being the delayed issuance of the strip maps for the project. It is expected that the contractor is entitled to some EOT due to this. However, he is yet to submit his claim.


Mbale -Soroti road (left) Earth works going on along the road near. That is widening of the existing road. Notice the flat terrain in the area that has made drainage of rain water a problem slowing down the contractor.

iii) Challenges and Setbacks Experienced by the Project

- The contractor's plans to open a second quarry at Kapir (near Awoja) were halted by a complaint from the Ministry of Antiquities, which alleges that the proposed rock is a conservation area with historic paintings where quarrying is not permissible. The contractor is still pursuing the matter.
- The contractor could not start works upon commencement in November 2010 due to lack of construction data since the design review was completed 6 months into the contract and the first instruction were on April 28th 2011.
- The works contracts had been signed ahead of the consultancy contract due to urgency to respond to the poor road conditions. Nonetheless the contractor was requested to immediately undertake preliminary repairs in the existing road to alleviate the poor road conditions.
- Initial instructions of the works were issued in April/May 2011 for earthworks for road widening to start. However, when these instruction were issued, heavy rains set in over the project area. The area has been receiving intermittent rains from that time to date. This has hampered progress of the works (especially benching works due to flooding). The wet conditions have also led to lots of works to be repeated, further reducing progress.
- Some of the contractor's equipment is quite old and has been experiencing frequent break downs and the response to such breakdowns is not quick enough hence further delays.
- The equipment mobilized on both Lots to date is considered not adequate to complete the works within the contract period. Though the equipment mobilised meets the minimum requirements as set out at tender stage, it is still up to the contractor to mobilise as much

equipment and resources as he deems adequate to complete the works within the stipulated contract period.

- Delayed payments are also affecting the progress of the works on this contract as certified works are not paid in time
- Issues of price adjustment have become a problem due to the changed scope of works yet the provisions of the PPDA act and procurement guidelines do not allow for variation of price for contracts of less than 18months. He has however been advised to apply for extension of time.
- No provision for payment of materials on site yet the contractor due to delays in the issue of instructions concentrated his efforts in bulking of materials for the works. However, the consultant has recommended that since there many changes in the scope of works this should be included as a pay item.

iv) Conclusions and Recommendations

- The contractor needs to increase his resource (plant and equipment outlay). In regard to this matter, he has proposed forming two fully fledged work fronts for each of the two lots. The second work front for Lot E (Mbale-Soroti) has already started operations at Bukedea towards Mbale, while that for Lot D is yet to be constituted. It should be noted that though the two lots are seriously delayed, the most critical as of now is Lot E (Mbale-Soroti) due to its long length, since both Lots have the same contract period.
- The contractor should streamline his management arrangements that have been noted to be weak in some areas.
- The contractor should improve on his equipment allocation/utilization and maintenance since this has noted to be inadequate.
- Based on the progress noted to date, it is apparent that unless the contractor increases his equipment outlay substantially and improves on his site management, he will not be able to complete the works within the 18 month contract period.
- The lack of a design report as stated above was a major omission on the part of the employer which is likely to create a lot of claim situations that will easily be exploited by the contractor to either revise the contract provisions to considerably favour him financially without actually doing any physical works on the ground or justify delays without questioning obvious performance inadequacies. Such a situation should be avoided as in the future at all costs.

3.7.3 Ministry of Works and Transport

3.7.3.1 Interconnectivity Roads Improvement Project

Project Background

Government intervention is required when Natural disasters like floods, landslides, collapsed bridges etc occur and past experience has shown that when such calamities occur, the MoWT acting on behalf of Government is often called upon to urgently respond. Due to funding constraints, MoWT has not been able to urgently respond to such emergencies. Further to the natural calamities, the Presidency has from time to time directed the MoWT to undertake road works that are not budgeted for and in most instances MoWT finds itself handcuffed. The Interconnectivity Roads Improvement project is designed to is intended to facilitate road improvements projects that are outside the mandate of UNRA or District Local Governments but are of strategic national importance.

Most of the interventions are on the District and Community access roads network due to capacity problems at the Districts and are mainly earth/gravel roads though some paved roads in peri-urban areas have been worked upon.

The project objectives are;

- Timely response to H.E the president's directives to improve sections of major road corridors in strategic areas of the country which are not economically attractive to development partners.
- Be in a better state of preparedness to respond to emergency of natural calamities to save the population from prolonged suffering.
- Improved interconnectivity of the country by rehabilitated critical road links.

Three roads contracts in the districts of Ntoroko, Ntungamo and Isingiro were monitored during the months of November and December 2011, below are the findings;

Findings

A. Ntoroko District

Improvement of Rwebisengo-Rwangara Road (30Kms) Community Access road

Table 3.7.6: Rwebisengo-Rwangara Road Project Summary

Contract	Improvement of Rwebisengo-Rwangara (30Km) Community Access Roads.
Funding Agency	The Government of Uganda through Ministry of Works and Transport
Supervision	MoWT and District Engineer Ntoroko.

Contractor	M/s Kasese Nail and Wood Industries Ltd.
Length of Road	30.2 Kms
Works Contract Price (Original)	UShs 412,834,800
Commencement Date	24th October 2010
Supervision Contract Price	Included in the contract sum under preliminaries
Original Completion Period	6 months
Completion Date	24th April 2011
Contract Time Elapsed	Completed
Works Payments Certified	na
Actual Payments to Contractor	Na
Weighted Physical Progress	44%

Source: Supervising Project Engineer

This project involved the improvement of 30Kms of the road from Rwebisengo trading centre to Rwangara landing site on Lake Albert in Ntoroko district formerly Bundibugyo district was awarded to M/s Kasese Nail and Wood Ltd and involved site clearance and reshaping of the entire road by heavy grading, drainage improvement, and spot gravelling of the sections totalling to 4km with 150mm of gravel, at a total contract price of UShs 412.834 million. Civil works commenced on 24th October 2010 and were expected to be complete within 6 months (by 24th April 2011.) The works were supervised by the District Engineer-Ntoroko and Project Engineer-MoWT; and were substantially completed on 13th June 2011, 2 months behind schedule.

At the time of monitoring done on 24th November 2011, the monitoring team was informed that works had been substantially completed, though the road was generally in poor condition with a bad running surface in most sections and a fair surface in only those sections that had been re-gravelled. Pot holes were developing in a number of sections along the road with some almost rendering the road impassable. The team also observed that the road width of 5ms was generally not achieved. Physical progress was at 98% and the financial progress was at 94% against a time progress of 100%. The contractor had not completed the 2% of work left (culvert installation of 2 line of 600mm and 4 lines of 900mm) and the supervisor could not reach out to him to ask him to do so because he had not been paid. The team was informed that interim certificate 2 for substantial completion had been issued on 30th June 2011. The road's defects liability period had expired in October 2011. For most the information obtained, the team was not able to verify it as it was not able to get the documents for this project from the MoWT despite efforts to do so.



Sections of Rwebisengo-Rwangara road (left); at Km1+500 – depressed wheel tracks (centre); at Km9+000 where the road is almost impassable. (right); at Km21+100 – one of the well graded and gravelled sections

Challenges and Setbacks Experienced by the Project

- The quantity of gravel in the BOQ was only 3000m^3 sufficient to cover only 4Kms of road length. The whole section of road needed to be graveled if value for money was to be achieved.
- The area in which the road passes has poor soils in some sections. This makes the road muddy and slippery during the wet season. Hence the need for extra gravel which was also not readily available in the project area.
- The terrain in the area is flat and this possesses a great threat to the drainage of the road. This has also contributed greatly to the fast deterioration of the road.
- Progress of works has been affected by delays in payment of contractor's certificates. The contractor resorted to abandoning works until when his payments are cleared.

B. Isingiro District

Table 3.7.7: Ngarama Sub county headquarters-Kigando-Tanzania border Road Project (20Km) and Kyazungu-Karerema Road (10Kms) Project Summary

Contract	Ngarama Sub county headquarters-Kigando-Tanzania border Road Project (20Km) and Kyazungu-Karerema Road (10Kms) Project Summary
Funding Agency	The Government of Uganda through Ministry of Works and Transport
Supervision	MoWT and District Engineer Isingiro.
Contractor	M/s EFRA Ltd.
Length of Road	20 Kms and 10Kms
Works Contract Price (Original)	UShs 250,369,707
Commencement Date	27th September 2010
Supervision Contract Price	Included in the contract sum under preliminaries
Original Completion Period	6 months
Completion Date	28th March 2011

Revised Completion Date	20th March 2011
Contract Time Elapsed	Completed
Defects Liability Period	3 months
End of Defects Liabilty	21st June 2011
Works Payments Certified	UShs 203,972,592
Actual Payments to Contractor	
Weighted Physical Progress	100%

Source: Supervising Project Engineer

This project involving the improvement of 20Kms of Ngarama Sub County Headquarter-Kigando-Tanzania border road and 10Kms of Kyazungu-Karerema road in Isingiro district was awarded to a M/s EFRA Ltd(thecontractor). The contract included site clearance and shaping of road by heavy grading, spot re-gravelling totalling to about 4kms of road length and drainage improvement mainly culvert installation of about 84 lines. Civil works commenced on 27th September 2010and were expected to be complete within 6months (28th March 2011). The works were supervised by the District Engineer-Isingiro and were substantially completed on 20th March 2011, 8 days ahead of schedule.

At the time of monitoring done on 8th December 2011, the monitoring team was informed that works had been completed and the roads had been handed over to the district 6months ago at the end of their defects liability period. The monitoring team kicked off with Kyazungu-Karerema road and made the following observations; the road was generally motorable with some sections already deteriorating (pot holes); the need for scour checks to curb erosion since the terrain through the road passes is mountainous; some of the drains had been filled with silt and some culvert works had no headwalls; in some sections, the loose material along the road washed away leaving stones that made a rough surface; at Km 5+300 the road edges were being eaten away due to poor soils and some sections had a road width less than the 5m specified. The team also observed that an extra 5.7kms of road had been done to get to the end of the road at a junction.

With Ngarama-Kigando-Kakamba road, the team observed that the road was deteriorating fast. This was attributed to poor or no compaction. There were pot holes on this and a lot of silting was taking place due to poor drainage and terrain of the place between Km 0+000 and 6+000; at Km 7+200, the road was inaccessible because it had been submerged thus the team could not look at the rest of the 14Kms of the road. The team was informed that no culvert had been installed at this point since those provided for in the BOQs had been exhausted. The team also noted that the roads had not been maintained thus their being in bad shape.

The team observed that the objective for which this project was implemented was to open up roads since the areas have potential for agriculture was not achieved. On both roads, the road width of 5ms was not achieved with some of the sections having about 2m width and this raises questions on what works the project management team certified for as payment, it thus comes as no surprise that project documentation especially on payments was inaccessible to the monitoring team to assess the value for money achieved on the intervention. The team felt that there was no value for work done much as the site was visited 6months later.

The team was also not provided with the documents to verify the information obtained on these projects. The one presented in the report was obtained through a discussion with the projects manager which is subjective.

Further to this, the scoping works done to determine the interventions required was very poorly done by the beneficiary district engineering department neither were matters improved with the involvement of the MoWT engineer, hence the lack of the very connectivity that was being aimed at by the project as captioned below at KM 7+200.

Whereas MoWT is interested in having a lot of road length achieved under a very small budget allocation the project objectives are not being met in the long term. Thus, it is recommended that smaller works in terms of the length of road is implemented but with the commensurate value for money and project objectives being met as is in other projects like CAIIP.

Sections of Kyazungu-Karerema road (left); Km 4+400-a section maintained by the community by putting pieces of bricks on the road(centre); at Km13+200 – graded section still in good condition. (right); Sections of Ngarama-Kigando-Kakamba road at Km7+200 with no culvert where the road was cut off.

Challenges and Setbacks Experienced by the Project

- The quantity of gravel in the BOQ was only 3000m^3 which was insufficient for the project. On top of this gravel was not readily available in project area.
- The area in which the road passes has unstable and poor soils in some sections thus some of the sections worked on could not hold for long. The project engineer proposed that the whole stretch of road should be re-gravelled to improve in such spots.
- The need to improve on the drainage quantities especially relief culverts in some areas. Poor drainage made some sections muddy and slippery during the wet season.

C. Ntungamo District

Table 3.7.8: Pearl Flowers Farm- Access Roads (0.86Km)

Contract	
Funding Agency	The Government of Uganda through Ministry of Works and Transport
Supervision	MoWT
Contractor	Pekasa
Length of Road	0.86 Km
Works Contract Price (Original)	UShs 269,909,850

Commencement Date	4th November 2010
Supervision Contract Price	Included in the contract sum under preliminaries
Original Completion Period	6 months
Completion Date	4th May 2011
Contract Time Elapsed	Completed
Defects Liability Period	3 months
End of Defects Liabilty	3rd August 2011
Works Payments Certified	UShs 183,808,048
Actual Payments to Contractor	
Weighted Physical Progress	100%

Source: Supervising Project Engineer

This project involving the opening up of access roads, levelling of green house and drainage improvement in Pearl Flowers Farm in Ntungamo district along Mbarara-Kabale road was awarded to M/s Pekasa. The contract included site clearance and opening up of access roads by heavy grading, shaping of road by medium grading, spot re-gravelling, drainage improvement mainly culvert installation, stone pitching of drainage walls and construction of a retaining wall. Civil works commenced on 4th November 2010 and were expected to be complete within 6months (4th May 2011). The works were supervised by the MoWT Project Engineer and were completed on schedule.

At the time of monitoring done on 8th December 2011, the monitoring team was informed that works had been completed and the project had been handed over to Pearl Flowers. However, no funds were released during the third quarter of the FY 2010/11 so the contractor could not be paid. This led to the contractors' raising of a claim due to non payment. The team was informed that works on the farm were done in two phases and it was the second phase that was being monitored. The farm is on 20 acres of land. The team observed that the lining on the drainage channel that has been worked on was breaking away and that armco culvert of about 1m had been installed along it to help workers in the farm cross the channel. The team also observed that the road that had been worked on was not being maintained much as it was generally still in good condition. There was grass growing on the road, a sign of poor compaction. The team also saw a stone pitched retaining wall about 1.5m high with weeping holes roads along one side of the 0.86Km road. This wall was built because of the change in levels between both sides of the road.

The team was not able to establish the objective for this project and felt that the contract price had been inflated. The team was also not provided with the documents to verify the information obtained on these projects as the one presented in this report was the through narration by the project manager.



Left); Drainage channel with stone pitching and culverts works. Centre); The 0.86Km, 5m wide road that was graded and gravelled. Right; Retaining wall about 1.5m along the 0.86Km access road.

Challenges and Setbacks Experienced by the Project

- The quantity of gravel in the BOQ of was only 987m3 which was insufficient for the project. On top of this gravel was not readily available in project area.
- The area in which the project is located is swampy and thus the water table was high. Thus the project was affected by seepage.
- Delays in release of funs which lead to the contractor raising claims due to non-payment.

3.7.3.2 District, Urban and Community Access Roads Maintenance Programmes-

Programme Background

District, Urban and Community Access roads (DUCAR) make up 57,500Kms which represents 73.2% of the entire road network in Uganda, broken down as 22,750Kms of district roads, 4,800Kms of Urban roads, and 30,000Kms of Community Access roads. They are maintained by the respective local governments using central government conditional grants for road maintenance and to a limited extent using locally generated revenue. More than 40% of the DUCAR network is however beyond maintenance level and necessitates rehabilitation, which is carried out through a concerted effort of donor supported programmes like CAIIP, LRDP, KIIDP, U-Growth, DLSP, PRDP, NUREP, RSSP, NSADP and RRP[54]; and GoU supported programmes coordinated by the MoWT, MoLG, MAAIF and OPM. The districts, to a limited extent, also utilise the non conditional grants from the central government under the LGMSD Programme. MoWT provides the collective technical support and supervision to the local governments under the DUCAR department.

Total allocations to the DUCAR roads maintenance programme was at UShs 91.190 billion (32.5%) composed of 12.788 billion (4.6%) allocated to KCCA for maintenance of city roads; UShs 40.580 billion (14.4%) allocated to district roads; UShs 30.923 billion (11%) allocated to urban roads; and UShs 6.9 billion (2.5%) allocated to community access roads.

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[54] **CAIIP:** Community Agricultural Infrastructure Improvement Programme; **LRDP:** Luwero Rwenzori Development Programme; **KIIDP**: Kampala Institutional and Infrastructure Development Programme; **DLSP:** District Livelihood Support Programme; **PRDP:** Peace Recovery and Development Programme; **NUREP**: Northern Uganda Rehabilitation Programme; **RSSP:** Road Sector Support Programme; **RRP**: Rural Roads Programme; **LGMSDP**: Local Government Management and Service Delivery Programme; NSADP: Northwest Agricultural Smallholders Programme

In the first quarter of FY 2010/11, the programme was monitored in three districts local governments namely: Kayunga, Wakiso and Kyenjojo. The findings were as follows

Findings

i) Financial Performance

At the time of monitoring, done in November/December 2011, financial performance of the selected district roads maintenance programmes was as shown in Table 3.7.3, where it can be seen that first quarter releases to the districts under URF was generally more that 70% and ranging between 80.75% in Wakiso district and 225.10% in Kayunga district. In Table 3.7.9 it can also be seen that planned activities were though funding from URF. Total absorption of the received funds ranged between 14.98% in Kayunga district and 27.59% in Wakiso district. Absorption of funds received at the monitored districts generally less than 30%. Reasons given for the poor financial performance mainly revolved around delays in commencement of planned works due to delays in release of funds.

Table 3.7.9: Financial Performance of Selected District Roads Maintenance Programmes at end of Q1

Local Government	Funding Source	Indicative Planning Figure (IPF) *(UShs Millions)*	Receipts *(UShs Millions)*	Expenditure *(UShs Millions)*	% of IPF Received	% of Receipts Spent
Kayunga	URF	41.972	94.481	14.154	225.1	14.98
	Totals	**41.972**	**94.481**	**14.154**	**225.1**	**14.98**
Wakiso	URF	564.876	456.128	125.846	80.8	27.59
	Totals	**564.876**	**456.128**	**125.846**	**80.8**	**27.59**
Kyenjojo	URF	135.380	100.432		74.1%	0
	Totals	135.380	100.432		74.1%	**0**

Accountability seen was for1 st Quarter of FY2011/12, i.e., up to end of September 2011.

Source: Respective District Engineers

ii) Physical Performance

a) Kayunga District

The district had a total road network of 377.4Kms on which planned maintenance activities were based in FY 2011/12 with a total road maintenance annual budget of UShs 380.425 million, expected to be fully funded by the Uganda Road Fund (URF). In addition, the district planned to undertake rehabilitation of 650Kms of community access roads under CAIIP, which was being coordinated by MoLG, with a total planned cost of UShs 75.184 million. Under URF planned maintenance activities in FY2011/12 included periodic maintenance of 55.1Kms[55] and routine

[55] Gangama-Bukamba (11.0Km); Namulanda-Nsotooka–Kaazi (12.5Km); Kiyange-Misanga (8.0 Km); Kayonza-Kawolokota-Namizo-Nyondo (18.6Km); Kalagala-Maligita (5Km).

maintenance of 342Kms of road to be implemented using labour based contracts. All the works for the FY2011/12 were planned to be contracted out.

Planned activities of the first quarter in the FY2011/12 were routine maintenance to be carried out on 322.3Kms of unpaved roads using contracts.

At the time of the monitoring field visit done on 16th November 2011, the district had received a total of UShs 94.481 million (225. 10% of IPF) composed of first releases under URF, of which UShs 14.154million (15.03% of funds received) had been expended. Among works planned for implementation in FY 2010/11, only routine manual maintenance that is Labour Based Contracts had commenced due to the late release of funds that came in on 22nd August 2011. The works planned for periodic maintenance using contracts were still under procurement.

The monitoring team visited Bubajwe-Bukujju-Kanjuki road (11kms) and observed that clearing of grass on shoulders and side drains had been done in some sections but works had not covered the entire length of the road.


Sections of Bubajwe-Bukujju-Kanjuki road, still in good condition (left and right); note the grass on the picture on the right growing having been slashed due to the persistent rains in the area.

Implementation challenges in the district included; rising cost of road maintenance ever since the conditional surveys were done in April/May 2011; underfunding for the road sector activities; with inflation going up and rains bringing more defects, the costs that were approved are above what was planned; quick deterioration of the roads; frequent breakdown of equipment due to minor defects that are not attended to in time.

b) Wakiso District

The district had a total road network of 378.5Kms on which planned maintenance activities in FY 2011/12 were based with a total budget of UShs 1.459 billion for the road maintenance activities, expected to be fully funded by Uganda Road Fund. Planned maintenance activities during the FY included routine maintenance of 378.5Kms using labour based contracts, routine mechanised maintenance of 201.1Kms using force account and periodic maintenance of 33.55km using contracts.

At the time of the monitoring field visit, the district had received a total of UShs 456.128 million (80.75% of IPF) of which UShs 125.85 million (27.59% of funds received) had been spent mainly on operational expenses and on the first cycle of manual routine maintenance on the roads.

At the time of monitoring done on 17th November 2011, works were basically slashing of road sides implemented under Labour Based Contracts. This was attributed to the late release of funds for the quarter. Procurement of contracts for the whole year had however been done and 2 contractors had been commissioned out of the 5 though agreements had been signed.

The monitoring team visited Mikka-Buwembo-Kitayita road (13.2kms) in Namayumba sub-county, on which periodic maintenance was being done by contract awarded to M/s Mayanja General Services Ltd for a contract sum of UShs 248.2 million supervised by the district engineer. The contract had commenced on 11th October 2011 for a period of 120 days. This road serves agricultural areas of Namayumba and the scope of works that were to be covered were grading and re-gravelling of the entire length of road and drainage improvement including culvert installation. The team observed that only grading works had been carried out and were still ongoing though there was a problem of compaction. Clearing of grass on shoulders and side drains had not and the condition of the road had only been marginally improved and therefore effectiveness of the intervention was difficult to appreciate.



Sections of Mikka-Buwembo-Kitayita road - grading activities, (left); at Km0+000 (centre); at Km7+300 (right); at Km14+100.

Implementation challenges in the district included: poor condition of the road equipment or road plant unit; funds for equipment repairs are available but the procurement laws are unfair to equipment users as the process is lengthy. For this challenge, the district engineer proposed that pre-qualified service providers should be brought back on board to ease procurement procedures and this should be used to effect. Other challenges were under funding of the programmes whose main aim is to rehabilitate roads that have deteriorated.

3.8 WATER AND SANITATION

3.8.1 Introduction

The vision statement for the water and environment sector is '*Sound management and sustainable utilization of water and environment resources for the betterment of the population of Uganda;'* and the mission statement is '*To promote and ensure the rational and sustainable utilization, development and effective management of water and environment resources for socio-economic development of the country.'* The policy objectives for the sector have been developed in line with the Poverty Eradication Action Plan (2004). In brief this includes:

(i) To manage and develop the water resources of Uganda in an integrated and sustainable manner;
(ii) To achieve sustainable provision of safe water within easy reach and hygienic sanitation facilities;
(iii) To develop and efficiently use water supply for production[56].

The Water and Environment sector is funded from government and donor resources. The sector is funded through two channels: direct transfers to LGs and transfers to the MWE Line Ministry. These funds are then applied towards achieving the sector objectives and the MDG Goals.

For planning, budgeting, activity implementation and reporting purposes the sector is divided into 7 Vote Functions:

Vote Function 0901 Rural; Water Supply and Sanitation
Vote Function 0902 Urban Water Supply and Sanitation
Vote Function 0903 Water for Production
Vote Function 0904 Water Resources Management
Vote Function 0905 Natural Resources Management
Vote Function 0906 Weather, Climate and Climate Change; and
Vote Function 0949 Planning, Policy and Support Services

BMAU conducts quarterly monitoring of sector activities to assess extent of absorption of allocated funds and establish level of financial and physical performance against approved work plans by decentralized and centralized implementing entities. For Q2 FY 2011/12 monitoring, focus was on Q1 activities/projects at the decentralized and centralized levels and on projects that fall Vote Functions 0901, 0902, 0903 and 0904. The following projects under these vote functions were monitored:

- Under Rural water supply and sanitation, the District Water Supply and Sanitation Grant was monitored;

[56] Adapted from 'Strategic Investment Plan for the Water and Sanitation Sub-Sector,' August 2009, *Ministry of Water and Environment*, pg. i

- Under Urban water supply and sanitation, Support to Small towns water supply and sanitation was monitored;
- Under Water for production, Construction of Mayikalo Dam and Nshenyi Valley tank were monitored; and
- Under Water resources management, Support to water resources management and Nile Basin Initiative were monitored.

Physical performance was assessed based on selected variables that included, functionality/Operation and Maintenance systems, access to the facility by the intended beneficiaries, Hygiene and Sanitation, Gender aspects, and extent of implementation of the planned activities for the quarter.

In assessing financial performance of the projects, IFMS data at MoFPED and financial data from district local governments (DLGs) and Ministry of water and environment (MWE) (implementing entities) progress reports were used. The assessment focused on the absorptive capacity of the different local governments and projects sampled out during the monitoring period, compliance with established guidelines in allocation/utilization of the funds received and the relevance of the subsequent expenditures made. More financial analysis was carried out by assessing the certificates that had been paid out to the different contractors for the centrally managed projects and those implemented by LGs in relation to the physical works undertaken. The monitoring team looked at the work plans, budgets, works contracts, payment certificates and other supporting documents for core expenditures.

Criteria for selection of projects and districts to monitor

- Districts whose safe water coverage is below 40% were selected at random and these included Bugiri, Mayuge, Nakasongola, Lwengo, Kyenjojo, Kabarole, Luwero, Mubende, Masindi, Masaka and Sembabule
- Follow up visits for the outputs identified in the Q4 FY 2010/11 report were made. Emphasis was especially to those outputs that were believed to have been accomplished sometime back according to BMAU reports under the Water for production Vote Function but still appeared in the report.
- Outputs sampled under the vote functions of urban water supply and sanitation and water resources management were selected at random based on the levels of expenditures. Main focus was on functionality/operation and maintenance and subsequent sustainability of investments in the context of the huge amounts of money spent on the facilities.

3.8.2 Rural Water Supply and Sanitation (RWSS) Vote Function

This vote function contributes to the sector objective of "The sustainable provision of safe water within easy reach and hygienic facilities," .A big percentage (86%) of the financial resources received from the central government is decentralized through the District Water Supply Conditional Grant.

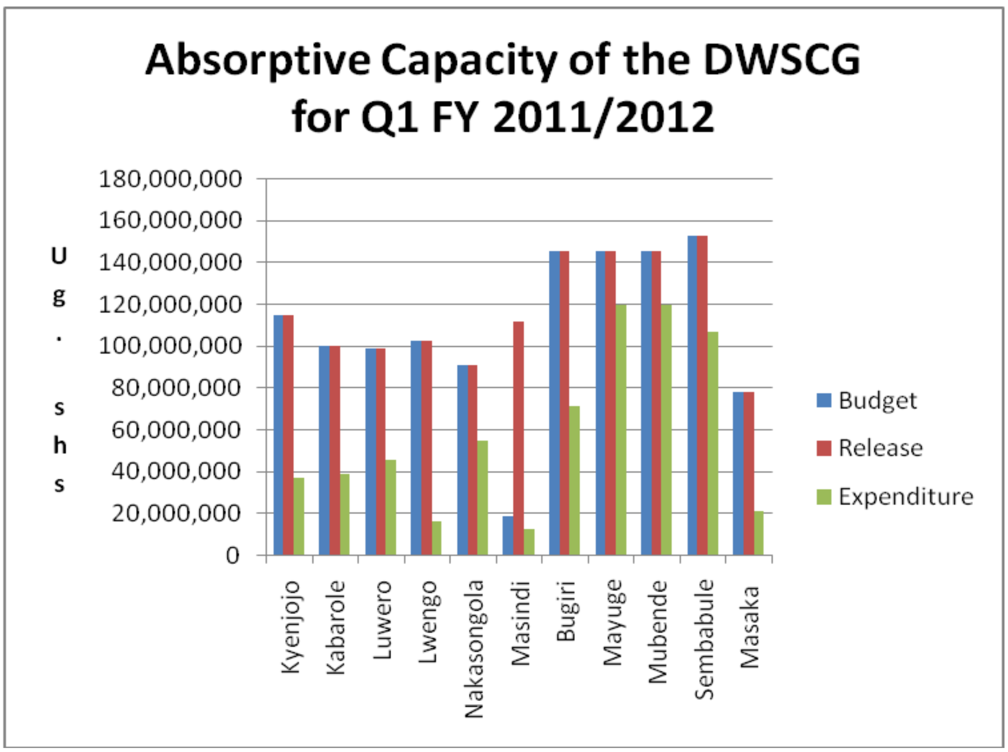
3.8.2.1 District Water Supply Conditional Grant (DWSCG) and the Sanitation Grant (SG).

This is channeled to the local governments from the Ministry of Finance, Planning and Development. Local governments are mandated to implement and provide effective coordination of water sector activities in their respective jurisdictions. They subsequently produce work plans and quarterly progress reports to MFPED and directorate for water development (DWD) respectively.

The sanitation Grant is a new grant created this FY 2011/2012 to directly fund sanitation and hygiene activities. It was after an assessment revealed a consistent lack of adequate attention to the sub-sector when funding was lumped together with water activities and subsequently dismal performance of the sub-sector. Its overall objective is to scale up sanitation and Hygiene at household level through community sensitization and campaigns.

The Local Governments that were monitored this quarter for both DWSCG and SG included: Nakasongola, Luwero, Lwengo, Kyenjojo, Kabarole, Masindi, Bugiri, Mayuge, Mubende, Sembabule and Masaka.

Figure 3.8.1: The absorptive capacity of the DWSCG for the Local Governments monitored in Q1



Source: Q1 District progress reports and the IFMS

The absorptive capacity was relatively low for some local governments. However the most outstanding was Masindi that had its release more than its budget. This presented both logical questions of the rational of releasing more than what the district budgeted, and an absorption challenge.

The low absorptive capacity was generally blamed on the long procurement procedures that curtailed efforts and plans to undertake hardware activities to be implemented in time.
The local governments that registered high expenditures on hardware components under the water conditional grants were those that had paid retention fees and outstanding balances for some of the activities that were implemented in FY 2010/11.

i) Nakasongola District

Financial performance

For the DWSCG, the FY2011/12 approved budget for Q1 was Ushs 90,419,000/=, amount released was Ushs 90,419,000/=, and the amount spent by the end of Q1 was Ushs 54,331,923/=. Absorption capacity was 60.08%. it was less than 100% because the remaining amount of money was tied to hardware activities that were to be undertaken in Q2. It was not possible to undertake them in Q1 because the procurement processes had not been concluded in time before end of Q1.

Approved budget for Q1 and release for Sanitation was Ushs 5,250,000/=. The total expenditure by the close of Q1 was Ushs. 4,082,000/= this represents and absorption capacity of 77.8%.

Physical performance

Table 3.8.1: Status on Capital Outputs and Expenditure in Nakasongola District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure (shs)	Comments on progress
Water Grant Conditional Grant				
Planning and Advocacy meetings at district and sub-county (part of software steps)	8	4	2,416,000/	Carried out Advocacy meetings in four sub-counties namely Kakooge, Wabinyonyi, Nabiswera and Nakitoma. Four meetings were not held because there was a rollover from the previous quarter and there was limited time to organize them.
Establishing Water User Committees (part of software steps)	9	9	1,714,500/=	Completed the formation of 9 water user committees.
Installation of ninety (90) private connections on	1	1	31,346,200/=	Kakooge was a rural growth centre (RGC) that was upgraded to a town council but had no piped water but only point water sources. A piped water system was started

Output	**Q1 Planned Outputs**	**Outputs Achieved**	**Expenditure (shs)**	**Comments on progress**
Kakooge Town Water Supply System				in FY 2008/09, done in 3 phases and in Q1,Completed the installation of ninety (90) private connections on Kakooge Town Water Supply System. This was a roll over from FY 2010/11 due to insufficient funds. 81 were household connections, 2 kiosks and 7 public tap stands. The system has 2.5 m3 and 5m3 tanks respectively.
Baseline survey for Sanitation (part of software steps)	9	9	2,415,000/=	Carried out a Baseline survey in nine villages that are to receive new water sources.
Regular data collection and analysis	1	1	1,000,000/=	Activity on-going.
Sanitation Conditional Grant				
Household sanitation and hygiene situational analysis –Initial baseline surveys.	2	-	3,074,000/=	To be implemented in 21 villages in Kakooge and 15 villages in Lwabyata S/C. Activity was on-going. Households were followed up on existence of • Drying Rack • Latrine • Bath Shelter • Kitchen • Hand washing Facility • Refuse Pit
Household sanitation & hygiene situational analysis – Follow up baseline surveys.	2	-	1,008,000/=	To be implemented in 21 villages in Kakooge and 15 villages in Lwabiyata S/C.

Source: Nakasongola DWSCG Q1 Progress Report and Field Findings.

Challenges

- The Ministry delayed to provide guidelines on how to manage the Sanitation Grant.
- It took some time to clarify who the vote controller for the sanitation grant was.
- Whereas the vote controller for the sanitation conditional grant is the district water officer (DWO), the implementer is the district health inspector (DHI). Coordination and communication between the two was found to be weak. This is not helping the smooth implementation of activities and their effective monitoring.

Recommendations

- Streamline communication and coordination between the DWO and DHI to enhance effectiveness and efficiency in implementation of sanitation and hygiene activities so that results match with outputs in the water activities.

ii) Luwero District

Financial performance

For the Water Conditional Grant, the FY2011/12 approved budget for Q1 was Ushs 103,765,750/=, amount released was Ushs. 98,516,000/=, representing a 95% realization. The total expenditure by the close of Q1 was Ushs. 45,400,000/=. This represents an absorption capacity of only 46% i.e. 54% of the funds were unspent. Like in the case of Nakasongola, the Luwero DWO claimed that most hardware activities were planned for Q2 and the unspent balance from Q1 was actually tied to those activities. Districts Water Offices get more funds than they can absorb in the Q1 on account of the nature of releases from the centre. First Quarter releases are automatically a minimum of 25% of the annual budget (based on the application of the Vote-on-Account rule) but not more than 33% of the annual budget. It is released before the approval of the year's budget by Parliament. Their nature of planning does not allow them to absorb all these funds in Q1.

Approved budget for Q1 and release for Sanitation Grant was Ushs 5,250,000/=, representing a 100% realization. Expenditure on this grant was Ushs. 3,275,000/= (62%). The remaining 38% was unspent and the DWO did not have a convincing explanation for this.

Physical performance

Table 3.8.2: Status on Capital Outputs and Expenditure in Luwero District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
Planning and Advocacy and sub-county	10	10	4,000,000/=	The activity was conducted at various sub-counties and attracted different stakeholders.
Technical Borehole assessments	33	33	2,894,000/=	Technical borehole assessments for all sources in the district was carried out and this involved both the deep

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
				borehole and the shallow wells.
Borehole rehabilitation	33	1	1,524,000/=	One deep borehole was rehabilitated at Nyimbwa sub-county headquarters in Katikamu county. This was handled as an emergency to supply water to the nearby Prison and Health centre. The other repairs to be carried out in Q2.
Sensitize communities to fulfill critical requirements (part of software steps)	36	36	4,012,000/=	The community was sensitized about the various infrastructures to be developed in their respective communities and was told of what is expected from them.
Training private sector (hand pump mechanics, caretakers and scheme attendants) (part of software steps)	1	1	4,356,000/=	This was successfully carried out.
Establishing Water User Committees – WUCs (part of software steps)	36	36	2,900,000/=	Activity was done and the community is aware.
Post-construction support to WUCs (part of software steps)	80	80	2,880,000/=	This was done to the already existing WUCs as part of operation and Maintenance
Baseline survey for sanitation (part of software steps)	1	1	6,832,000/=	Baseline survey for sanitation part of the sanitation grant.
Shallow well construction- Hand dug	30	_	5,659,630/=	The expenditure made was a balance for the a shallow well constructed in FY 2010/11
Sanitation Conditional Grant				
Sanitation and hygiene improvements	1	1	3,275,000/=	Activity carried out and specifically included sanitation and hygiene improvements and sanitation baseline survey (Part of the sanitation grant).

Source: Luwero District DWSCG Q1 Progress Report and Field Findings

Of the 33 boreholes planned for rehabilitation only one was undertaken and this was an emergence activity. It did not follow the established procurement process. The rest could not be undertaken due to delayed procurement processes. As a result, the district under-performed on most of the hardware activities.

Challenges

- Delayed procurement process resulted into failure to implement the planned construction in Q1.
- Lack of a sector vehicle to carry out routine coordination, supervision and monitoring of the sector activities. The sector entirely relies on borrowing from other departments and this is a very unreliable arrangement.

Recommendations

- The water department should be considered for additional funding to enable it to procure a sector vehicle for supervision, coordination and monitoring.

iii) Lwengo District

Financial performance

For the Water Conditional Grant, the FY2011/12 approved budget for Q1was Ushs 102,080,000/=, amount released was Ushs 102,080,000/=, which was a 100% realization. Total expenditure by the close of the quarter was Ushs 15,978,700/= representing an absorptive capacity of only 15.7%, and 84.3% of all Q1 funds received remained un-utilized.

The approved budget for Q1for the Sanitation Grant was Ushs. 5,250,000/= and the district had a 100% realization. By the close of Q1 Ushs, 1,285,000/= only had been spent, representing an absorptive capacity of only 24%.

Physical performance

The main achievement in the 1st quarter was mainly on soft ware activity and preparation of bid documents. Below is a table showing the activities that were registered in the 1st quarter

Table 3.8.3: Activities registered for Q1 in Lwengo LG

Output	**Q1 Planned Outputs**	**Outputs Achieved**	**Expenditure Ushs**	**Comments on progress**
Water Conditional Grant				
Planning and advocacy meetings at district and sub-county (Part of software steps)	1	1	600,000/=	The activity was carried out on the
Establishment of W.U.C’s	30	30	585,000/=	All the W.U.C's were established.

Sensitize communities to fulfill critical requirements (part of software steps)	30	30	3,015,000/=	Activity was still on-going
Training private sector on hygiene/sanitation promotion	2	2	1,285,000	Training of Ferro-cement beneficiaries on hygiene and sanitation was still on-going
District Water Supply and Sanitation Coordination Committee meetings	1	1	669,500/=	Completed at District Headquarters
Sanitation Grant				
Training private sector on hygiene/sanitation promotion	2	2	1,285,000	A situation analysis had been carried for the two s/cs of Malango and Ndagwe.

Source: Lwengo District DWSCG Q1 Progress Report and Field Findings

For both the water and sanitation conditional grants, absorptive capacity was very low. According to the DWO the district procurement system was very slow to the effect that no contracts had been awarded even deep into Q2. Most of the funds had been ear marked for hardware activities which required procurement of contractors. These therefore could not be undertaken in time due to delays in procurement.

Challenges

- Community contribution for example for rain water harvesting tanks was cited as a problem for poor rural communities. Initially community contribution was Ushs 400,000/= and this had been raised to Ushs 600,000/= for a rural water harvesting tank (RWHT) of 6 cubic meter. Communities did not have the capacity to raise this kind of money. This has stalled implementation.
- According to the DWO the existing coverage data in the DWD generated water atlas is inaccurate as it is not updated. The data does not tally with actual data on the ground. In this respect financial allocations based on coverage figures become inaccurate and deceptive.
- Poor legislation- lack of enforcement in ensuring that every homestead had sanitation facilities.
- According to the DWO sanitation in urban and peri-urban areas was very poor due to, in part, the very small land holdings at household level. There is literarily no room for installing proper sanitation facilities.

Recommendations

- The issue of community contribution should be re-visited taking into consideration the economic base of the recipients.
- There is need to update the existing water sources more often and allocations should be based on real time data (after updating).
- Consider other alternative appropriate technologies for sanitation facilities for town areas.

iv) Kyenjojo District

Financial performance

For the Water Grant, the FY2011/12 approved budget for Q1was Ug Shs 114,375,000/= and the amount released was Ug Shs. 114,375,000/=. By the end of Q1 the district had only Ug Shs. 36,790,921/= representing an absorptive capacity of only 32%. All expenditure was on software activities as not hardware activities had been planned for the quarter.

The approved budget for Q1 for the Sanitation Grant was Ug Shs. 5,250,000/=. The district realized 100% of the budget and registered an absorptive capacity of 89.8% (Ug Shs 4,716,200/= spent in the quarter) with only a balance of Ug Shs 533,500/= remaining unspent by end of the quarter.

Physical performance

Table 3.8.4 gives the ststus on capital outputs.

Table 3.8.4: Status on Capital Outputs and Expenditure in Kyenjojo District

Output	**Q1 Planned Outputs**	**Outputs Achieved**	**Expenditure U shs**	**Comments on progress**
Water Conditional Grant				
District Water Supply and Sanitation coordination committee meetings.	1	1	1,589,000/=	Meeting held on 14th September 2011
Stakeholders sensitization at district level	1	0	2,528,005/=	Scheduled for October 2011
Planning and Advocacy meetings at district and sub-county (part of software steps)	1	0	2,800,000/=	Scheduled after commencement of construction of water sources in October 2011.
Sensitize communities to fulfill critical requirements	8	0	1,483,200/=	Scheduled for October 2011.
Establishing Water User Committees(part of software steps)	12	11	2,040,000/=	Formation of water nad sanitation committees (WSCs) done save for Kyarusozi

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure U shs	Comments on progress
				Sub-county
Training WUC, communities and primary schools (where applicable) on O&M, Gender, Participatory planning and Monitoring (part of software steps)	8	0	2,658,000/=	Re-scheduled for October 2011 after completion of WUCs
Post-construction support to WUCs part of software steps)	12	12	2,136,000/=	This was done in 12 sub counties. It involved resurrecting the WUCs that had collapsed and reconstituting new ones that had lost members.
Sanitation Conditional Grant				
Household sanitation and hygiene situational analysis –Initial baseline surveys.	1	1	4,716,200/=	Covered 7 villages in Kisojo Parish and 9 in Mirambi Parish.(Consisted creation of awareness on hygiene,orientation of village health teams (VHTs) followed by data collection, analysis, feedback and setting action plans)

Source: Kyenjojo District DWSCG Q1 Progress Report and Field Findings

Three activities had been planned for Q1, but funds released could only support one activity. The balance from this activity could cover one more activity but it was not undertaken. There was no explanation for not undertaking this activity (home improvement campaigns with promotion of hand-washing at household level). Planning and budgeting was not in line with guidelines of the grant as they planned for more than what would be released in the quarter.

Challenges

- Delayed procurement process resulted into the failure to implement the planned construction in Q1. By close of Q1 the procurement process was very far from being completed. Actually at the time of monitoring which was in Q2, the evaluation of bids was just being concluded.

Recommendations

- Improve planning and budgeting according to established guidelines so that there is a link between what is planned and the anticipated releases.

v) Kabarole District

Financial performance

For the Water Conditional Grant the FY2011/12 approved budget for Q1 was Ushs 99, 600,000/= and the entire quarter budget was realized (100%) realization). Of the amount received in the quarter, only Ushs 38,513,940/= was spent by the close of the quarter, representing an absorptive capacity of only 38.67%.

The approved budget for Q1 for the Sanitation conditional Grant was 5,250,000/=. The district realized 100% of the approved budget in the quarter. The entire Q1 budget was spent on one activity.

Physical performance

Table 3.8.5: Status on Capital Outputs and Expenditure in Kabarole District

Output	Q1 Planned Outputs	Outputs Completed	Expenditure Ushs	Comments on progress
Water Conditional Grant				
District Water Supply and Sanitation Coordination meetings.	1	1	937,000/=	District coordination meeting held on the 29th of September 2011.
Planning and Advocacy meetings at district and sub-county (part of software steps)	1	1	4,822,000/=	2 county level advocacy meetings held.
Sensitize communities to fulfill critical requirements (part of software steps)	1	1	1,820,000/=	Activity conducted in 25 villages.
Establishing Water User Committees(part of software steps)	1	1	1,817,500/=	Activity conducted in 25 villages.
Training WUC, communities and primary schools (where applicable) on O&M, Gender, Participatory planning and Monitoring (part of software steps)	1	_	3,995,840/=	Activity on-going.
Post-construction support to WUCs part of software step	1	1	1,413,500/=	Support given to facilities constructed last financial year.
Environmental Impact Assessment (EIA)	1	1	2,812,500/=	EIA study conducted for shallow wells to be

Output	Q1 Planned Outputs	Outputs Completed	Expenditure Ushs	Comments on progress
				constructed, gravity flow scheme (GFS) both existing and new GFS and existing latrine structures in schools.
Shallow well construction –Hand dug	25	_	2,500,000/=	Sitting of all 25 water points conducted.
Construction Supervision visits	10	_	3,254,650/=	Works carried over from last FY
Contact management skills development	1	_	2,099,000/=	Workshop scheduled to take place in October 2011.
Sanitation Conditional Grant				
Household sanitation & hygiene situational analysis – Initial baseline surveys.	1	1	5,232,500/=	Latrine coverage was assessed.

Source: Kabarole District DWSCG Q1 Progress Report and Field Findings

Under the sanitation conditional grant only one activity was undertaken in Q1. All other activities planned for the quarter could not be carried due to lack of funds. The planning did not follow the guidelines which indicate that releases would be 25% of the budget. So that district planned/budgeted for more than what would be released by MoFPED.

Challenges

- Interviews with the DWO revealed a low functionality rate of installed facilities. Considering the rate at which facilities were being vandalized in the district, it is almost clear the community-based O&M systems being promoted are having no impact. Either the promotion is inadequate in volume and quality or the message itself has a problem of appropriateness.

Recommendations

- The district needs to get alternative approach to O&M as the current one is not yielding the required results.

vi) Masindi District

Financial performance

According to the DWO progress report (for FY 2011/12 Q1) that was availed to the monitoring team for the district ***working budget*** for Q1 was Ushs 18,381,000/= and this inclusive of the PRDP. Data obtained from the MoFPED IFMS system indicated that a total of Ushs 111,635,000/= (Normal Allocation Ushs 77,132,000 and PRDP Allocation Ushs 34,502,000) was released to the district for Q1. The DWO's progress report further indicated an expenditure of Ushs. 12,008,057/= by the close of the quarter. This represented an absorptive capacity of only 10.75%, the lowest in all districts monitored.

It was not clear to the monitoring team what "working budget" was or meant. This expenditure could not be verified as there were no authentic support documents (legal evidence) to look at. All documents were reportedly with the Auditor General's office. This too could not be verified.

Water Aid also funds water activities in the District; their budget for Q1 was Ushs 68,522,100 and the release was Ushs 68,522,100. The monitoring did find a clear distinction in reporting between activities undertaken using GoU funds and those from other development partners – Water Aid in this case. This information could not be obtained from the DWO

Overall the financial part of the progress report shows a lot of unutilized funds on the district water account. If the working budget for the quarter was only Ug Shs 18,381,000/= it is then not clear and how MFPED released Ug Shs. 111,635,500/=. This discrepancy needs to be explained. .

The approved budget for the Sanitation Conditional grant for Q1 was Ushs. 5,250,000/= and release for the quarter was 100%. The total expenditure by the close of the quarter was Ushs. 3,405,200/= which represented an absorptive capacity of 64.8% and un-spent balance of Ug shs.1, 844,800/= (35.2%).

Physical performance

Table 3.8.6: Status on Capital Outputs and Expenditure in Masindi District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
District Water Supply and Sanitation Coordination meetings.	1	1	500,000/=	The activity was carried out on the 25th September 2011.This discusses how the activities for the quarter will be coordinated and sharing of work plans. It also sets some priorities and the way forward.
Planning and Advocacy meetings at district and sub-county (part of software steps)	1	1	3,330,000/=	Discussion was held with the stakeholders about the FY 2010/11 report and work plans.
Baseline survey	51	51	1,280,000/=	Includes works on 4 sites

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
for sanitation (part of software steps)				under Luwero Rwenzori Development Programme
Sanitation Conditional Grant				
Household sanitation & hygiene situational analysis – Initial baseline surveys.	40	40	3,405,200/=	This was done in 40 villages around the district

Source: Masindi District DWSCG Q1 Progress Report and Field Findings

The activities carried out were majorly software activities and this was attributed to especially the long procurement procedures. By the close of Q1 no contracts had been awarded for construction work.

Challenges faced during monitoring

The DWO was not in the district during the week the monitoring team visited the district. The person left in the office (the DWO recommended that the team deals with the person) was an office secretary who had very limited knowledge of what was happening in the DWO.

The annual work plans and budgets as well as the Q1 progress report had a lot of clarifications which the office secretary could not explain.

Attempts to get clarification from the District Water Office on the difference between what was called working budget and the Q1 release to the district were futile. At the time of monitoring (third week of November), the DWO was out in Kampala reportedly on official duty. He was contacted on (that same week) telephone to arrange for a face to face meeting with the monitoring team but he could not yield.

The monitoring team raised issues with him in an email (on November 28th 2011) but got no response from him (up to the time of writing this report – third week of December 2011). He was again contacted on phone to provides explanation and indicate whether he was going to respond to issues raised in the email, but he proved uncooperative and retorted that he had other important things to accomplish before he could find time to respond to the email.

Challenges for the DWSCG and Sanitation Grant

- The Community-based O&M approach has failed in the district. One of the indicators to this effect is the persistent theft of borehole hand pump heads with no intervention from the users at all yet they are in close proximity to the facilities they must be having information on the perpetrators of the theft.

- According to the DWO progress report there is lack of adequate land for constructing the facilities. It is however not clear whether it applies to both rural and urban centers, the reporting is inadequate and lacks analysis. Rural settlements cannot lack adequate land for latrines and hygiene facilities.
- In the same progress report, it was stated that poor soil formation has hindered latrine digging in some communities. There was no specific indication which communities and how much of this is representative of the entire district.

Recommendation

- In the baseline survey an assessment of population/settlement pattern/land size/soil types should be made and a link established between these variables and latrine coverage. Then an outline of alternative technologies for latrine be made for those areas where current technological options are not feasible. Otherwise the claims of the DWO at the moment are not grounded in researched findings.

vii) Bugiri District

Financial performance

For the Water Conditional Grant the FY2011/12 approved budget for Q1 was Ushs 144,802,000/= and the amount released was Ushs. 144,802,000/= which 100% realization. By the close of the quarter total expenditure was Ushs. 71,217,204/= representing an absorptive capacity of 49.18%.

A large proportion (Ushs. 40,327,985/=) of the expenditure was on payments for retention fees and unpaid construction cost rolled over from the FYs 2009/10, and 2010/11. ***This is a reflection of the level of inefficiency in the previous FYs. It implies that communities lost out in additional water sources to a tune equivalent of Ushs. 40,327,985/=.***

The approved budget for Q1 for the sanitation conditional grant was Ushs. 5,250,000/= and 100% was realized. By the close of Q1 the total expenditure on the grant was Ushs. 4,282,000/=, representing an absorptive capacity of 81.56%.

Physical performance

Table 3.8.7: Status on Capital Outputs and Expenditure in Bugiri District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
District Water Supply and Sanitation Coordination meetings.	4	1	622,000/=	Q1 coordination meeting held
Sensitize communities to fulfill critical requirements (part	30	30	5,040,000/=	Communities sensitized to fulfill 6 critical requirements.

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
of software steps)				
Quarterly social mobilizers Meeting	1	1	574,500/=	Meeting with Social mobilizers.
Baseline survey for sanitation (part of software steps)				
Training private sector (hand pump mechanics - HPMs, caretakers and scheme attendants) (part of software steps)	1	1	3,273,000/=	Residential training for HPMs to be held at Iganga Technical Institute
Planning and Advocacy meetings at district and sub-county (part of software steps)	1	1	3,003,500/=	Meeting held with District councilors and Heads of Departments at District Headquarters including key sub county staff (Senior Assistant Secretaries and LC3 Chairpersons).
Post-construction support to WUCs (part of software step)	20	20	2,500,000/=	Reactivation/retraining of WUCs and commissioning of constructed sources
National Consultations	1	1	1,822,000/=	Consultations held with Technical Support Unit and delivery of quarterly reports to DWD and Senior Accounts Assistant. Consultations with URA
Radio for promoting water and sanitation and good hygiene practices.	1	1	1,460,000/=	1st Quarter Radio talk show held at Eastern Voice Radio Bugiri.
Environmental Impact Assessment	1	1	3,000,000/=	EIA done for sites where new WATSAN facilities are to be constructed.
Sanitation Conditional Grant				
Household sanitation & hygiene situational	1	1	4,282,000/=	Initial baseline for Sanitation and Hygiene carried out in two sub-counties of Iwemba and Bulesa

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
analysis – Initial baseline surveys.				

Source: Bugiri District DWSCG Q1 Progress Report and Field Findings.

Under the water conditional grant only software activities were undertaken. No hardware activities were planned for Q1. The balance from the releases will be applied to hardware activities that start to be implemented in Q1.

Under the sanitation conditional grant the district planned only one activity and it was undertaken in full (registered 100% achievement). The balance on the budget remains on the water account (but this could not be verified as the support documents were not accessible at the time of monitoring.

viii) Mayuge District

Financial performance

For the Water Conditional Grant, the FY2011/12 approved budget for Q1 was Ushs 144,801,750/=, amount released was Ushs 144,802,000/= representing 100% budget performance. The amount spent by the end of Q1 was Ug Shs. 119,380,144/= which is an absorptive capacity of 82.4%.

Of the total expenditure in Q1, Ushs. 69,534,805/= was on retention fees and un-paid balances from projects implemented in the previous FY. This is inefficiency in planning and implementation. These funds could have been allocated to new water facilities for FY if all financial obligations for previous years were settled in time.

The approved budget for Q1 for the Sanitation Conditional Grant was Ushs. 5,250,000/= and the district realized 100% of it. Of this, Ushs 5,250,000/= had been spent by the close of Q1 representing an absorptive capacity of 100%.

Physical performance

Table 3.8.8: Status on Capital Outputs and Expenditure in Mayuge District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
District Water Supply and Sanitation Coordination meetings.	1	1	647,500/=	One DWSCC meeting was held to capture NGO work plans and budgets.
Sensitize communities to fulfill critical requirements (part of software	45	35	4,560,000/=	35 beneficially communities were mobilized and sensitized to fulfill critical requirements.

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
steps)				
Establishing Water User Committees	45	35	3,850,000/=	35 New WUCs were Established
Training WUCs, communities and primary schools on O&M, Gender, Participatory planning and monitoring.	45	35	3,550,000/=	35 New WUCs were trained
Radio for promoting water and sanitation and good hygiene practices.	3	3	2,640,000/=	Radio spots addressing issues of O&M, sanitation and hygiene were aired at NBS radio station.
Follow up visits at 50 Water sources with an aim of rejuvenating WUCs	60	60	7,900,000/=	Follow up visits aimed at rejuvenating WUCs at 60 water sources
Water quality testing (new sources)	24	24	2,892,000/=	Testing done on new water sources
Water quality testing (old sources)	120	125	14,389,000/=	Testing done on old water sources
Sanitation Conditional Grant				
Household sanitation & hygiene situational analysis – Initial baseline surveys.	11	11	2,000,000/=	100% Completed
Household sanitation & hygiene situational analysis – Initial baseline surveys	45	35	3,250,000/=	78% Completed

Source: Mayuge District DWSCG Q1 Progress Report and Field Findings.

There were no hardware activities planned and none was undertaken during the quarter. Only software activities were planned and all were undertaken which was a 100% performance.

Challenges

- The Sanitation situation is very low at landing sites and Islands where the coverage lies below 2% .This according to the DWO, is because construction of traditional pit latrines in these areas is impossible due to a high water table level, collapsing soils and rocky ground formations.

Recommendation

- The district in liaison with the Appropriate Technology Center at Mukono should come up with alternative appropriate technologies for addressing the latrine challenge along the lake shores.
- There is need for a specific funding in this area.

ix) Mubende District

Financial performance

For the Water Conditional Grant the FY2011/12 approved budget for Q1was Ushs 144,922,750/=. The amount released for the quarter was Ushs144,802,000/=, representing 99.9% of the approved budget and the amount spent by the end of Q1 was Ushs 119,358,012/= representing an absorptive capacity of 82.42%

A large proportion (Ug Shs. 93, 437,000/=) of this money was spent on retention (Ushs. 14,509,300/=) and un paid balances (Ushs 78,927,700/=) from projects implemented in the previous FY. This large sum of money coming in for payment in Q1 FY 2011/12 is an indication of bad performance in the previous quarter (Q4 of FY 2010/11). The bad performance was attributed to delay and not so smooth procurement processes that led to late contracting out of works. This subsequently led to late completion of projects, so much so that payments could not be effected in the FY the projects were planned. It means communities lost out on new water facilities which this money could have constructed in Q1.

However according to the DWO, they experienced a budget cut of close to 15% in FY 2010/11, and that therefore they were unable to pay off all dues. Whereas this may be a reason, it does not explain the whole picture. It is therefore a combination of budget cuts and poor performance in the procurement process.

Approved budget for Q1 and release for Sanitation was Ushs 5,250,000/= and the expenditure. The funds were first credited onto the Health account from general fund account due to the confusion on which the vote controller was.

Physical performance

Table 3.8.9: Status on Capital Outputs and Expenditure in Mubende District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
District Water Supply and Sanitation Coordination meetings.	4	1	2,350,000	The activity was carried out to discuss the annual report and the work plans.
Inter Sub county meetings	3	3	7,103,400	These were carried out in the 3 counties of Kasambya, Buwekula and Kasanda.
Planning and Advocacy meetings at district and sub county(Part of software steps)	1	1	5,825,000	This was carried for all the district level leaders.
Retention and Outstanding balances			89,615,647	This paid for the works that had been accomplished in the FY10/11. It included a valley tank in Kasambya subcounty, 5 boreholes and 4 shallow wells.
Sanitation Conditional Grant				
Household sanitation & hygiene situational analysis – Initial baseline surveys.			0	No activity took place using the grant because the money was credited on a wrong account of Health from the General Fund account. It took some time to be sent to the water account.

Source: Mubende District DWSCG Q1 Progress Report and Field Findings.

In Q1 there were no hardware activities planned save for the payments effected against balances on hardware activities that were carried forward from Q4 of FY 2010/11.

There was no activity implemented under the Sanitation Conditional Grant. This, according to DWO was because of the initial confusion related to the crediting of funds onto the wrong account (Health Account). By the time this was sorted out, the quarter had closed. All funds were therefore rolled over to Q2.

Challenges

- Inefficient procurement process. Too much unexplained delays leading to late contracting. This has been going on for long and there seems to be little effort to address the issue.
- Technological limitations associated with the very low water table in the cattle corridor in which over 90% of the district falls. Success rate with boreholes is very low especially in the

Sub-Counties of Kitenga, Kiganda, Kasambya, Manyogaseka and Myenzi all in the cattle corridor. Only upper Mubende has a reasonable success rate and here shallow wells too are possible. Cases of boreholes drying out are common in the cattle corridor.

This has limited the district's ability to provide both domestic and water for production. In these areas the most feasible technological option are valley tanks and valley dams. But these are very expensive and the district budget allocations cannot support many such facilities to meet the high demand. The affected areas are therefore under-served.

- The very few facilities in the water stressed areas means they are overwhelmed in use. As a result the facilities break down very frequently and some soon get beyond community ability to repair.
- Community-based O&M is not going well. Many facilities are vandalized and no action is taken against the perpetrators. Worse still the extension staff are poorly facilitated and cannot make effective follow up with WUCs.
- Population dynamics among rural communities have changed with emerging opportunities in towns and trading centers. Majority of able-bodied individuals live off their farms most fo the day and only return late evening. When communities are called for meetings to discuss ways of tackling O&M challenges, only "lousy" drunkards and elderly people turn up. These have little useful contribution to make in the discussions and no follow up.

Recommendations

- MWE should consider giving the district special budget considerations so that it can develop piped water systems for domestic water supply. Such systems can be centered in spots where high-yielding production wells can be sunk. Piped systems have the flexibility of supplying over a wide geographical area.
- The district should plan and budget for adequate facilitation to extension staff to make effective follow-up on O&M with WUCs.
- Extension staff should be equipped with new skills to deal with the changing population dynamics. This will go along away in enhancing their ability to formulate effective strategies for addressing O&M issues.

x) Sembabule District

Financial performance

For the Water Conditional Grant, the FY2011/12 approved budget for Q1was Ushs 152,490,000/= and the district had a 100% budget realization. By the close of Q1, Ushs 106,643,221/= had been spent, representing an absorptive capacity of 69.93%. There was a balance of Ushs. 45,806,799/= (30%) at the end of the quarter.

Approved budget for Q1 Ushs 5,250,000 and release for Sanitation was Ushs 5,100,000/= and the expenditure 5,434,000/=.

Physical performance

Table 3.8.10: Status on Capital Outputs and Expenditure in Sembabule District

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
Water Conditional Grant				
Planning and Advocacy meeting at district and sub county	1	1	1,967,000	
Sensitize Communities to fulfill critical requirements(Part of software steps)	27	30	2,952,000	Prior to construction/rehabilitation of the new water points the beneficiary communities are sensitized to ensure that they meet the critical requirements of establishing water user committees in the various water source locations for future O&M enactment.
Hold community meetings for potential rainwater harvesting tank beneficiaries	27	27	3,007,200	The district is promoting the construction of Ferro cement tanks of 6000 liters capacity at various households in the water stressed areas. The district procures building materials not easily available for the benefiting households. The sensitization of these communities was accomplished in the 6 sub counties.
Training WUC, communities and primary schools(where applicable) on O&M, Gender ,Participatory monitoring(part of software steps)	20	28	2,783,000	This was done: 28 water user committees in the sub counties of Mateete and Lwebitakuli focusing on the old committees of already existing water sources. The major objective was to refresh the WUCs on their roles and responsibilities, discuss the factors that limit the effective management of their water sources and then map a way forward.
Training private sector (sub county based mansions in Ferro cement tank construction)	1	1	4,676,000	The activity was successfully carried out.
Post construction support to WUCs(part	40	40	2,588,000	This was done for the point sources

Output	Q1 Planned Outputs	Outputs Achieved	Expenditure Ushs	Comments on progress
of software steps)				that were constructed in the FY 10/11
Advocacy at Sub county	6	5	3,342,000	Sub county advocacy meetings were held in each of the 6 district's s/cs with an objective of disseminating information on rural water development, operation and management performance. These meetings target sub county council members and the technical planning committee including extension workers.
Shallow well construction			2,869,000	The expense was made towards the hydrogeological siting of shallow wells planned for the subsequent quarters.
Promoting domestic rainwater harvesting	60	20	19,250,528	
Retention for works of FY 2010/11		0.8	15,388,962	Includes payments for retention on Valley Tank Contract 09/10
Borehole Rehabilitation	8	10	35,399,591	10 boreholes were rehabilitated and the works included; Fishing out pipes, flushing /blowing out accumulated silt up to the bottom of the borehole, supply and installation of a complete hand pump set.
Sanitation Conditional Grant				
Household sanitation & hygiene situational analysis – Initial baseline surveys.	60	60	3,500,000	Sanitation status of sub counties of Mijwala, Lwebitakuli and Mateete were assessed. 60 villages in the 3 sub counties were considered and 549 households selected per sub county. The survey covered; latrine coverage, hand washing, drying racks and special containers for drinking water.
Demand Creation activities including hand washing	21	21	1,934,000	The activity was successfully completed.

Source: Sembabule District DWSCG Q1 Progress Report and Field Findings.

Of the Ushs 106,643,221/= spent under the water conditional grant, only Ushs. 22,119,528 was spent construction of on new facilities. Another Ushs 35,399,591/= was spent on rehabilitating mal-functioning facilities. This is attributed to poor O&M systems that lead to poor functionality. This is money that could have constructed new facilities (2 boreholes) and increase the coverage but was now spent on rehabilitation.

All software activities planned were carried out and Ushs. 21,315,200/= was spent. Therefore the balance of Ushs 45,806,799/= had no clear cut allocation in Q1.

Another Ushs 15, 388,962/= was spent on retention fees for projects implemented in the previous FY. It is not understood why districts have to budget for and pay off retention fees in the next FY when they could do it in the FY the activities are undertaken.

Challenge Faced

- The poor response of the communities towards community based management system arrangements. This has failed the operation and management of the water sources.

Recommendations

- There is need to enhance advocacy campaigns and enlist cooperation from the various stakeholders including local leaders in order to address the problem affecting water source functionality.
- More budget allocations should go to piped water systems in RGCs than point water sources, as the former have the potential to serve more people (less per capita unit costs) than the latter for the same amount of financial investment levels.

3.8. 3. Urban Water Supply and Sanitation Vote Function

This Vote Function contributes to the sector objective of ***"Provision of viable urban water supply and sewerage/sanitation systems for domestic, industrial and commercial uses."*** The projects monitored in Q1 included i) Support to Small Towns Water Supply and Sanitation Project (0164) and Water and Sanitation Development Facility- Central (1130).

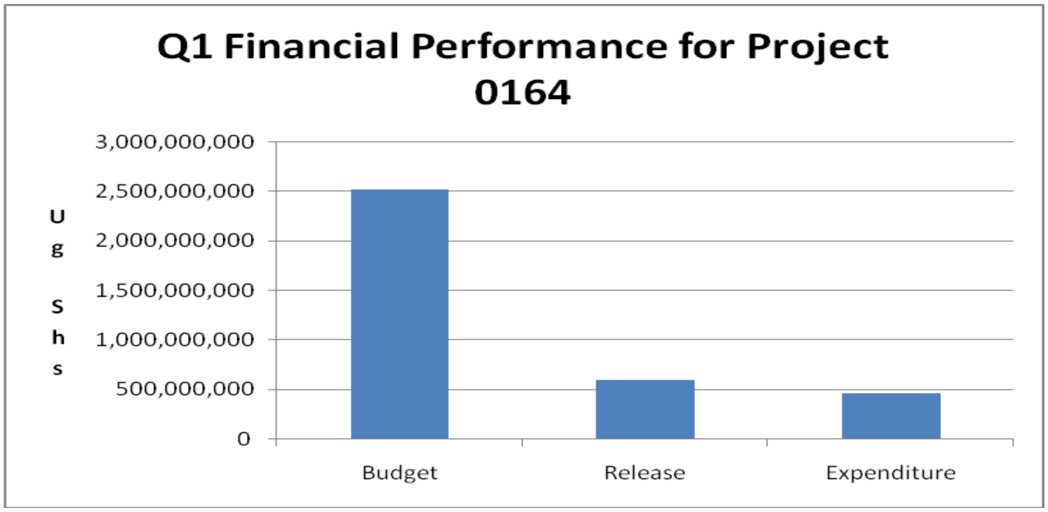
a) Support to Small Towns Water Supply and Sanitation (SSTWSP) -Project 0164

This project is focusing on the constructing new water supply schemes, water treatment process revision, expansion / extension of the water supply and sanitation systems in the towns of Butaleja, Busolwe, Tirinyi, Kibuku, Pallisa, Lukaya and Katovu.

The expected immediate outputs for the project's water supply and sanitation services are:

- Increased satisfaction, equity and user support for the water and sanitation services.
- Increased access and usage of water and sanitation services.

Figure 3.8.2: Financial performance of SSTWS



Source: Integrated Financial Management System (IFMS)

The absorptive capacity for this project was been high as illustrated in the Fig. above.

Physical performance

Tirinyi-Kibuku Town Water Supply Project

Effective construction works started on 1st June 2010 and was due for completion on 31st May 2011. However the Contractor failed to complete the works within the originally designated project period of 365 days and requested for time extension of 61 days to complete works, citing delays in the handing over of the reservoir site in Tirinyi Sub-county. This was a problem of the district/sub-county failing to secure land rights in time over the plot where the reservoir was to be sited. The contractor was therefore granted time extension of 61 days hence giving a revised completion date of 31st July 2011. The works are reported as 100% completed.

According to the latest progress report from the Consultant and from MWE, test-pumping was successfully done. Water was flowing in the taps for only 2 months and since then the taps have been dry (up to the time of monitoring). Interactions with the beneficiaries indicated that they had no explanation provided to them for the dry taps after enjoying the service for two months.

According to the contractor, the problem of lack of water was attributed to the power connections and this was more of a regulatory factor on the side of UMEME. UMEME meters had not been installed at the pump houses so they were advised to wait until then. The test pumping was done using power from a generator that has since been withdrawn by the contractor as it was not part of the contract.

The physical performance of this project as of the time of monitoring was as in table 3.8.11 below:

Table 3.8.11: Status of Works at Tirinyi-Kibuku Town Water Supply Project

SN	Project component	Status on component at time of monitoring	General remarks
1	Borehole 1 (BH1-DWD 27891-6.0m3/hr borehole	Complete	Borehole complete and functional.
2	Borehole 2 (BH2-DWD 27890 14.6m3/hr.	Complete	Borehole complete and functional.
3	Raw Water Pumping Mains	Complete	Complete but not functional due to power disconnections as the meters for UMEME are not in place.
4	Chlorine Dosing House (Tirinyi)	Complete	Fully completed and did testing for water supply for two months.
5	Tirinyi Reservoir (150m3)	Complete	The Reservoir Tank is complete and ready for use, awaiting power connections.
6	Chlorine Dosing House (Kibuku)	Complete	Dosing house is complete and ready for use, awaiting power connections.
7	Kibuku Reservoir (100m3)	Complete	The Reservoir Tank is complete and ready for use, awaiting new power connections. Water distribution testing was done for two months.
8	Tirinyi Distribution Mains	Complete	Fully completed and ready for use.
9	Mechanical & Electrical works	UMEME meters not yet to be installed,	No UMEME meters had been installed at that time for both pump houses
10	Consumer Connections	380 connections were made.	Connections were made. **Tirinyi** 3 primary schools, 1 secondary school, 1 church, and sub county headquarters. **Kibuku.** 2 secondary Schools, 1 Health centre iii, Town council, District Headquarters, 1 church.
11	Stand posts	4no. stand posts constructed (2no. in Kibuku and 2no. in Tirinyi)	5 stand posts were supposed to be constructed according to the contract. There was a gap of 1stand post due to failure to acquire land for construction by the local authorities.

Source: Q2 Field Monitoring Findings


Photos 1&2: To the left is the completed reservoir Tank with the Chlorine Dosing House in the Background at Kibuku and to the Right is one of the Production Wells completed with electric cables for power to the submersible pump fitted.


Photos 3&4: To the left a Household/private connection in Tirinyi complete with tap and meter. To the right, a Public Tapstand with no taps fitted.

Challenge

- Going by the experience elsewhere in other rural growth centres with piped water systems, hydro power from UMEME is the most unreliable and expensive for powering such systems that are meant to serve poor communities. No alternative source of power was planned for the project, so in absence of power from the national grid, the beneficiaries will have to endure long spells of no service.

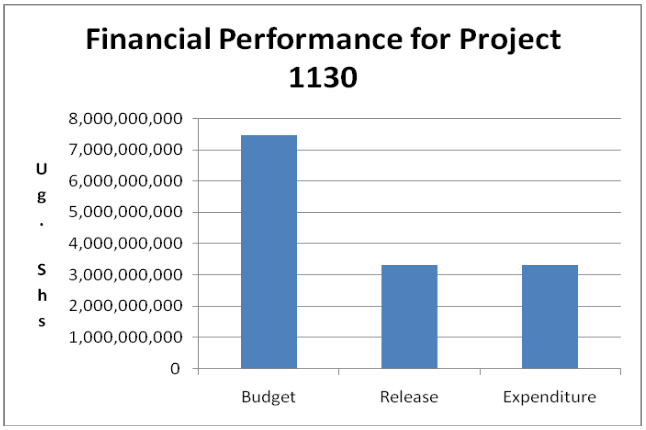
Recommendation

- In the short-term, a generator should be brought as an alternative source of power. In the long run and for a more lasting solution, solar power should be considered as the main source of power for the system

Water and Sanitation Development Facility (WSDF-Central -Project 1130)

The Water and Sanitation Development Facility-Central is a funding mechanism for investments at community level through a demand responsive approach. Its overall objective is to support the development of water supply and sanitation in small towns and Rural growth centers in the 25 Central Uganda districts of Hoima, Buliisa, Masindi, Nakasongola, Nakaseke, Kiboga, Kibaale, Luwero, Mityana, Masaka, Mpigi, Mubende, Mukono, Buikwe, Kayunga, Kalangala, Wakiso, Buvuma, Gomba, Kiryandongo, Kyankwanzi, Butambala, Bukomansimbi, Kalungu and Lwengo.

Figure 3.8.3: Financial performance in Q1 FY 2011/12 and FY 2010/11



	Approved Budget	Release	Expenditure
Q1 FY 11/12	5,366,000,000	1,433,166,666	1,433,166,666
FY 10/11	2,099,985,138	1,875,437,000	1,875,437,000

Source: Intergrated Financial Management System(IFMS)

The Nakaseke town water supply and sanitation project was visited.

Nakaseke Town Water Supply and Sanitation

The main objective of the project is to supply water to meet competing demands for the production purposes within the town council and these demands include: domestic, commercial and industrial needs. This output was picked from the FY 2010/11 Q4 report that had reported 70% completion of the system.

The system is being constructed by Up Deal (the contractor) who entered into implementation agreement with DWD on the 19th August, 2010.

Financial Performance

The contract price for the project is **Ushs 1,692,461,795.** So far a total of six certificates have been raised and four paid.

Table 3.8.12: Certificates certified and paid in Nakaseke

Certificate no.	Invoice submission date by Contractor	Amount Invoiced	Amount Certified	Paid	Variance	Contract Balance	Date paid
						1,692,461,795	
WSDF-C 001	04.01.2011	397,499,250	342,763,200	342,763,200			11.01.2011
WSDF-C 002	02.02.2011	314,609,960	283,148,964	283,148,964			17.03.2011
WSDF-C 003	26.05.2011	229,699,413	199,883,202	39,000,000	160,883,202		24.06.2011
	05.09.2011			160,883,202			05.09.2011
WSDF-C 004	19.08.2011	202,054,064	181,848,658				06.09.2011
WSDF-C 005	24.10.2011	315,326,341	155,583,367		105,583,367		03.11.2011

Source: WSDF-C Accounts department

Physical performance

The contract period is 8 months from the commencement date. The contract therefore was supposed to be completed by the 31st July 2011.

Table: 3.8.13: WSDF-C Outputs Performance Status for Q2 FY 2011/12

Output	Status as the end of Q2
Drilling of boreholes and construction of pump stations	There is a chain link fence with concrete columns for the 2 boreholes of 16.6m3/hr and 8.4m3/hr complete with a gate .Outstanding works were mechanical and electrical.
Fixing of raw water pumping Main	Power is not yet connected in the powers houses for fear of theft of the equipment before handover.
Construction of Chlorine dosing house	The Chlorine dosing house is complete and fenced but there is no power connection.
Construction of 200m3 Reservoir tank	Reservoir tank was not yet completed by the time of monitoring as the materials to complete it were to be imported.
Fixing of distribution and service lines	Laying the high density polyvinyl Ethylene pipes of 20mm and mm diameter was done. 167 households were Connected out of the 200 in the contract. Construction of four (4) public stand posts was done to completion.
Fixing of all mechanical and electrical works	Fixing awaits power installation.
Construction of two public Eco san toilets	Two, five stance public ecosans were constructed. There is need to clear the grass around the area and also remove the debris from the site.
Construction of a water	A structure existed though not yet completed. Supplying and fixing of doors,

Output	Status as the end of Q2
office	internal finishes were not yet done.
Construction of Household Ecosans	Five ecosans at a household level were constructed for demonstration purposes. These were outside the terms of reference for the contractor.

Source: Field Findings

Photos 5&6; To the left is the completed Nakaseke Town Water Supply public Ecosan not yet in use. To the right is one of production wells not yet connected to the network, almost submerged in the swamp. Water is gushiing out of the well.

Challenges

- When the monitoring team interacted with local communities in the Township, it became clear that the level of social mobilization, sensitization and education with respect to Ecosans was still very low and was not yielding the expected positive response from intended users. This was worse for the public Ecosans. Even the private (household Ecosans have an acceptance challenge.

  One of the beneficiaries confessed to the monitoring team that she was still skeptical about the total acceptance of the facility by family members. The Ecosan had been completed but two months down the road, they were not using it yet.

- The production wells were in a swamp and water level was rising almost to the level of submerging the entire structure. Should it be submerged, dirty unsafe water may sip into the well and will end up being pumped into the system. Much as there is a treatment plant, sipping of swamp water into the system may create increased treatment costs and the debris getting into the well may damage the pump. The resident engineers along with the contractor need to see how to address this issue.

Recommendations

- Mobilization and sensitization of communities with regards to promotion of Ecosans needs to be stepped up. It should be a continuous activity and not a one-time-off event.

- The management of the public Ecosans needs to be sorted out immediately considering that the technology is a new one and local town residents are to used to it let alone getting used ot paying for the sue of sanitation facilities. The private operator who will be contracted needs to be thoroughly educated on his responsibilities not only for collecting user fees but for providing the consumable materials needed in using the toilet and how it is cleaned.

3.8.4 Water for Production

Water for Production focuses on the development of water resources for productive use (crop irrigation, Livestock and aquaculture), rural industries, and other commercial uses. It's either Off-farm involving the development of water sources like valley dams, Valley tanks, other surface water reservoirs and transmission mains, or On-farm development entails the development of primary distribution and tertially networks for irrigation systems.

In this Q2 monitoring, two outputs were monitored under this vote function: i) Mayikalo Valley Dam in Lwemiyaga Sub County Sembabule District and; ii) Nshenyi Valley Tank in Ruhama County Ntungamo District. According to the MWE Vote Performance Report FY 2010/11 these two were presented as outputs that involved rehabilitation and completion works and that the outputs were achieved in the Q4 FY 2010/11.

According to past BMAU monitoring Reports these two outputs were accomplished two years ago. In the past reports BMAU had also consistently raised the issue of O&M systems and ownership of valley dams and tanks in general. Against this background BMAU selected out these two facilities for Q2 monitoring specifically to ascertain the rehabilitation/completion works reported by MWE in Q4 FY 2010/11 and status of O&M systems for the facilities.

Financial performance

Mayikalo Dam

The contract sum for this Valley tank was Ushs 1,162,466,180. 6 certificates were paid to the contractor. It was not possible to get the dates the certificates were certified/raised and when they were paid. Therefore timeliness of payments to the contractor which is crucial in smooth implementation of works could not be assessed.

Table 3.8.14: Certificates paid out

Certificate	Amount Paid	Date paid
Certificate No.1	245,029,844	
Certificate No.2	156,977,656	
Certificate No.3	159,480,195	
Certificate No.4	103,052,968	
Certificate No.5	133,091,134	
Certificate No.6	58,123,302	25th/05/2011

Source: Water for production Department, Directorate of Water Development

Certificate No. Six was paid on the 25th/05/2011 in the Q4 FY 2010/11. Ideally it should have been against recently completed works. However the monitoring team did not find any recent works at the facility. According to one resident close to the facility whom we interviewed on site the most recent works that had been carried on the facility were over 1 ½ years ago (see table 3.8.20 details on state of affairs at the facility).

Nshenyi Valley Tank

The contract for construction of this valley tank was signed on the 20th May 2007 and ended on the 20th September 2007 with a defects liability until 13th August 2008 at a sum of Ushs 214,192,456(VAT Exclusive).

Another contract for the rehabilitation and renovation of existing abstraction and distribution system, construction of cattle watering facilities ecological sanitation toilet and renovation of existing pump house was signed. Works commenced on 15th September 2008 and ended on 14th September 2009 with a defects liability period ending on 23rd May 2010.The contract sum was Ushs 165,802,200(VAT Exclusive).Maintenance period was 6 months.

It follows that all the payments for the works carried out on this valley tank were taken care of in the past years. This can be verified from the certificates below.

Physical performance

Table 3.8.15: Status on Implementation under Water for Production

Output	Reported Output	Status on the Implementation of the Output
Mayikalo Valley Dam	Construction of Mayikalo dam on Sembabule	The construction of this dam started on 24th July 2008 by M/s Consolidated contractors according to the contract MWE/WRKS/07-08/00209, and completed on 5th June 2009 with defects completion date of 4th January 2010. At the time of monitoring there were no signs of recent or current works being undertaken. The facility had been abandoned and out of use. There was no functional user/management committee and O&M system had completely failed. The dam reservoir was choked up with weeds, all cattle troughs were broken and pump house submerged in swamp water and thick vegetation. Whatever investments had been put into this facility had gone to total waste. It is not understood what works MWE reported as having been achieved, and paid for in Q4 FY 2010/11.
Nshenyi Valley Tanks	Rehabilitation and Renovation of existing abstraction and distribution system, construction of cattle watering facilities, ecological sanitation toilet and renovation of existing pump house at Nshenyi valley tank in Ruhaama County.	Observations made by the monitoring team and revelations from the former facility caretaker interviewed, revealed that the works reported to have been accomplished in Q4 FY 10/11 were actually done 2years back. This is also in line with data in the contract MWE/WRKS/07-08/00189 between MWE and Plan Build Technical Services Ltd. The commencement date was 15th September 2008 and substantial completion date on 14th 2009 with a defects completion date of 23rd May 2010. Monitoring visit to the facility in Q2 established that no works had been done to the valley tank in the last one year. The elected management committee had ceased working; and there was no O&M system in place. The facility was not functioning properly. The pumping system was non-functional due to the issue of the fuel crisis

Output	Reported Output	Status on the Implementation of the Output
		in the generator and the 6 cubic meter over head plastic tanks were broken and could not store water, therefore there was no way of getting water into the troughs. The desperate herdsmen get water by "shadoof" system into a make shift trough (see photo below) to water their cattle. This shows the serious need in the area for water. There seems to be no other alternative. The facility was justified but no proper measures for post construction O&M were put in place and this has led this huge investment go to total waste.

Source: Field findings


Photos: 7&8: to the left is the improvised clay cattle watering trough into which water is drawn by "shadoof" system from the dam reservoir (in background of same photo) chocked up with thick vegetation. To the right is the 6m3over head tank cracked at the base and non-functional (all at Nshenyi Valley Tank Ruhama, Isingiro District.


Photos 9&10: to the left is the abandoned Mayikalo Valley dam Reservior choking with vegetation and to the right is the pump house and one of the watering troughs deep in thick overgrown vegetation. The facility last woprked two years ago.

3.8.5 Directorate of Water Resources Management (DWRM)

The Directorate of Water Resources Management is responsible for regulating water resources management and utilization in the country. This includes among others, regulating and monitoring the abstraction of surface and underground water and the discharge of waste water into the environment. This is done through water use allocation (abstraction and waste water discharge), water service regulation (drilling, construction, dam safety, easement), compliance monitoring and enforcement of water laws, review of Environmental Impacts Assessment reports related to water and awareness raising and information dissemination.

1) Support to Water Resources Project (0165)

The outputs monitored during the Q2, included the following:

Output 090403: Water resources availability regularly monitored and assessed.

The MWE progress report 2010/11 under wter resource managmente (WRM) chapter indicated that 97 Surface and 32 ground water quantity monitoring stations operated and maintained. In this Q2 monitoring a few such stations were selected for monitoring. The stations visited were found to be fully operational. They were generating real time data and the data was informing policy and decision-making at the Directorate of Water Resources and at MWE headquarters.

It was established that the efficient operation and maintenance of water resource monitoring network is a continuous activity. It includes ensuring proper operation and maintenance of the Hydrological monitoring network for both rivers and lakes monitoring stations and those for ground water. The bulk of the financial expenditure in this activity falls under; transport and field allowances for staff involved in the monitoring. The activities are crucial for generating data essential the effective water resources management.

a) Surface Water Quantity Monitoring Stations

These are located on the major rivers and lakes. They mainly monitor how rivers and lakes fluctuate or how water levels are changing so they could provide advice or warning to the water transport sector and Power generation.

The variables used to monitor the operation and maintenance of these stations included:

- Equipment for network rehabilitation, network expansion and tools for gauge readers in place. Such equipment as the ones at the Entebbe Pier was seen by the monitoring team.
- Field data collected from all inspectorates of water levels, discharge measurements, lake levels and rainfall on a monthly basis.
- Honoraria paid for the station maintenance. Evidence of payments was checked.
- Clearing bushes around the station. See photo 13 below. At the time of monitoring it was observed that bushes around the profiler need to be cleared.

Photos 11&12: To the left Staff of SWRM showing the monitoring team how the Vota (yellow) is used to take readings from the Ggauge Reader for data on surface water levels. To the right is an Acostic Dopra Profiler measuring surface water levels.

Below are some of the equipment checked out during Q2 monitored at the Entebbe Pier:

Acostic Dopra Profiler

A column is built and on it a plate is fixed with a gauge from which to read the water level every day in the morning and evening. They also construct a footbridge /gauge pillars/insulating plates by excavation or concrete laying. The equipment was functional.

Automatic Gauge reader

This is a chart that is put in areas of abstraction and it automatically records water level changes. The chart is changed every month or every week depending on the availability of funds. It is from the gauge reader that the field assistant reads and records the water level manually in the gauge book every day. They satisfactorily check the gauge reader and recorder to measure the water discharge on a monthly basis. The information from the gauge reader and the gauge book is then taken to the database. The equipment was functional.

VOTA

This is a device and with its help, information is read from the Automatic gauge reader and is taken to the Database. The information from the VOTA should be matching with the one in the gauge book and also the one on the Automatic gauge reader chart and this is done on a monthly basis. After entering the data, it displays the water level and this determines how much water is to be released in the Turbines at Hydro Power Stations. The equipment was functional.

b) Ground Water Quantity Monitoring Station

Ground water monitoring has been through the use of the existing boreholes and where possible new ones were drilled. Data collected included water levels and rainfall data in order to estimate the effects of climate on ground water storage and some hydrological parameters. These are mostly located in towns with water supply and monitor water levels. They provide data that flags off a warning if the water resources are depleted in a given area.

Instruments used for measurement of ground water level are ***R16 automatic water level recorder and Water level meter.*** The recorder automatically registers the ground water level in form of a plot on a graphical paper wound on a drum whereas the water level meter is a manual method for measurement. Divers are used in instances where frequent measurements are required such as Rukungiri.

Photos 13&14: Ground Water Monitoring Station at Entebbe: To the left is the Guage Reader side that automatically plots the water levels the R16 automatic water level recorder and Water level meter (to the right) detect the underground water level movements.

The Variables assessed during the monitoring of Ground Water Quantity Monitoring stations included:

- Easy accessibility to all ground water monitoring stations
- Field data received and entered into the data base
- Manuals for network operation and Maintenance at the stations
- Monitoring devices maintained in good condition

The equipment was functional.

c) **Surface water assessment studies**

The studies pertaining to low flow, hydro-climatic and regional flood assessment were completed and their reports disseminated.

These studies produce reports with data/information that is used among others, for advising government on international and National water resources management, analyzing and forecasting of floods on water resources management, developing strategies for mitigating water drought conditions and developing guidelines, procedures and tools for water Resources Assessment and Management.

Some of the users of these assesement studies include

- UNRA:
- NEMA:

Copies of the reports were seen at WRM HQs but the monitoring team did not get the opportunity to peruse through for further assessment. The officer in charge at the time declined to yield copies claiming that they had to be paid for before release.

3.8.6 Key Conclusions and Recommendations

i) Rural Water Supply and Sanitation (District Water Conditional Grant and the Sanitation Grant)

The performance of the DWO in all the local governments monitored was constrained by the long procurement procedures that hardly any hardware activities would take on then. This affected their absorptive capacity. There was un clarity about how to manage and utilize the new sanitation conditional grant.

Sustainability of investments under the conditional grant is threatened by the failing community-based O&M systems especially if no quick and better alternative approaches are identified and implemented.

Further progress in service provision particularly in rural water and sanitation is being curtailed by technological limitations.

Recommendations

- The procurement processes should be initiated as early as fourth quarter where funds permit so there can be adequate time for the implementation of the planned activities for the given Quarter.
- New approaches to O&M need to be identified and implemented in the place of the community-based systems.
- Streamline communication and coordination between the DWO and DHI to enhance effectiveness and efficiency in implementation of sanitation and hygiene activities so that results match with outputs in the water activities.

- The district in liaison with the Appropriate Technology Center at Mukono should come up with alternative appropriate technologies for addressing the latrine challenge along the lake shores and areas with poor soil formation.

ii) Urban Water Supply and Sanitation

Findings from monitoring visits indicate that piped water systems are a very cost effective technology in supplying a bigger population in a given area. The per capita investment costs are less compared to point water sources. The facilities are easier to manage especially through private operator approach. They are a feasible alternative to the problematic point water sources whose sustainability is seriously threatened by the very high failure rates of community-based O&M systems.

Recommendation

- MWE should vigorously pursue this approach of installing piped water systems in all RGCs in the place of point sources

iii) Water for Production

The Vote function is dealing with a very critical contributor to the national economy. Success of the projects however is threatened by failures in O&M. The high failure rates of installed facilities hardly 3 years after completion is rendering investments in the area unjustifiable.

Recommendations

- MWE should focus on intensive community mobilization prior to making investments in new facilities.
- All old facilities should have their management committees re-constituted and re-trained/sensitized to make them functional. The issues of paying users fees by all users should be understood by all stakeholders including politicians who sometimes send out the wrong messages to the effect that government facilities are free and no user fees should be charged.
- The social workers at MWE, district and sub-county levels should be facilitated better to enable them undertake the above tasks effectively.

3.9 Micro Finance

3.9.1 Introduction

In order to operationalise the rural financial service strategy; the government of Uganda is closely working with micro finance support centre Ltd (MSC) in the drive of extending financial services to the rural Uganda through micro finance institutions.

MSC is a company owned by the government of Uganda and was incorporated in 2001 as a company limited by guarantee. It has been managing the credit component of the North West Smallholder Agricultural Development Project (NSADP), and the Government fund for support to savings and Credit Cooperative societies (SACCOs). Arising out of past Government experiences and lessons learnt, government found it appropriate to divest itself from direct intervention by creating MSC with a sole purpose of making it a lynch pin in the delivery of wholesale credit to the SACCOs country wide. It's a lead agency for delivery of wholesale funds to the SACCOs in the country.

In order to address the issue of easy accessibility and increased response rate, MSC has reorganized its operations in such a way that it created zonal /regional offices in a bid to decentralize its activities. Appraisal and disbursement of loans have been devolved to regional offices. The MFPED supports the MSC by giving them funds to loan out to various microfinance institutions and SACCOs in Uganda. It is also mandated to monitor the performance of the activities of the MSC. In view of the above, the Budget Monitoring and Accountability unit (BMAU) monitored activities of three regional offices/zonal offices that included Gulu, Iganga and Mbarara.

Objectives

The objectives of MSC include but not limited to the following;

- To enhance capacity of the MSC to deliver rural financial development services.
- To maximize outreach and deliver demand driven credit.
- To expand and deepen financial outreach through increased collaboration and synergy between key players in rural development.
- To enhance productivity and performance of rural enterprises

The BMAU monitored the achievements and successes; and also verified the extent of implementation of the MSC objectives in respect to provision of wholesale credit to the SACCOs; development of appropriate financial products; provision of SME finance and extent of use of the funds channeled by Government of Uganda for loan disbursement.

Scope and Methodology

The period under review was the FY 2010/11 and Q1 2011/12 and the following methodology was used:

- Visited the MSC head office and held discussions with the officials who briefed the team on the activities carried out in the financial year 2010/11 and Q1 2011/12. Quarterly progress reports and the portfolio reports were obtained from the head offices.
- Visited MSC zonal offices of Gulu, Iganga and Mbarara held discussions with the managers of the regional offices.
- Sampled a few SACCOs that have received support from MSC under a given zonal office, visited them and interviewed key personnel and also recorded successes and challenges faced by these SACCOs.

Activities of Microfinance Support Centre

Currently MSC has 12 regional/ zonal offices which are located in Arua, Gulu, Hoima, Iganga, Kabale, Kabalore, Kampala, Masaka, Mbale, Mbarara, Moroto and Soroti. Each Regional office serves a cluster of districts.

MSC offers a number of products administered through the zonal offices to the clients that include:

- **Agricultural Development Fund**: This targets institutions/enterprises supporting and or are engaged in primary agricultural production, agro processing and marketing. The loan period ranges between 2-4 years with a grace period of 6-12 months and an interest rate of 9% per annum charged on reducing balance. The repayment frequency depends on the activity funded.
- **Business development Fund**: This fund enables SACCOs to enhance their growth, performance and participation in providing financial services for example by extending it to weak SACCOs to cover 50% of their audit expenses, upgrading their management information systems to the level they are able to interface with that of MSC. They also give out the Start –up loan to enable SACCOs to increase their on-lending capital base. The SACCOs that benefit pay back only the principal loan amount. The loan period is two years with a grace period of 6 months; minimum loan size is UShs 5 million whereas the maximum is Ushs 10 million.
- **Micro-Enterprise fund**: this enables Microfinance institutions finance a wide range of commercially viable activities of their customers. This has a loan period of two years with a grace period of six months and at an interest rate of 13% per annum on declining balance. Repayment frequency depends on the activity funded.
- **Small and Medium Enterprise (SME) Development Fund**: This fund includes loans and leasing options for SMEs with an annual return of Ushs 100 million. It has a maximum loan period of four years with a 6-12 months grace period. If the SME is in trade, there is an interest rate of 17% per annum on declining balance and if it is in agriculture, the interest is 9% per annum.
- **Guarantee fund**: This enables MSC client's access bigger loans of about one billion from identified banks for investment. Loan terms are determined and agreed upon by both MSC and commercial banks.
- **Environmental loan** which is supposed to support people to protect the environment such as tree planting, soil management. The minimum loan amount is Ushs 20 million.

- **Special interest loan**: this has to some extent replaced the business development fund. It targets SACCOs, producer cooperative enterprises plus weak SACCOs and offers a minimum loan amount of Ushs 10 million and maximum amount of Ushs 50 million.
- **Commercial loan**: this was formerly the micro enterprise fund and targets SACCOs, MFIs and is offered at an interest rate of 13% with a maximum loan period of 2 years.
- MSC also offers non- financial services like capacity building services. These services are offered to SACCOs and MFIs of the region.

For any institution to access MSC loan products, it is required to fulfill the following:

- Must be registered.
- Minimum of one year experience in running the activity for which the organization is registered.
- Operates in a specific area with clearly defined target communities.
- Clear ownership, governance structure and management capacity.
- Adequate staffing with knowledge and skills in microfinance and or basic accounting knowledge.
- Physically identifiable and accessible offices.

3.9.2 Findings

MBARARA MSC ZONAL OFFICE

Mbarara zonal office has been operating since 2000, the office covers ten districts of; Mbarara, Kiruhura, Isingiro, Ibanda, Sheema, Buuheju, Ntungamo, Rubirizi, Mitoma and Bushenyi with Sheema the district with the biggest loan portfolio.

The zonal office financial reports as at 31st October 2011 shows the zonal office is serving 90 SACCO's and these are majorly institutions with a total outstanding loan portfolio of Ushs 5.6 billions and a payment rate of 99%.

Mbarara MSC Zonal Offices

The portfolio at risk as at 31st October 2011 was Ushs 99 millions with only two institutions having a total loan of Ushs 3.8 million which is in arrears of more than 90 days.

The zonal office has agricultural loans, special interest group loans, commercial loans and SME loans. The popular loans in this zonal office are agricultural loans, commercial loans and special interest loans. The interest rate charged on all the loans is 9% per annum on a reducing balance with the exception of the commercial loan at 13% per annum.

The zonal manager highlighted some challenges faced as below;

- Laxity by managers of SACCOs and other institutions to work on the requirements to acquire funds. Institutions show interest in funds but when they are asked to apply formally and attach the necessary documentation in most times they do not do it in time. According to the zonal manager this is attributed to lack of capacity in most of the SACCOs.
- Poor record keeping and accounting by potential clients which makes it difficult to access loans.
- Mismanagement and abuse of office by managers and board members of SACCOs, the sighted cases where members of the management team borrows all the money.
- The districts are too many for the zonal office and this makes monitoring of these SACCO's by the zonal office difficult.
- Poor pay to staff in the SACCOs this makes it difficult to attract qualified and competent staff. Some institutions have outgrown their managers' i.e a diploma holder manages an institution from the start but after the institution has grown/expanded this same manager fails to manager.
- The zonal manager expressed concern that the activities of these SACCOs need to be regulated because some of these institutions have grown so big with huge loan portfolios which poses a huge risk to the saving of members. The savings of members are only left on the goodwill of the management.
- SME lending has posed a challenge, most of the SME's are not registered and yet there are some SME's which are employing many people with good cashflows. When they need money it is difficult to lend them since they are not registered.
- It is also difficult for SME's to get loans because of lack of collateral.
- Job insecurity at MSC has made it difficult to retain staff; apparently the organization has lost many good and competent staff.

Munyakabi SACCO (Mbarara Zone Isingiro District)

This SACCO has been in existence since 2004 and has four members of staff, its report as at 31 October 2011 shows membership of over 900 members, a loan portfolio of Ushs 79,000,000, total savings of Ushs 73,000,000 and share capital of Ushs 68,000,000. The SACCO's loan recovery rate stands at 81% as at 31 October 2011 and has a portfolio at risk of only Ushs 2,000,000.

The SACCO offers mainly 3 products that include agricultural loans, school fees loans and emergency loans all at 2.5% per month. The average monthly net earnings of the SACCO is Ushs 4,000,000.

The SACCO has obtained three loans from MSC and the latest and outstanding loan is Ushs 40,000,000, taken in October 2011.

The major challenge sighted by the manager of the SACCO is inadequate funds for members.

Omipa SACCO (Mbarara Zone Isingiro District)

Omipa SACCO Offices

It started as a company in 1996 in partnership with ACCORD and when ACCORD left, it applied and registered as a SACCO in 2001. The SACCO managed to construct its own building which it occupied in May 2011.

Its financial report as at 31 October 2011 shows that the SACCO has share capital Ushs 234,521,000 this constitutes shares of groups and individuals where each share for an individual is UShs 20,000 and for a group is Ushs 250,000; total savings of Ushs 111,985,446, loan portfolio is atUshs 671,683,075.

The recovery rate at the time of the monitoring visit was 21%-25% which is very low and the SACCO manager attributes this to the hailstorms which affected the majority of their clients who are basically farmers.

The SACCO has accessed loans from MSC on several occasions which were promptly repaid. The only outstanding loan with MSC is Ushs 100,000,000 which was acquired this year.

Challenges

- Lack of competent staff and board members, the manager stressed training needs for staff and board members. The SACCO has not got any training from the Uganda cooperative savings and credit union (UCSCU) or MSC.
- Lacks of transport for loan officers to facilitate them reach their clients.
- The SACCO has no strong room where they can safely keep their cash.
- The SACCO needs furniture

Rwanyamahembe SACCO (Mbarara Zone – Mbarara District)

It started in 2001 as a village bank with one cashier and 18 shareholders; it was registered as a SACCO on 11th April 2007. The current membership as at 31st October 2011 stands at 1,822 members with 1,029 male and 496 female constituting of 243 groups and 54 individuals. The SACCO has six staff members and three guards.

The financial reports as at 31st October 2011 was showing a loan portfolio of Ushs 450,939,920, total savings Ushs 154,905,817 and share capital of Ushs 135,577,624. The loan recovery rate as at 31st October 2011 was 81% and the portfolio at risk at 4.2%.

The SACCO offers mainly four loan products; Agricultural loans which take 70% of the loan portfolio, commercial loans taking 10% of the loan portfolio, school fees and solar loans taking 20%. All the loans are at an interest rate of 3% per month.

The SACCO received from MSC two loans one of Ushs 40,000,000 on 21st June 2010 at 13% p.a and another of Ushs 60,000,000 on 18th January 2011 also at 13%.

The SACCO has also received training from UCSCU however they also signed a Memorandum of Understanding in July 2009 with UCSCU and promised to assist them with putting up a strong room, pay for audit services and power but UCSCU has never delivered.

The SACCO manager highlighted a few challenges as follow;

- The SACCO does not have enough funds to disburse to members.
- They are using a manual system; the SACCO is need of a computerized system to manage loans.
- There is a poor savings culture among the members.

Nyakayojo SACOO (Mbarara Zone – Mbarara District)

Nyakajojo SACCO Offices

It started in the year 2001 and was registered as a SACCO in 2004, it has 1,479 members at the time of our visit. The SACCO serves about six parishes and one municipality.

The SACCO has got two agricultural loans from MSC, Ushs 50,000,000 in 2008 and Ushs 40,000,000 in 2010. The interest rate on the loan is 9% per annum. The money is loaned out to members at 3% per month reducing balance.

The SACCO offers mainly three products that include agricultural loan, school fees and commercial loans with the agricultural loan taking the biggest share of 70% of the outstanding loan portfolio.

The financial reports as at 31st October 2011 shows that the SACCO has a share capital of USh 132,674,600, loan portfolio Ushs 431,403,650 and savings of Ushs 132,674,600. The loan recovery rate is at 96.1% and the portfolio at risk is 3.1%. The manager explains that the high loan recovery rate is attributed to regular sensitization of their clients about loan management issues.

The challenges highlighted by the manager are;

- The SACCO has a small capital base and is not able to meet its member's demands.
- The SACCO has used the court to recover from defaulters but the manager says cases through court take very long to be settled.
- The SACCO needs a motorcycle and generator although UCSCU had promised to give them these items, they have never delivered.
- Member's loans are not insured because the insurance costs are very high.

Kakiika Abamwe SACCO (Mbarara Zone – Mbarara District)

Kakiika Abamwe SACCO Offices

This SACCO was founded in 2007 but currently has 569 members. It is managed by four staff members, a manager, cashier, loans officer and a security guard.

The SACCOs financial report as at 31 October 2011 shows a loan portfolio of Ushs 104,673,000, total savings of Ushs 48,000,000 and share capital of Ushs 27,253,000. The SACCO's loan recovery rate stands at 78% and the portfolio at risk was 21%. Its average monthly net revenue (surplus after expenses) is UShs 5 millions.

The SACCO offers mainly four products that include agricultural loans, school fees loans, emergency loans and commercial loans charging a flat interest rate of 3% per month.

The SACCO has obtained two loans from MSC and the most recent loan was obtained on 18th November 2011, a commercial loan at an interest rate of 13% per annum.

The SACCOs received support from UCSCU in form of rent and salaries for three staff members but this was for a short period and they stopped. They have not received any training from UCSCU.

The major challenges sighted by the manager of the SACCO are;

- The savings culture of the members is very poor as well as the loan repayment.
- Lack of transport to facilitate the loans officer's movements.
- It is becoming very difficult to arrest defaulters because police in uncooperative.

IGANGA MSC ZONAL OFFICE

Iganga MSC Zonal Offices

The office handles ten districts of Jinja, Kamuli, Mayuge, Bugiri, Buyende, Kaliro, Luuka, Namutumba, Namanyingo and Iganga. The financial reports as at 31 October 2011 shows a loan portfolio of UShs 1,572,766,387 and an outstanding loan in arrears in excess of 90 days is UShs 87,058,710 representing 6% of the total outstanding loan.

The loan performance report as at 31 October 2011 shows an average loan repayment rate of 43% (this is derived from the monthly amount repaid as a percentage of the monthly amount due). This shows a poor performance towards loan recovery.

The manager at the zonal office highlighted some successes

- There have been an increasing number of MSC clients benefiting from loans.
- Increased number of MSC clients benefiting from training and technical assistance.
- No competition as the financial institutions in the zonal area charge a much higher interest rate than MSC.

The manager also highlighted some challenges as below;

- Many SACCOs remain unserved and many of them have often found to be weak and ineligible to access MSC funds. Many of them cannot prepare a monthly report.
- The zonal office is understaffed and therefore unable to monitor the SACCOs activities on a regular basis.
- The demand for money is high but most of the SACCOs do not have the capacity to prepare the documents required for a loan application. Most of them do not have audited accounts and they claim that they cannot afford audit fees.
- The zonal office experiences a lot of political pressure to give funds to institutions which are politically linked even if they are ineligible.

- Board members and managers of SACCOs borrow large sums from the SACCO and default. This makes it extremely difficult to recover from such SACCOs.

Wowoya SACCO Limited (Iganga District)

It started in 1999 as a community based association and registered as a SACCO in 2004. It has 674 fully registered members as at 31st May 2011. The latest financial report of the SACCO shows 121 active members with a share capital of Ushs 11,908,000, loan portfolio Ushs 135,046,676 and total savings of Ushs 22,021,425. The average monthly net income after expenses ranges from Ushs 900,000 to Ushs 1,500,000 and the loan recovery rate is 95%

The major loan products offered by the SACCO are the agricultural loans and commercial loans with the agricultural loan taking the biggest share of the loan portfolio.

Support from MSC and other institutions

- The SACCO has received four loans from MSC, the most recent and outstanding agricultural loan of Ushs 50 million was received in February 2011.
- The manager, loan officer and the board members have been trained by Uganda Cooperative Alliance on loan management and governance.

Successes

- The SACCO has a good loan recovery rate, the manager attributes this to the services of a court bailiff who was hired to recover from the defaulters and the cost of collection is met by the defaulter.

Challenges

- MSC takes too long to process the loan applications, sometimes the funds are received when the season for planting has passed and this makes it difficult for the farmers to borrow and if they borrow, then they will default.
- Poor yields and hence less earnings from farmers due to lack of mechanized farming.
- High incidence of HIV prevalence in the clients. If they fall sick, recovery of the loan becomes difficult.
- Lack of transport to facilitate recovery and monitoring of members.
- According to the manager, MSC is not flexible with the conditions attached to the loans; the example given is that if the SACCO borrowed an agricultural loan and the season turns out to be bad, they do not have the liberty to change the loan to a commercial loan.

Bukanga Agali Awamu (Iganga District)

It started operations on 30th March 2005 with only three members the chairperson, treasurer and the manager. Its membership as at 31st October 2011 is 1,806 members; it has two branches and covers over six sub counties.

Its financial report as at 31st October 2011 shows a loan portfolio of Ushs 217,909,000, savings portfolio of UShs 118,673,275, share capital of UShs 72,280,000 and an outstanding loan in arrears in excess of 90 days of Ushs 23,309,750. The loan recovery rate was poor at 65%. The average net monthly income before provisions for bad debts is Ushs 1.0 milion, this means the SACCO is a loss making because the provisions for bad debts are in excess of UShs 1.0 million.

The SACCO offers several loans including agricultural loan, commercial loan, schools fees loan, motor cycle loan and the housing loan. The motor cycle loan is the most popular, at the time of monitoring the SACCO had issued more than 200 motor cycles loans.

Support from MSC and other institutions

- Three agricultural loans totaling to UShs 50 million.
- Training of the manager, cashier and board members by MSC, Uganda cooperative alliance (UCA) and UCSCU.
- A safe, stationary and furniture from UCA.
- UCSCU provided a motor cycle and computers.
- MSC provided a type writer.

The manager highlighted challenges as enumerated below;

- Poor repayment culture, there is an impression among the clients that MSC funds are for free given by the President.
- Inadequate funds for members, members make applications for funds and if they do not get any funds the SACCO losses its credibility to sustain members.
- No computerized system, the manual work is so tedious the SACCO is in need of a loan management software.
- It is difficult for the SACCO to attract better qualified workers due to the poor pay.
- Lack of funds for sensitization.
- Low staff motivation due to poor pay.
- Financing of agricultural projects is very risky says the manager

Kigandalo Community SACCO (Mayuge District)

Kigandalo Community SACCO Offices

It started in 2004 as a community based financial institution by Mayuge trading centre business people and subsequently registered as a SACCO in 2007. At the time of the visit, the SACCO had 630 fully registered members.

The financial report of the SACCO as at 31st October 2011 shows share capital Ushs 13,010,000, total savings of Ushs 28,717,028, loan portfolio of Ushs 39,839,237 and the loan recovery rate at 59%. The breakdown of the loan portfolio is as follows;

Loan Product	Amount (Ushs)
Commercial loan	20,145,297
Asset loan	16,781,000
Agricultural loan	2,912,940

The SACCOs biggest loan portfolio is the commercial loan issued at an interest rate of 3% per month for a period of 4 to 12 months. According to the manager, agricultural loans are risky and hence the reason for the lowest share of the loan portfolio.

Support from MSC

- MSC has provided loans to the SACCO since 2004 totaling to UShs 110 million. The latest loan was received in April 2010 and has an outstanding balance of Ushs 28,333,329 as at 31st October 2011.

Challenges highlighted by the manager

- Lack of stationery, UCSCU stopped providing stationery and this has increased the SACCOs operational costs.
- The demand for funds is very high while the SACCO has inadequate funds.
- The SACCO has a computer but no power and cannot afford to buy a solar system.
- Board members need to be trained.
- Many civil servants at the district local government office have borrowed money from the SACCO and most of them have defaulted.

Bugadde SACCO (Mayuge District)

Buaadde SACCO Offices

Asset Finance - Motorcycles

The SACCO started in 2004 with only nine members, at the time of monitoring it had 3,522 fully registered members. It is the biggest SACCO in Iganga Zonal area.

The financial records as at 31st October 2011 show share capital of Ushs 55 million, Savings Ushs 275 million and a loan portfolio of Ushs 360 milion. The loan recovery rate is 98% and the monthly net income after expenses was Ushs 2.0 milion.

The SACCO offers a variety of loan products with the agricultural loan sharing the biggest part of the loan portfolio. It owns tractors and offer services to plow member's gardens at a fee. It also purchases motorcycles and sells them to members in an assets finance loan arrangement.

The SACCO has the following outstanding loans with MSC as at 31st October 2011;

Type of loan	Outstanding amount (Ushs)
Commercial loan	100,000,000
Commercial loan	3,071,680

Challenges

- Managing growth, the SACCO has grown and there is so much demand for money which the SACCO does not have.
- The SACCO manager complained that it takes too long to process a loan with MSC. That the process sometimes takes two to three months.
- Lack of collateral among most of the clients poses a challenge to lend money.
- Loan management is manual; there is an urgent need for a computerized system.
- The trainings received are not selective enough to fit in their needs.
- It is very difficult to get insurance for agricultural loans because of the high risk associated with the nature of the loan.
- SACCOs need the services of extension workers to guide the farmers on how best they should use the loans to get better yields so that they are able to pay back.
- There is need to impart entrepreneurship skills to board members.

Bunya SACCO (Mayuge District)

The SACCO was registered in 2007; it started with only 32 members. At the time of the monitoring visit the SACCO had 1,049 fully registered members with 202 active members.

The SACCO offers several loan products which also include solar loans, home improvement loans, poultry mentorship loans and pay phone loans.

The financial records for the months of November shows a share capital of Ushs 57,208,600, savings portfolio of Ushs 31,616,050, loan portfolio of Ushs 24,238,312 and a loan repayment rate of 79%.

Support from MSC

- The SACCO received a commercial loan of Ushs 60 million on 28th February 2011. The outstanding balance as at 30th November 2011 was Ushs 50,790,300.

Challenges

- Multiple borrowing by members because of the many financial institutions in the district has increased the default rate.
- Mobile money has reduced the SACCOs savings because members prefer to save their money on mobile phones.

Bugembe Tukolere Wamo SACCO Limited (Jinja District)

It started its operations in 2006 with only 15 members, as at 31st October 2011 it had 950 fully registered members with 652 females and 298 males.

The SACCO offers business loans at 2.5% per month for a period of six to twelve months, school fees loan at 3% per month for a period of one to three months and emergency loans at 5% per month for a period of one day to one month.

The SACCO's financial records as at 31st October 2011 shows a share capital of Ushs 20,110,000, savings portfolio of Ushs 36,151,950, loan portfolio of Ushs 93,412,200 and a loan recovery rate of 94%.

The SACCO has borrowed three loans from MSC, one has been fully paid and details of the outstanding loans are shown below;

Type of loan	Outstanding balance (Ushs)
Commercial	30,000,000
Special Interest	13,628,881

The SACCO also received support from UCSCU in form of rent and salary for one year, bicycles, calculator, safe and a filing cabinet.

Challenges highlighted by the manager;

- Inadequate funds to satisfy member's demands. According to the manager the current demand to be satisfied needs about UShs 200 million.
- Political interference in the management of the SACCO.
- Poor savings culture.
- Delays to receipt of funds from UCSCU, staff salary which was promised by UCSCU is in arrears for six months.

Joyford SACCO (Jinja District)

It started as a youth body in 2004 with only 30 members and subsequently registered as a SACCO in 2006. At the time of the monitoring visit, the SACCO had 1,552 fully registered members.

The financial report provided for the period ended as at 30th June 2011 shows that the SACCO had a share capital of Ushs 27,190,000, savings portfolio of Ushs 53,130,000, loan portfolio of Ushs 71,000,000 and a poor loan recovery rate of 65%.

The SACCO offers mainly the agricultural and commercial loans with the agricultural loan taking the biggest share of the loan portfolio.

Support from MSC

- The SACCO received two commercial loans from MSC of Ushs 30 million, received on the 24th November 2009 and UShs 20M received in April 2010. The SACCO is in default with the MSC loan as shown below,

Type of loan	Days in arrears	Outstanding amount (Ushs)
Commercial loan	91-180 days	16,843,156
Commercial loan	181-365 days	16,281,792

The manager highlighted challenges faced by the SACCO as follows;

- It has been very difficult to recover from clients with the agricultural loans because of the drought which hit most of the clients.
- The MSC loan recovery period of two years is too short.
- An inadequate fund, the SACCO has loan applications from members totaling to UShs 250 million but there is no money.

GULU MSC ZONAL OFFICE

The Gulu zonal office covers 15 districts; Gulu, Lira, Pader, Oyam, Kitgum, Apac, Kole, Mya, Amuru, Dokolo, Amolata, Agago, Alebtog, Otuke and Lamwo. The zonal office has a number of institutions and cooperative unions it offers loans. The office has 5 members of staff, a zonal manager and his assistant, a finance officer, administrative assistant and a driver.

The zonal office offers agricultural loans at 9% p.a, commercial loans at 13% p.a, special interest group loans these include the youth, elderly and women the interest rate is 9% p.a, SMEs agricultural loans at 17% p.a and SMEs commercial loans at 19% p.a.

The cumulative performance report provided for the period ended 30th June 2011 shows an outstanding loan balance of Ushs 3,655,822,602 and an average repayment rate of 71%. The portfolio at risk report as at 30th June 2011 also shows that loans of Ushs 527,420,265 are in arrears of more than 365 days.

The zonal office reports to the MSC headquarters on a monthly basis and the following are the reports prepared and submitted.

- Accountability report.
- Loan portfolio report showing a monthly status and a cumulative status of the outstanding loans.
- A status of delinquency report showing the portfolio at risk and reasons enumerated.

The zonal manager highlighted some challenges as enumerated below;

- Insufficient staff, the zonal office covers a wide area and with the number of staff they cannot effectively handle all the districts. Sometimes they are forced to use the accounts person to appraise loan clients and follow up loans as well.
- The zonal manager requires about three credit officers at least each credit officer to oversee five districts.
- Most of the SACCOs do not have the required capacity to take on the loans, a lot of time is wasted in training and building capacity before the loan's are issued. Yet there is no funding for capacity building and training given to zonal offices.
- Some SACCOs out of ignorance are charging an interest rate lower than that at which the funds were borrowed. An example given was a SACCO charging at 1% per month while the funds were borrowed at 13% per annum.
- Recovery is made difficult because some clients who were originally in the camps have now moved and the SACCOs do not know where to find them.
- Some clients provide incorrect information in the loan applications, some SACCOs apply for loans indicating that they have a loan portfolio of UShs 70 million but on the ground they find that they have less than UShs 10 million.
- Record keeping at the SACCOs is poor because of lack of training in that area.
- Conflict between SACCO managers and board members over remuneration. Arising as a result of members wanting to earn as much as the manager.

Gulu Municipality SACCO Limited (Gulu District)

The SACCO has been operating for the last five years with a slow growth and at the time of the visit, it had 1,480 fully registered members with a loan portfolio of Ushs 102,453,803.

There are five staff members managing the SACCO, the manager, cashier, accountant, loan officer and office attendant assisted by the nine board members who provide an oversight role.

The SACCO's most popular product is the commercial loan which is over 50% of the loan portfolio. They have introduced a boda boda loan on trial. The major source of funding for the SACCO is MSC because the members' saving culture is poor.

Support from MSC

- The SACCO received an agricultural loan of Ushs 75,000,000 and had an outstanding balance of UShs 70,506,986 as at 30th June 2011.

Rwot Lakica SACCO (Gulu District)

The SACCO started operations in 2009; it has a skeleton staff of three members with 106 fully registered members.

The SACCO's savings portfolio both group and individual was Ushs 13,804,803, share capital of Ushs 1,196,000 and a loan portfolio of Ushs 14,397,700. The loan recovery rate as at 30th September 2011 was poor at 30%.

The SACCO has not received any financial support from MSC but it has lodged an application for a loan.

Challenges

- Loan repayment is very poor and this is attributed to movement of members as a result of the resettlement who become difficult to trace.
- Poor savings culture of members.
- Inadequate funds to lend to members.

Lango Co-operative Union (Lira District)

It started its operations as a cooperative in 1956 dealing in cotton. At the time of the monitoring visit it had 170 members. These are primary societies with each having an average membership of 300 members.

The union borrowed a four year loan of Ushs 2 billion from MSC at 9% which was used to pay off a debt of Ushs 0.6 billion owed to a third party company and the balance of Ushs 1.4 billion was used as working capital. The MSC loan was well serviced by the union and no outstanding arrears.

According to the manager the union is operating below capacity and this makes it difficult to breakeven. That the international price of cotton is currently good and what the union needs is operating capital. At the time of the monitoring visit, they were preparing an application of Ushs 7 billion to be submitted to MSC.

Barr Rural Development SACCO (Lira District)

It started its operations in 2006 with only 30 members and was registered as a SACCO in 2007. At the time of the monitoring visit the SACCO had 801 fully registered members comprising of 172 females and 554 as individuals and 75 groups.

The SACCO offers mainly three loan products, agricultural loans, business loans and school fees loans all offered at 3% per month.

The financial report of the SACCO as at 31st October 2011 shows share capital of Ushs 18,940,000, savings portfolio of Ushs 18,651,754 and a loan portfolio of Ushs 80,884,827. The loan recovery rate is at 60%.

Support from MSC

- Received an agricultural loan of UShs 10 million in 2007 and this has been fully paid.
- Received an agricultural loan of UShs 20 million in January 2011 and the outstanding loan was UShs 16,600,000 as at 31st October 2011.
- Received training from MSC in 2009.

Challenges

- Insufficient funds for members.
- Training is needed in financial management for both members and the board.
- The SACCO is covering three sub counties and has no transport.

Amach Sub-county SACCO (Lira District)

The SACCO was registered in 2006, has three staff members and currently has 416 fully registered members.

The financial report of the SACCO as at 31st October 2011 shows share capital of UShs 5,480,000, savings of UShs 11,000,000 and a loan portfolio of UShs 62,340,000. The loan recovery rate is at 72%.

Support from MSC

- Received two business enhancement loans, UShs 10 million in January 2011 and another of UShs 10 million in July 2011. All the loans were received at 9% per annum for a loan period of two years.

Challenges

- Inadequate funds for members.
- Need for training from either MSC or UCSCU.
- UCSCU has failed to deliver on their promises, the SACCO signed an MoU with UCSCU two years ago and UCSCU promised to provide computers, a customer's bench, salary for staff and office furniture but to-date they have never delivered.

3.9.3 General Challenges

The following challenges cut across most of the MSC zonal offices and SACCOs monitored;

- Understaffing at MSC zonal offices, these offices cover several districts and on average they have 3-5 staff members. According to the zonal managers interviewed, this number cannot effectively monitor MSC activities in all the districts in a zonal office.
- Job insecurity at MSC; Some MSC zonal offices have lost their key personnel as a result of job insecurity at MSC and this has greatly affected performance at the zonal offices.
- Lack of segregation of duties at MSC zonal offices, an example is where an accounts officer will also be required to perform loans appraisal and also follow up loan recovery.
- There are so many SACCOs in the country and some have grown to a level to which are operating more like banks but there is no institution that is effectively regulating the activities of these SACCOs. UCSCU's oversight role is limited and not enough to monitor the activities of these SACCOs.
- Most of the SACCOs in the rural areas disburse loans without any insurance. In the event that a SACCO closes, members may fail to recover their savings.
- Most SACCO employees are poorly remunerated. UCSCU signed MOUs with many start up SACCOs to finance the salary of a few staff members but most of them we visited UCSCU had not fulfilled their commitments.
- It is increasingly difficult for SMEs to borrow money from MSC as these SMEs are required to be registered, have audited accounts and collateral. Most SMEs fail to fulfill these requirements.
- Most SACCOs do not have adequate funds for their members; the funds received from MSC are too little to have an impact on improving the livelihood of the community. There are SACCOs who are serving six sub counties and have a loan from MSC of only UShs 5 million.
- There is an impression in the rural areas that MSC money is for free. Most SACCOs are finding it difficult to recover from members in the rural areas as a result.
- MSC only receives funds for operational support from the government and relies on donors for credit finance. The credit finance is inadequate to have an effective impact.
- Most of the SACCOs visited have an average repayment rate in the range of 30% to 75% and this is far below the MSC recommended rate of 95%.
- Many SACCOs are reluctant to take agricultural loans from MSC and their preference is other business related loans. The reason is when there is a drought, farmers output is low and as a result high default rate on loan repayment.
- Many SACCOs particularly the young SACCOs, lack transport facilities, computers, loan management software, furniture, safes, strong rooms and stationary. The lack of these things has hindered them to operate effectively. UCSCU has intervened in providing these items to start up SACCOs but have been able to assist very few.

3.9.4 Recommendations

- The government need to expedite the process of appointing a board of directors for MSC so that some issues like understaffing, labour turnover and low staff moral can be tackled.

- SACCO managers and board members need to be trained in financial management skills so that they are able to make appropriate investment decisions.
- Bank of Uganda should come in and regulate the activities of these SACCOs in order to safeguard member's savings and capital. Alternatively a regulatory authority can be set up to closely monitor the activities of these SACCOs.
- It should be mandatory for loans disbursed by SACCOs to be insured so that member's savings and capital is secured.
- UCSCU should fulfill their commitments with SACCOs particularly where they had already signed a memorandum of understanding to support these SACCOs.
- MSC together with government should review the package for agricultural loans to make it more attractive to SACCOs.

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