**THE REPUBLIC OF UGANDA**

# Annual Budget Monitoring Report
# FY 2011/12

**December 2012**

**Ministry of Finance, Planning and Economic Development**
**P.O.Box 8147**
**Kampala**
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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 |
| AHIP | Avian and Human Influenza Preparedness and Response Project |
| AI | Artificial Insemination |
| AMREF | African Medical and Research Foundation |
| APL | Adaptable Program Loan |
| BCP | Brick Laying and Concrete Practice |
| BIRDC | Banana Industrial Research and Development Centre |
| BMAU | Budget Monitoring and Accountability Unit |
| BMU | Beach Management Unit |
| Bn | Billion |
| BoG | Board of Governors |
| BoQs | Bills of Quantities. |
| BoU | Bank of Uganda |
| BPO | Business Process Outsourcing |
| BSL | Biosecurity Level |
| BTTB | Background to the Budget |
| BTVET | Business, Technical and Vocational Education 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 |
| CLTS | Community Led Total Sanitation |
| CMU | Construction Management Unit |
| CNOOC | China National Offshore Oil Corporation (CNOOC) |
| CP | Community Polytechnic |
| CSR | Corporate Social Responsibility |
| DBICs | District Business Information Centre |
| DCZ | Disease Control Zone |
| DDA | Dairy Development Authority |
| DE | District Engineer |
| DEO | District Education Officer |

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|---|---|
| DHI | District Health Inspector |
| DHO | District Health Officer |
| DLG | District Local Government |
| DLSP | Districts Livelihood Support Programme |
| DRC | Democratic Republic of Congo |
| DSIP | Development Strategy and Investment Plan |
| DUCAR | District, Urban and Community Access Roads |
| DUCARIP | District, Urban and Community Access Roads Investment Plan |
| DVO | District Veterinary Officer |
| DWO | District Water Office(r) |
| DWRM | Directorate of Water Resources Management |
| DWSCC | District Water and Sanitation Coordination Committee |
| DWSDCG | District Water and Sanitation Development Conditional Grant |
| E & P | Exploration and Production |
| EA | Exploration Area |
| EFT | Electronic Funds Transfer |
| EIA | Environmental Impact Assessment |
| ERT | Energy for Rural Transformation |
| FAO | Food and Agriculture Organization |
| FFB | Fresh Fruit Bunches |
| FGD | Focus Group Discussion |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GEF | Global Environmental Facility |
| GFS | Gravity Flow Scheme |
| GIS | Geographic Information System |
| GIZ | German Agency for International Cooperation |
| GoU | Government of Uganda |
| GPS | Global Positioning System |
| Ha | Hectare |
| HC | Health Centre |
| HEP | Hydro Power Plant |
| HHs | Households |
| HLFO | Higher Level Farmers Organization |
| HPM | Hand Pump Mechanic |
| HV | High Voltage |
| ICT | Information and Communication Technologies |
| IDA | International Development Association |

| | |
|---|---|
| IDC | Industrial Development Company |
| IFAD | International Fund for Agricultural Development |
| IFMS | Integrated Financial Management System |
| IPC | Interim Payment Certificate |
| IPF | Indicative Planning Figure |
| ITES | Information Technology Enabled Services |
| ITP | Industrial Technology Park |
| JICA | Japan International Cooperation Agency |
| KACOFA | Kapchorwa Commercial Farmers Association |
| KCC | Kampala City Council |
| KCCA | Kampala City Council Authority |
| KDLG | Kalangala District Local Government |
| KfW | KfW Bankengruppe- German Bank |
| KfW | German Development Cooperation |
| KIIDP | Kampala Institutional and Infrastructure Development Programme |
| KIS | Kalangala Infrastructure Services |
| Km | Kilometer |
| KOICA | Korean International Cooperation Agency |
| KOPGT | Kalangala Oil Palm Growers Trust |
| KVA | Kilo Volt Amps |
| LC | Local Council |
| LG | Local Government |
| LGDP | Local Governments Development Programme |
| LGMSD | Local Government Management and Service Delivery Programme |
| LGs | Local Governments |
| LRC | Livestock Resource Centre |
| LRDP | Luwero – Rwenzori Development Programme |
| LV | Low Voltage |
| MAAIF | Ministry of Agriculture, Animal Industry and Fisheries |
| MCC | Metallurgical Construction Company |
| MDAs | Ministries, departments and agencies |
| MDGs | Millennium Development Goals |
| MDI | Micro Deposit Taking Institution |
| MEMD | Ministry of Energy and Mineral Development |
| MFIs | Microfinance financial institutions |
| MFPED | Ministry of Finance, Planning and Economic Development |
| MHPP | Mini Hydro Power Plant |
| MOES | Ministry of Education and Sports |

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|---|---|
| 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 Tonne |
| MTEF | Medium Term Expenditure Framework |
| MTIC | Ministry of Trade, Industry and Cooperatives |
| MV | Motor Vehicle |
| MW | Mega Watts |
| MWE | Ministry of Water and Environment |
| NAADS | National Agricultural Advisory Services |
| NADDEC | National Animal Diagnostic and Epidemiology Centre |
| NAGRC&DB | National Genetic Resources Centre and Data Bank |
| NARO | National Agricultural Research Organization |
| NBI | National Backbone Infrastructure |
| NCD | New Castle Disease |
| NCR | Northern Corridor Route |
| NDF | Nordic Development Fund |
| NEMA | National Environment Management Authority |
| NGCU | Nyakatonzi Growers Co-operative Union Ltd |
| NGOs | Non Government Organizations |
| NITA | National Information Technology Authority |
| NLPIP | National Livestock Productivity and Improvement Project |
| NMS | National Medical Stores |
| NR | Natural Resources |
| NTR | Non-Tax Revenue |
| NUCSL | Natural Uganda Cooperative Society Limited |
| NUREP | Northern Uganda Rehabilitation Programme |
| NUSAF | Northern Uganda Social Action Fund |
| NWSC | National Water and Sewerage Corporation |
| O&M | Operation and Maintenance |
| OBT | Output Budgeting Tool |
| ODF | Open Defecation Free |
| OHS | Occupational Health and Safety |

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|---|---|
| OPD | Out Patient Department |
| OPM | Office of the Prime Minister |
| OPUL | Oil Palm Uganda Ltd |
| PDU | Procurement and Disposal Unit |
| PFI | Participating Financial Institution |
| PHC | Primary Health Care |
| PIBID | Presidential Initiative on Banana Industrial Development |
| PIP | Public Investment Plan |
| PMA | Plan for Modernization of Agriculture |
| PPDA | Public Procurement and Disposal of Public Assets Authority |
| PPP | Public Private Partnerships |
| PRDP | Peace, Recovery and Development Programme |
| PTA | Eastern and Southern African Trade and Development Bank |
| PTC | Primary Teachers' College |
| PV | Photo Voltaic |
| Q | Quarter |
| Q1 | Quarter one |
| Q2 | Quarter 2 |
| Q3 | Quarter 3 |
| Q4 | Quarter 4 |
| RAP | Resettlement Action Plan |
| RCDF | Rural Communications Development Fund |
| REA | Rural Electrification Agency |
| RGC | Rural Growth Center |
| RRH | Regional Referral Hospital |
| RRP | Rural Roads Programme |
| RSSP | Road Sector Support Programme |
| RWHT | Rain Water Harvesting Tank |
| 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 |
| T/C | Town Council |
| T/I | Technical Institute |
| TBI | Technology Business Incubator |
| TC | Town Council |
| 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 Communication Commission |
| UCE | Uganda Commodity Exchange |
| UCSCU | Uganda Co-operative Savings and Credit Union |
| UDBL | Uganda Development Bank Ltd |
| UDC | Uganda Development Cooperation |
| UEDCL | Uganda Electricity Distribution Company Ltd |
| UETCL | Uganda Electricity Transmission Company Limited |
| Ug Shs | Uganda Shillings |
| UIA | Uganda Investment Authority |
| UIRI | Uganda Industrial Research Institute |
| UMEC | Uganda Meat Export Company |
| UMEDP | Uganda Meat Export Development Project |
| UMPCU | Uganda Meat Producers Cooperative Union Ltd |
| UNBS | Uganda National Bureau of Standards |
| UNCHE | Uganda National Council for Higher Education |
| UNRA | Uganda National Roads Authority |
| UPE | Universal Primary Education |
| URF | Uganda Road Fund |
| URF | Uganda Road Fund |
| URTC | Urban Research and Training Consultancy E.A Ltd |
| US$ | United States Dollars |
| USE | Universal Secondary Education |
| UTC | Uganda Technical College |
| UTDA | Uganda Tea Development Agency |
| UVQF | Uganda Vocation Qualifications Framework. |
| UWA | Uganda Wildlife Authority |
| UWSS | Urban Water Supply and Sanitation |
| VAT | Value Added Tax |
| VIP | Ventilated Improved Pit latrine |
| VODP | Vegetable Oil Development Project |
| VODP2 | Vegetable Oil Development Project Phase 2 |
| WENRECO | West Nile Rural Electrification Company |
| WfP | Water for Production |

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|---|---|
| WFP | World Food Programme |
| WHO | World Health Organization |
| WHT | Withholding Tax |
| WRM | Water Resources Management |
| WRS | Warehouse Receipt System |
| WSDF | Water and Sanitation Development Facility |
| WSDF-C | Water and Sanitation Development Facility Central |
| WSDF-N | Water and Sanitation Development Facility North |
| WSDF-W | Water and Sanitation Development Facility West |
| WSS | Water Supply and Sanitation |
| WSS | Water Supply System |
| WUCs | Water User Committees |

# Foreword

Government has many good policies and programmes that have suffered poor implementation over the years. 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 annual 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, health and roads 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

**Deputy Secretary to the Treasury**

# Executive Summary

## Background

Over the last four 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 reviews 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 Governments/Ministries

**Approved development budgets**

The FY 2011/12 approved development budgets for most of the Ministries/Agencies were subsequently revised, some Ministries experienced an increase in the budget and others budget cuts.

The Ministries/Agencies which experienced budget cuts are Ministry of Health (MOH) reduced by 37%, Ministry of ICT (4%) and UNRA (1%). Other sectors budgets were increased in the range of 2% - 20%.

The Ministry of Energy annual budget for FY 2011/12 increased by 708% and this was attributed to some projects included during the financial year which were not budgeted at the beginning of the year.

The approved budget trend analysis indicated that all sectors monitored, had their budget for the FY 2011/12 similar to that of FY 2010/11 with the exception of Ministry of Education and Sports (MoES) which was increased by 8% while UNRA was increased by 73%.

**Releases**

Most of the sectors received more than 85% of the revised budget. The sectors that received the least release were MoFPED at 72% and MEMD at 76%.

**Absorption of funds**

All the Ministries/Agencies fully absorbed the funds. Some of the Ministries/Agencies have absorption rates above 100 per cent and this was attributed unspent balances carried forwardfrom earlier years.

### (B) Districts Local Governments

Fourteen Districts were monitored namely Arua, Gulu, Nebbi, Kapchorwa, Bukedea, Kamuli, Kumi, Mbale, Bulambuli, Sironko, Ntungamo, Kabarole, Kasese and Mbarara. The selected districts were visited mainly to track the domestic development funds released by Treasury so as to verify whether the funds received were promptly remitted to the respective sectors and ascertain the absorption rates. The overall funds absorption for the FY 2011/12 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).

**Releases**

There was an improvement in the timely release of funds both from the MFPED to the districts and the district's general fund account to the respective sectors apart from funds that come from Road Fund which are usually delayed. The NAADS programmes in almost all the districts monitored received 100% of the approved budget, while the rest of the sectors suffered drastic budget cuts towards the end of the financial year receiving no more than 80% of their approved budgets.

**Absorption of funds**

There was a generally high absorption rate of development grant funds received by most of the districts for the financial year 2011/12. Even the NAADS programmes which received 100% of the approved budget was able to absorb all the funds received.

**Key cross cutting issues**.

- The local governments complained about the budget cuts done by the central government in the second half of the financial year without any prior communication. As a result some local governments were unable to pay contractors for whom commitments were made based on the approved budget.
- Most districts complained that the funds sent by the Road Fund are usually late, with delayed release schedules and these have adversely affected the road sector budget performance.
- Unplanned creation of units like the sub counties has caused budget constraints.
- Most districts still complain about the lengthy procurement process which has caused numerous delays in implementation.
- Staffing levels for most of the districts is very low; this has adversely affected the budget performance and delivery of services.

## Agriculture

### Agricultural Sector

Six programmes were monitored during FY 2011/12 and the findings are presented below except for the Uganda Meat Export Development Programme (UMEDP) where it was not possible to gather new field findings due to time and resource constraints.

**Agricultural Credit Facility (ACF)**

The ACF was set up by Government in 2009 to support agricultural commercialization through provision of subsidized loans. During FY 2011/12, 154 farmers accessed the credit and many investments have been made countrywide.

The following key issues were noted, among many others:

1) **Project failure**: many investments are failing due to: poor business plans; lack of supervision and mentoring; late disbursement of funds; funds misuse and exchange rate losses.
2) **Regional imbalance in ACF distribution**: More than a half of the beneficiaries were from the Central region followed by Western region.
3) **Unexplained variances**: There were unexplained variances in the amount of funds allocated to beneficiaries when the BoU records are compared to the reality on the ground (beneficiaries' feedback on what they actually received). The variances were up to 40% in some cases.
4) **High cost of processing the loan**: project failure in some cases was associated with the high cost of processing the loan up to 11% of the total loan value.
5) **Inadequate publicity and information dissemination**: there is a need to step up publicity of the ACF on different forms of media and communication channels.
6) **Limited transparency**: Commercial banks were not forthcoming with information regarding the available funds and the terms of the credit.
7) **High Interest rate**: The interest rate of 10%, although considered reasonable, is still high for nascent investments in the agricultural sector.

**Avian and Influenza Project**

The GoU is implementing AHIP since 2008 to reduce the threat posed to the poultry industry and humans in Uganda by Highly Pathogenic Avian Influenza (HPAI). The following key issues emerged from the monitoring work during FY 2011/12:

1) **Slow project implementation**: Three months into the project extension period, construction of the new laboratory had not been commenced; even the preliminaries like signing off the relevant contracts had not been concluded.

2) **Limited scope of project coverage and impacts**: Although all districts acknowledged having received the earmarked funds and equipment, the resources were grossly inadequate for carrying out meaningful surveillance on an ongoing basis. The project objective of developing capacity for early detection and response was not fully realized.

3) **Sustainability of project interventions and exit strategy**: The district officials indicated that the AHIP interventions could not be sustained beyond project closure due to funding constraints.

**Dairy Development Authority (DDA)**

The DDA was established in 2000 to provide development and regulatory services to the dairy industry. Major achievements during FY 2011/12 were: The setting up of 2 regional offices, one in Mbarara and another at the border Malaba/Busia, procurement of milk handling equipment and institutional strengthening.

The following issues emerged in the monitoring work during FY 2011/12:

1) **Poor allocative efficiency**: The DDA still faces challenges of allocative efficiency in the way it apportions its resources to undertake service delivery. About 70% of available resources during FY 2011/12 were spent on institutional strengthening, staff costs, meetings, property management and data management.
2) **Over centralized services**: The district officials in the sampled districts were generally not aware of the full mandate of DDA with regard to regulation and development of the dairy industry. This is understandable as DDA has only two regional offices at field level.
3) **CESS**: The abolition of the 1.5% cess on every litre of milk processed, has greatly reduced the non-tax revenue and funds available to DDA for programme implementation.

**National Animal Genetic Resources Centre and Data Bank**

The NAGRC&DB was established in 2003 under MAAIF to operate a National Animal Breeding Programme in Uganda. During FY 2011/12, the NAGRC&DB has made serious effort to implement it's the designated mandate. The following key policy issues emerged during the year:

1) **Financial management challenges**: NAGRC&DB still faces many challenges in this area. For example: funds are disbursed 1-3 months after approval of requisitions. There is need to strengthen financial systems and reporting at all levels and enhance transparency with regard to resource allocation and use.

2) **Low performance**: NAGRC&DB, including all its field stations, is underperforming (performance is rated at an average of 35%).

3) **Poor allocative efficiency**: About 73% of all resources that are available for NAGRC&DB operations are unjustifiably spent by the Head Office. Farms have very limited operational and development expenses which largely explains the low performance.

**Vegetable Oil Development Project (VODP)**

The VODP aims to increase the domestic production of vegetable oil. The first phase of the project has been completed (1997-2012) and second phase is ongoing. The Kalangala Infrastructure Services (KIS) is implementing the provisions in the concession agreement between Government and Oil Palm Uganda Ltd (OPUL) to provide supportive infrastructure for the outgrowers.

1. **Capacity constraints at Kalangala Oil Palm Growers Trust** (**KOPGT)**: KOPGT lacks sufficient equipment and infrastructure to service the ever growing number of smallholder farmers and outgrowers. Additional staffing, transport and equipment are needed to enhance the performance of KOPGT.

2. **Land ownership problems**: Part of the public land that was given to OPUL by GoU has land tenure problems arising from settlers that were found on the land. A number of options are proposed for addressing the land ownership problem to avoid political conflicts in the district.

3. **Low performance of KIS**: Infrastructure development in Kalangala by KIS has commenced but still below expectation. The main tangible deliverables were the ferry, landing sites and water systems. Other infrastructures have not been constructed or rehabilitated yet.

## Education

**Vote Function 0701 Pre-Primary and Primary Education**, Project 0943 Emergency Construction and Rehabilitation of Primary Schools was monitored. Out of the 38 primary schools the MoES planned to renovate and rehabilitate under the Project during FY 2011/12, MoES disbursed funds to only 19 primary schools (50%). This is despite the fact that this project received 94.4% of the approved budget for the FY 2011/12 and spent 100% of the releases. In addition, out of the 19 primary schools reported to have received funds, five primary schools[1] did not receive any funds. MoES therefore mis-reported on at least five schools under this project.

This means that under the project MoES implemented less than 50% of the annual work plan despite receipt of 94.4% of the budget, and therefore did not achieve the annual planned output targets for FY 2011/12.

[1] Kigalagala P/S (Jinja), Matale Mixed(Rakai), St Mary`s Nawanyago(Kamuli) and St Gonzaga Namukunyu(Buyende) primary schools did not receive any funds from MoES during the FY 2011/12,

**Vote Function 0702 Secondary education,** Two output items were sampled and monitored under Project 0897 Development of Secondary education. The approved budged for output 070281 latrine construction and rehabilitation was Ug. Shs 540,000,000/=. Of this only Ug Shs 50,730,000/= was used to construct latrines in secondary schools.[2] The rest of the funds were diverted to activities not related to construction and rehabilitation of latrines and which had been planned for elsewhere. As noted above, MoES does not show that they received clearance from PS/ST as per the requirements of Section 39 (3) of the PFAR (2003). This is was therefore irregular.

On the other hand the approved budged for output 070280 Classroom construction and Rehabilitation was Ug Shs 8.04 billion. Out of this the 97.8% was released 100% of the total releases were spent. Findings showed that implementation of activities for the period under review was not in line with what was planned. There was a lot of diversion of funds to pay to un planned activities. MoES mis-reported on at least five schools where no staff houses were constructed under output 070280. It is therefore clear that project 0897 MoES did not achieve its planned output targets for the financial year and there was no value for money.

MoES has been implementing the World Bank supported UPPET Project (APL 1). The project was to run between 2009/10-2011/12. Seven hundred and sixty three schools were to benefit from this project. Findings show that this project (APL 1) has issues of implementation. There were procurement issues for contractors in number of schools. A bigger proportion of the schools are not completed and all of them are behind schedule. Some contractors have abandoned sites and civil works have stalled. As a result APL 1 project will not be able to achieve the planned output targets by the end 2012. Government is therefore losing money. At the end of the day mismanagement of this project will affect the strategic objective of increasing access, improving quality and enhancing efficiency of post primary education in Uganda.

**Under Vote Function 0706 Quality and Standards, project 0944 Development of PTCs.** A number of reported cumulative outputs achieved under this project were outside the approved work plan for FY 2011/12. This means that implementation under this project during the course of the financial year did not follow the approved work plan for which funds were given and for which Parliament appropriated them. In addition there was no evidence that diversion of funds to implement un planned activities followed the requirements of section 39 (3) of the Public Finance and Accounting Regulations 2003.

Field findings further show that there were cases of mis-reporting of cumulative outputs achieved under project 0944 Development of primary teacher colleges (PTCs). Cases in point are in Nkokonjeru PTC where no storied classroom block was constructed and

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[2] (i.e. Ug. 30,730,000 to Buhanika Seed S.S. and Ug. Shs 20,000,000/= to Kiira College Butiki).

Bundibugyo PTC where no library block was constructed during FY 2011/12 as reported in the Q4 consolidated Progress report.

- **Vote Function 0705 Skills Development,** 3 projects were monitored (i.e project 0191 Rehabilitation of National Health Training Colleges, Project 0942 Development of BTVET and Project 0971 Development of TVET P.7 Graduate). Findings indicated that three projects largely achieved most of their planned output targets for FY 2011/12. This therefore means that Vote Function 0705 Skills Development largely achieved its planned annual outputs, despite a few cases where institutions were behind schedule in implementation. This is commendable.

**Presidential Pledges:** Over the period of four years (FY 2008/09- date), there are a number of institutions that received funds for construction under Presidential Pledges. A number of these pledges were fulfilled. However, there are many institutions that did not receive funds although they appear in the work plan/implementation schedule. There are many other institutions that received half of their approved budgets for Presidential Pledges and over the years civil works have never been completed. There are also institutions that received all the funds and civil works have never been completed. [3] Findings indicate disbursement of funds to institutions where the President made pledges ranged between 50% -100%. This has greatly affected implementation of these pledges. Funds for Presidential Pledges are remitted to beneficiary institutions as SFG through their mother districts. This has continued to contribute to the delays in receipt of these funds by the institutions.

## Energy

Performance was monitored on Vote Functions 0301 (Energy Planning, Management and Infrastructural Development), 0302 (Large hydropower infrastructure) and 0303 (Petroleum Exploration, Development).

**Vote Function 0301 (Energy Planning, Management and Infrastructural Development)**

**Project 0325: Energy for Rural Transformation**

By the end of FY 2011/12, approximately 100% of the amount released had been expended, indicating high absorptive capacity.

Physical performance under Energy for Rural Transformation was on target as the construction of the three lots; Ibanda-Kazo-Rushere; Soroti-Katakwi-Amuria; and Ayer-Kamdini-Bobi were in advanced stages of completion and were expected to be completed ahead of schedule. Land

[3] Refer to the previous BMAU Reports.

compensation issues to impacted individuals continue to cause challenges to the contractor during project execution. On the Ibanda-Kazo line, the local community does not seem to appreciate the importance of supply of power

**Project 0331: Rural Electrification**

Approximately 100% of the approved funds were released in FY 2011/12. Of the released funds on the entire project, 98% were absorbed over the financial year. Output 030103 “Renewable Energy Promotion” received17.5% and output 030104 “Increased Rural Electrification” received 58.7% expenditure on project 0331 by the end of FY 2011/12[4].

Nyagak Hydropower Plant (3.5MW) was complete, commissioned and supplying power to Paidha and Nebbi. Arua was not yet supplied with power due to some faults on the transmission line. There is under utilization of power generated at Nyagak Mini Hydro Power Plant (only 1.4MW is utilized for Paidha, Nebbi and Arua) while Pakwach and other areas in the greater West Nile region which could be benefiting from the Nyagak supply do not have power.

Buseruka Hydropower Plant (9MW) is in the advanced stages of construction. Expected completion date was moved from June 2012 to September 2012 (although this appeared unrealistic as there was a lot of civil works still going on). Delays were mainly caused by a temporary breakdown of Hima cement factory, which was supplying cement to the power plant; and late arrival of the foundry machine which bends penstocks with thickness of 32mm.

Construction of the power lines in Hoima, Kyankwanzi, Kayunga, and Buikwe were complete and commissioned except for lines in Ibanda, Kamwenge, and Nyakitoma which were awaiting completion. Most lines were not completed according to schedule. Land compensation issues between the land owners and Rural Electrification Agency continued to cause delays in project implementation. On most of the lines visited, people are “waiting” for the government to connect them to power. Other locals do not appreciate the importance of supply of power.

**Vote Function 0303 (Petroleum Exploration, Development and Production)**

**Project 0329: Petroleum Exploration Promotion**

Licensing has been done in block A, 1A (Pakwach area, North of River Nile currently run by Total); block B (Biliisa where Tullow Oil is carrying out drilling operations); and block C which was run by CNOOC although the company did not discover any oil in this region. In Buliisa region, Tullow was carrying out drilling operations in Waraga 11. Total was carrying out seismic surveys and extended well testing in the Pakwach basin in Jobi 4 to establish the thickness and quantity of the reservoir.

**Project 1184: Construction of Oil Refinery**

Approximately 100% of Government of Uganda approved budget had been released by the end of FY 2011/12. Of the released funds, about 99.6% had been absorbed. Land of about 29sq kms

(5,000 acres) was acquired in Kabaale Sub County, Hoima district. Implementation of the Resettlement Action Plan was ongoing.

## Health

### Vote 014: Ministry of Health

Performance was monitored on vote function 0802, ‘Health Systems Development’, which receives the largest share of funding within vote 014. The District Infrastructure Support Programme (project 0216) was monitored within vote function 0802 during FY 2011/12.

- **Project 0216: District Infrastructure Support Programme**

During the Q2 monitoring visit, the implementation of the District Infrastructure Support Programme was monitored at the following six hospitals: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo. Masafu and Kapchorwa hospitals were again monitored in Q4.

Over 90% of the allocated budget for the project was released and all expended by the end of Q4 indicating that financial performance was good. The bulk of the expenditure went on buildings and the procurement of machinery and equipment.

Physical performance for the project was good at both Masafu and Kapchorwa hospitals which were monitored in both Q2 and Q4. At Masafu hospital, paving work outside the OPD, the theatre construction, and extension of walkways were completed to a good standard although some slight defects have appeared in the paving. At Kapchorwa all activities under the project had been completed to a good standard.

### Votes 163 – 175: Regional Referral Hospitals

Progress was monitored at nine regional referral hospitals during the financial year; five in Q2 and four in Q3. In Q4, three hospitals which were monitored in Q2 and Q3 were re-visited.

Of the three regional referral hospitals monitored during Q4 (Lira, Gulu and Mbarara) Mbarara received 100%; Lira received 95%; Gulu received 94% of their annual development budget in releases by the end of the financial year. Expenditure performance of these development funds in FY 2011/12 was good in Lira (100%) and Gulu (95%). Whereas Mbarara’s expenditure performance was poor at only 3% but the remaining funds were committed to be spent on projects.

Physical performance at Gulu and Lira hospitals were good. At Gulu hospital four of the six development projects for FY 2011/12 had been completed at the time of monitoring. Of the two incomplete projects, renovation of the out-patients department was 70% complete and renovation of the administrative block and store was 50% complete. At Lira hospital four of the seven development projects for FY 2011/12 had been completed. Of the incomplete projects, two will be rolled forward to FY 2012/13 due to a lack of funds from FY 2011/12 and the construction of the theatre and intensive care unit was over 75% complete.

Physical performance at Mbarara hospital was poor. Of the three projects planned for FY 2011/12, none were completed at the time of monitoring. There was a dispute between the contractor and the hospital engineer over the drainage channel as the latter claims that work is incomplete. The vehicle being procured had not been delivered and the project to construct staff houses had been rolled forward to FY 2012/13.

**Votes 501-850: Primary Health Care Development Grants**

The team monitored progress on the PHC development grant in nine districts during Q2 and fourteen districts and one municipality in Q3. In Q4 a total of seventeen districts and two municipalities were monitored to assess progress over the financial year. In Q4, the districts sampled were scored on financial and physical performance. Financial performance was measured according to the proportion of available funds which were expended i.e. paid to contractors ("good" = 80-100%; "fair" = 60-80%; "poor" = less than 60%). Physical performance was measured according to how many work plan targets were met by the end of the financial year ("good" = most met; "fair" = some met; "poor" = few or none met).

Fifteen districts/municipalities scored "good" on financial performance: Adjumani, Amuru, Gulu, Ibanda, Kamuli, Kole, Lira Municipality, Mbarara (district and municipality), Namuntumba and Sembabule, with absorption rates of 90% or above. Isingiro, Lira and Oyam scored "fair" with 65% or more of available funds expended. Mbale scored "poor" with only 50% of available funds expended.

The following five districts/municipalities scored "good" on physical performance as most planned outputs were completed: Gulu, Ibanda, Mbarara (district and municipality) and Sembabule. Eleven districts/municipalities scored a "fair" rating as they met some of their planned output targets, these were: Adjumani, Amuru, Apac, Busia, Isingiro, Lira (distirct and municipality), Mbale, Namuntumba, Nwoya, Oyam. Dokolo, Kamuli and Kole met only few of the planned output goals and scored a "poor" physical performance rating.

## Industrialization

The sector had varied achievements.

- **Buhweju Tea Factory**: This project posted positive progress and industrial operations had kicked off at the new plant. Between April-August 2012, a total of 4,288,385kgs of green leaf had been handled at Buhweju. However, more than half of the approved budget for FY 2011/12 was not released, yet over 3.3billion was required to complete the project as re-designed. Inadequate releases during the year affected completion of external works and achievement of set targets.
- **Presidential Initiative on Banana**: Construction of the processing plant was 80% complete and installation of processing equipment was in advanced stages. However, only half of the revised approved budget for PIBID was released by end of financial year leading to stalling of construction works on other blocks and the irrigation system. Critical line items such as salaries and wages received zero release making operations nearly impossible.
- **Development of Industrial Parks**: Planned activities for most of the parks on average performed below 50%. Poor planning, lengthy procurement processes, poor workmanship on

construction of Bweyogere park roads, withdrawal of World Bank funding for Namanve and management challenges continued to affect sound progress for industrial parks development.

- **Establishment of Soroti Fruit Factory and Luwero Fruit** drying industry under Uganda Development Corporation: These two projects were behind schedule and recorded very low absorption capacity. Preparatory work for Soroti was encouraging while Luweero was affected by land ownership challenges and lack of a feasibility study.
- **Uganda National Bureau of Standard (UNBS**): The long awaited construction of UNBS headquarters at Bweyogerere industrial estate finally started in the last quarter of FY 2011/12 in a phased manner with construction of a shell structure for the five floor main building (Block A). The calibration rig had also started operations.
- **Uganda Industrial Research Institute** (UIRI) registered good progress in supporting value addition projects such as the peanut processing centre in Lira, potato processing in Kabale, support to incubates at headquarters, Newcastle vaccine and construction of Arua Fruit Processing plant. However, some of the previously supported facilities such as Busia Meat Processing and Nabusanke fruit processing had collapsed and failed to take off respectively.
- **Warehouse Receipt System**: Although Ugshs1.34billion was released for setting up warehouses across the country. All the planned activities were not undertaken and funds diverted without approval to activities that do not relate to the project such as allowances, rent arrears and salaries for UCE, updating MTIC database and foreign travels among others. Important to note is that most of the activities these funds were diverted to were doubtful.

## Information and Communications Technology

The sector had varied achievements.

**NITA – U**

- National Backbone Infrastructure: Phase one and two of the NBI project were fully completed, tested and handed over to NITA U. The third phase which was expected to start during the financial year under review was re-scheduled in order to address snags in the initial phases and seek the required approvals from stakeholders. GoU funding to this project were reportedly inadequate and vired to re-current activities given the wage shortfall, rent costs, among others. The agency averagely achieved set NBI targets during the financial year.

- District Business Information Centre: The DBICs project was reported to have brought e-services closer to the people for example; Uganda Revenue Authority was reported to have registered all DBICs for e-tax registration services. The project has however suffered from insufficient funding and poor budget outturn during the last two financial years.

The monitoring team noted the continued lack of harmonization in the implementation of similar projects under Uganda Communication Commission and Energy for Rural Transformation under the Ministry of Energy. The project has hardly achieved its objectives. Indeed, some of the centres are struggling to survive. Plans to have these centre's linked to the national backbone infrastructure should be made to increase on offered services in a bid to achieve the ultimate goal of e-government.

- Most of the planned activities under Business Process Outsourcing (BPO) for the FY 2011/12 were achieved. Generally, projects under NITA-U were ongoing. According to the Public Investment Plan (PIP) FY 2011/12-13/14; three of these are approaching their end date (DBICs, BPO and NBI). All the three projects are yet to achieve the objectives for which they were setup and have experienced inadequate releases, thus slowing down implementation.

**Uganda Communication Commission**

- Finding from the monitoring visits during the course of the year showed good progress in project implementation especially on establishment of ICT laboratories in secondary schools. There was a positive change among the recipients of the facilities. However, 90% of the projects reported that Internet subscription for one year had not been delivered as promised. Over 80% of the schools did not have budgets for ICT maintenance and repair; over 50% lacked competent human resource to support ICT training while over 30% did not have a secure room/laboratory for the equipment.

- All necessary materials to test tele-medicine in Ugandan government hospitals are ready; however it has taken UCC over two years to procure broadband Internet and train target users. Therefore, the objectives of this project have not been achieved until the key components of internet connectivity and end users' training are delivered, therefore, the installed equipment will largely remain redundant and no value for money.

**Ministry of ICT**

- National Postcode and Addressing System: Plans to roll out this project to other parts of the country should be informed by an evaluation of the pilot performance. GoU should prioritize this project and avail additional resources to take care of key project outputs such mail boxes to enable proper testing of the pilot.

- The ICT sector lacks an active sector working group to harmonize implementation of strategic objectives outlined in the National Development Plan. Individual entities in this sector hardly coordinate and harmonize related activities leading to duplication of effort.

**Establishment of ICT laboratories in Nine Secondary schools**

- All the schools benefiting from the establishment of ICT laboratories supported by MoES, registered between 60%-95% implementation progress during the financial year. However, all of them were behind schedule, and lacked working knowledge in handling government procurement and contract management. The project was affected by inadequate designs, untimely releases and inadequate technical supervision among others.

## Roads

Works under UNRA have generally taken a normal physical progression but have however been affected by late releases; inadequate, dilapidated and insufficient equipment to implement works under force accounts and heavy rains experienced during year. The following issues have been highlighted to affect this normal progression of works against the plans submitted for the year

i. *Equipment*: The minimum equipment specified in contracts is not usually adequate to complete the works in the contract time periods. Local contractors use this as a loop hole and works are delayed. A case in point is the Tororo-Mbale-Soroti road and Jinja-Kamuli road. On top of this, old equipment that breaks down frequently is what is found on sites.
ii. *Delayed Payments*: Government has been delaying to remit payments to contractors for works that have been certified. This brings about interest on the approved amounts of works certified leading to increase in payments made.
iii. *Land and property compensation*: Government has always delayed handling compensation issues on projects. This had delayed works leading to late project delivery and contractors use this as an opportunity to raise claims for not being able to access the sites. This also poses a threat to projects that are donor funded as they have to pay for time wasted.
iv. *Design reviews*: Projects usually undergo design reviews an indication that the documents used in procurement are not fool proof and this causes lots of variations. This brings about increase in project costs and delays.
v. *Inadequate funding for the roads maintenance programme*: this has been blamed as the number one cause for the dilapidation of the roads as timely interventions are not made. The number of national roads was increased but there was no commensurate increase in the budget for road maintenance. UNRA is still struggling with non performing contracts from this financial year hence affecting the planned works.
vi. The procurement of contractors for Routine and Periodic Mechanized maintenance tends to take long as the condition of the roads deteriorate thus the quantities at the time of execution of works usually override the planned quantities
vii. The fuel allocated for Force Account maintenance activities is inadequate to complete all the programmed activities. For example, the amount of fuel allocated per month for Jinja station with a network of 1158.5Kms cannot sustain adequate maintenance.

The road maintenance programme in municipalities is faced with implementation challenges of funding for the road network and lack of equipment to ensure adequate response to the dilapidated networks in these urban areas. The funds from the Uganda Road Fund are inadequate to address the backlog on maintenance of roads in these areas. In addition, these funds are conditional which relegates over 60% of their networks from qualifying for these funds. Local revenue is inadequate to fund the back log on these roads and it's usually not forth coming and irregular making the situation even worse. The following have been identified as issues affecting this program and requires immediate attention otherwise the network in these local governments will break down

i. *Inadequate funding*: The funding always released by government is not commensurate with the work plans/budgets submitted. On top of this, the releases come in late. This further brings about delayed payments to contractors and suppliers leading to claims and abandoning of works.

ii. *Understaffing*; there is a ban on recruitment of staff yet the networks are increasing and requires more personnel.

iii. *Force account*: Municipalities and some local governments (in mountainous and hilly terrain) do not have the required equipment to carry out the type of works for their maintenance programs. Government procured similar equipment units (graders and trucks) for all local governments which can be used on unpaved (gravel and earth) roads. But this does not help much in urban areas where tarmac roads require completely different units for their maintenance programs

iv. The road networks have outlived their design life span. Mbale municipal road network was last designed in 1954 and construction works were executed in the same year. This implies that the network required reconstruction in 1974 which has not been done up to present day and this has come with increase in traffic and inadequate drainage structures due to increase in runoff. The road width is also wanting as long vehicles cannot easily manoeuvre through the town thus stripping the paved road surfaces.

## Water and Sanitation

**Rural Water Supply and Sanitation VF (901)**

**District Water and Sanitation Conditional Grant (DWSSCG)**

Rural water and sanitation development activities are carried out mainly by District Local Governments (DLGs) through the District Water and Sanitation Conditional Grant (DWSCG). A total of 20 districts were monitored in the Financial Year 2011/12, under the DWSCG (Nakasongola, Masindi, Luweero, Lwengo, Kabarole, Kyenjojo, Mubende, Mayuge, Bugiri, Sembabule, Bike, Bulambuli, Kyankwanzi, Kibuuku, Wakiso, Otuke, Pallisa, Mpigi, Lyantonde and Luuka). The releases ranged between 90% and 94% of the total budget. However most districts had balances on their accounts which they called un-presented cheques and reported 100% expenditure. A few districts sought for permission to retain monies case in point is Masaka district. Afew returned monies like Otuke and Bulambuli districts, while the rest reported monies as committed.

A number of challenges hamper implementation of water and sanitation activities including budget cuts, inadequate staffing, and delayed procurement process that has been persistent for quite some time. The districts are faced with the problem of sharing contractors between districts and lack of vehicles to supervise works as government halted the vehicle procurement exercise.

**Rural Water Supply Projects implemented by Ministry of Water and Environment (MWE)**

The team monitored rehabilitation/ expansion Manafwa/Tororo Gravity Flow Scheme (GFS) which started in FY 2010/11. A lot of finishing works were done including building the boulders at river Lwakhaka, fencing the reservoir tanks and establishing the dossier laboratory in the FY 2011/12.

In September 2012 the Jezza/Muduma piped water system was monitored. Construction was at 95% completion save for power connection for water to begin flowing. The reported complete and technically commissioned Minakulu Water Supply was non functional. Efforts to get reports and designs for both projects were futile.

### Urban Water Supply and Sewerage (VF 0902)

Most planned Water and Sanitation Development Facility (WSDF) projects underperformed due to financial constraints. Only 75% of the budget was realized at absorption capacity of 86 %. Funding from KFW/Germany for WSDF- N and WSDF-E was not realized due to delayed modalities in the signing of the memorandum of understanding with the MoFPED.

Ecosan toilets were provided to individual households and the monitoring covered Kyankwanzi-Zirobwe (3) and Wakiso-Ntwetwe (3) constructed under WSDF-C. Construction of Nakaseke Water supply was monitored and is reported complete and due for commissioning.

Under WSDF-W, the team monitored Kazo Water Supply project at (92%) completion. Kiruhura was at 95%, Kakyanga, 80%, Kakuto 70% while Lyantonde was at 80%. Contractors like Ideal Engineering Services Ltd, Kombi Technical Services had abandoned sites at the time of monitoring.

### Water for Production (VF 0903)

The Government through the MWE is implementing a countrywide strategy that will result in construction of bulk water supply schemes in various areas to ensure easy and reliable access to water for productive uses. The pilot project construction works are ongoing in Rakai and this was at 14% though planned to be at 30% during monitoring. Delays were due to settling the land disputes and importation of equipment to use that was stalling.

## Microfinance

The Microfinance Support Centre (MSC) Ltd has twelve zonal offices that facilitate outreach to SACCOs, microfinance institutions (MFIs), small and medium enterprises (SMEs) and individuals. The staffing at the zonal offices on average are two to five members. The staffing levels are still very low considering the number of districts handled by the zonal offices.

MSC Ltd offers a number of products to its clients at an interest rate that range from 9% - 13% per annum but the SACCOs and other benefiting entities are free to determine their own interest rate on the loans disbursed.

### Cross cutting challenges to the zonal offices

- Most SACCOs generally have poor record keeping systems and this has been a hindrance for MSC to provide loans to such institutions.

- There are generally an increasing number of fraud cases in SACCOs and most of them are engineered by managers and board members.
- There is generally a poor repayment culture among the SACCOs in the regions monitored. The eastern region registering the lowest repayment rates, some clients have the capacity to pay but lack the willingness to pay.
- Inadequate monitoring and supervision of the SACCOs/Institutions which MSC has provided loans and this is as a result of inadequate funds for monitoring and supervision.
- Most of the MSC regional offices are understaffed. They have on average two to five staff members and each regional office on average is managing ten districts.
- The regional office can hardly breakeven, the interest rates charged on the loans are so small and yet the costs of running the offices are too high.
- Political interference and pronouncements have made it difficult for MSC to recover some of the loans. Some politicians make pronouncements that the MSC loans are free.

**RECOMMENDATIONS**

## Financial Performance

- The government should consider improving the staffing of those districts with very low staffing levels.
- The government procurement process should be reviewed to eliminate some unnecessary activities so as to shorten the process.
- The Road Fund should improve on the timely remittance of funds to local governments and also improve on the communication when funds are released.
- The central government should be cautious when cutting approved budgets of local governments who have already committed the funds.

## Agriculture

1) Consideration should be given to reducing the interest rate to no more than 5% under the Agricultural credit facility.
2) MAAIF should implement an exit strategy that ensures sustainability of the interventions of the Avian and Influenza Project.
3) Decentralize some of the finances from Head Office to cater for development expenses on the 10 farms/ranches under the National Animal Genetic Resources Centre and Data Bank project.

4) Fast track implementation of Kalangala Infrastucture Services' activities under the Vegetable Oil Development project.

## Education

- Auditor General should undertake Forensic audit for a number of projects under Vote 013. These include project 0943 Emergency Construction and Construction of Primary Schools, project 0897 Development of Secondary Education as well as the UPPET (APL 1) World Bank supported programme, to establish whether there was value for money for activities undertaken during FY 2011/12. There is need to undertake a forensic audit for all constructions under the Presidential Pledges programme since FY 2008/09 up to date to establish whether there has been value for money under the sub-sector.
- MoES should fully account for funds for the five Primary schools under project 0943 where they mis-reported.
- MoES should stick to the approved performance contract/work plans for the financial year under all the projects.
- There is need to undertake an evaluation of the UPPET (APL 1) programme to establish how far the programme has achieved the planned output targets and design strategies to avoid a repeat of the same mistakes in the second phase of the programme.
- MoES should explain the identified cases of mis-reporting for Bundibugyo PTC and Nkokonjeru PTC.

- Government should consider sending funds for Presidential Pledges directly to the beneficiary institutions.

## Energy

1. Government should facilitate connection of poor household sto the grid and leave them to pay bills.

## Health

I. The Ministry of Health, the Ministry for Public Service and health facilities should aim to meet the workload indicator staffing norms (WISN); which takes into account factors such as OPD utilisation, rather than the standardised staffing norms currently being widely used. Staffing structures at the local government level should be revised with more opportunities for promotions. This would encourage more experienced staff to stay working for the districts rather than moving to Central Government.

II. The issue of inadequate provision of drugs/sundries by the National Medical Stores (NMS) is pertinent for Regional Referral Hospitals (RRH), general hospitals and health centres. There should be a gradual move away from the 'push based' delivery system for HC's II's and III's to a 'pull based' system whereby each facility requests the drugs/sundries appropriate for them. In the interim, the Ministry of Health and NMS should work closely with health centres and Hospitals to identify which drugs/sundries are needed to reduce the frequency of drug stock outs. There should be quarterly rather than annual meetings between NMS and health facilities to discuss their individual drugs/sundries budget and inform the districts of any unspent balances. In addition to more frequent meetings, where NMS is not able to provide the required drugs/sundries, 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/sundries are not available and the issue can be resolved.

III. Districts plan projects for the upcoming financial year according to the allocated budget. However often there is a shortfall in funds received from Central Government which means that projects have to be postponed or cancelled. Districts require accurate budget allocation figures from Central Government at the start of the financial year. If there is a shortfall in funds released, districts should be informed by Central Government, in a timely manner so they can alter the plans and inform contractors. Most districts/municipalities receive funding which is less than the allocated budget hence there should be an option in the OBT whereby districts/municipalities can report the status of the project has not started *because* funds have not been received by Central Government rather than simply checking the 'not started' box which could be misconstrued as 'ghost' projects.

IV. Sufficient non-wage recurrent budgets must be allocated to health facilities by the Ministry of Health to enable them to carry out vital work such as the delivery of outreach programmes, monitoring and supervision of capital works and to pay utility bills.

### Industrial Development

- GOU through MFPED should adequately fund the tea project to a logical conclusion. The project promoters for Buhweju Tea are currently stretched with equipment loan. External works should be given due attention to avoid mudslides and contamination of finished products. Management of waste disposal should urgently be considered.
- Uganda Iinestment Authority needs to urgently fill vacant posts especially critical competencies in the land development division and Kampala Industrial and Business Park for effective and efficient planning and management of industrial parks.
- Natural Uganda Cooperative Society the original promoters of Luweero fruit drying factory should be convinced to return the land title to UDC for the project to take off.
- Selection of value addition projects for support under UIRI should be guided by feasibility studies to avoid unnecessary expenditure on unsustainable projects.
- The Ministry of Trade, Industry and Cooperatives should first track the amendment of the Warehouse Receipt System Act to enable UCE carry out the regulatory responsibilities legally.
- The Ministry of Trade should desist from diverting development funds to activities of recurrent nature and should account for all funds released for warehouse receipt system project.

## Information, Communications Technology

- National Postcode and Addressing System: The MoICT and UCC should prioritize this pilot project with additional funding in order to achieve intended objectives as well as carry out an impact evaluation to document the benefits and inform the rollout plan.
- UCC should expeditiously deliver broad band internet to health centres and undertake user training to trigger the use of delivered telemedicine equipment which has been redundant at these facilities for more than two years.
- NITA-U in conjunction with operators should sensitize the general public on the BPO concept to attract onshore clients as well as promote Uganda as a BPO destination. Training institutions should be supported to develop a standard BPO curriculum and encouraged to host regular BPO training programmes in order to increase on skilled manpower.
- The incomplete projects under NITA-U that have been largely affected by inadequate funding should be re-prioritised, harmonized with related projects implemented by other players to achieve the objectives for which they were started.
- NITA-U should expeditiously track the rationalization and commercialization of NBI not only for additional revenue and sustainability of the infrastructure but for Government institutions to benefit from quality e-government services at better rates.
- An ICT sector secretariat should be setup to ensure that activities within the sector are harmonized and well coordinated to avoid duplication and wastage of resources. The secretariat will be responsible for organizing regular sector review meetings.

## Roads

- There is need to identify extra funding for both local governments and UNRA for the road maintenance programmes. The resources are no longer adequate for the ever increasing road network in the urban councils and in the country

## Microfinance

- Political leadership need to delink politics from government programs and so politicians should speak the same languages as technocrats.
- There is need to strengthen enforcement of the law and the roles of District Commercial Officers to ensure accountability.
- There is need for a strong Regulatory Authority for the MFI to guard against the increasing fraudulent activities.
- MSC capacity should be strengthened through increased staffing and related facilitation to enable MSC to effectively monitor its clients.
- There is need for continuous engagement and sensitization of the members/institutions to which MSC lends money with the aim of improving the saving and repayment culture

# CHAPTER 1: INTRODUCTION

During the last four financial years, Government enhanced program monitoring efforts. To this effect, the Budget Monitoring and Accountability Unit (BMAU) prepares 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 road maintenance where some recurrent costs are tracked.
- The programmes that had submitted progress reports by the end of quarter one in FY 2012/13 were followed up for verification as they had specified output achievements for the FY2011/12.
- Programmes that had been monitored in previous quarters especially those with major implementation concerns were also revisited.

## *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 consist mainly of the general budget performance of the selected priority sectors of Agriculture; Education; Energy; Health; Accountability (Finance); ICT; Water and Environment; and Works and Transport.

### 2.1 Sectoral financial performance

This section reports on government of Uganda (GoU) approved annual domestic development budget, releases and expenditures for the period July 2011 - June 2012 of the selected priority Ministries that include 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 Finance, Planning and Economic 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/revised budget
- To establish the budget trends of the approved budget of financial years 2010/11 and 2011/12.

#### 2.1.2 Scope and Methodology

The period under review is the FY 2011/12 in respect of the GoU approved annual 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.

The analysis on district performance was done using information collected from the district local governments.

### 2.2 Financial Performance of Ministries monitored.

**Vote 010 Ministry of Agriculture, Animal, Industry and Fisheries**

The development budget for the sector originally had an approved budget FY 2011/12 of Ug Shs 28,983,144,852 which was later revised to Ug Shs 34,989,860,399 an increase of 21%.

Overall, the sector release performance was 87% and a few projects had a release performance below 75% as listed below.

- Project 76 Support for Institutional Support had a release performance of 68%

- Project 91 National Livestock Production, 46%
- Project 88 NW Small holder Agricultural Development, 73%
- Project 1119 Improved Rice Production, 74%

The sector absorption performance was 105%, this was as a result of over expenditure on Vote 106 Vegetable Oil Development Project (Table 2.1). Nearly all the projects absorbed the funds that were released.

**Table 2.1 MAAIF Performance for the FY 2011/12**

| Project Code | Project Name | GOU Budget (Revised) | 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 |
|---|---|---|---|---|---|---|
| 76 | Support for Institutional Support | 5,681,311,617 | 3,855,133,999 | 3,855,133,999 | 68 | 100 |
| 77 | Agricultural Mkting Promotion | 199,998,769 | 199,998,769 | 199,866,769 | 100 | 100 |
| 81 | Development of early warning system | 220,248,008 | 213,499,280 | 213,499,280 | 97 | 100 |
| 83 | Farming in Tsetse Areas of E.Africa | 300,000,000 | 290,033,258 | 290,033,258 | 97 | 100 |
| 88 | NW Small holder Agricultural Development | 200,000,000 | 145,282,000 | 145,282,000 | 73 | 100 |
| 90 | Livestock Disease Control | 3,769,299,965 | 3,730,299,964 | 3,730,299,964 | 99 | 100 |
| 91 | National Livestock Production | 3,796,814,966 | 1,750,783,913 | 1,750,783,913 | 46 | 100 |
| 92 | Rural Electrification | 219,172,492 | 218,552,916 | 218,552,916 | 100 | 100 |
| 94 | Supervision, Monitoring and Evaluation | 699,999,187 | 692,290,533 | 692,290,533 | 99 | 100 |
| 97 | Support to Fisheries Development | 800,000,000 | 800,000,000 | 799,808,800 | 100 | 100 |
| 104 | Support for Tea Cocoa Seedlings | 1,515,000,000 | 1,503,461,087 | 1,480,765,419 | 99 | 98 |
| 106 | Vegetable Oil Development Project | 1,000,000,000 | 1,000,000,000 | 2,650,210,627 | 100 | 265 |
| 968 | Farm Income Enhancement Project | 2,291,584,249 | 2,280,122,486 | 2,275,922,487 | 99 | 100 |
| 969 | Creation of Tsetse and Tryp Free Areas | 2,010,000,000 | 2,002,675,523 | 2,002,675,523 | 100 | 100 |
| 970 | Crop disease and Pest Control | 1,303,738,199 | 1,303,738,199 | 1,303,547,000 | 100 | 100 |
| 1007 | Improvement of Food Security in Cross Boarder Dist. | 79,999,915 | 79,999,915 | 79,999,915 | 100 | 100 |
| 1008 | Plan for National Agriculture Statistics | 605,000,626 | 577,923,060 | 569,123,060 | 96 | 98 |
| 1009 | Sustainable Land Management Project | 830,000,000 | 722,749,000 | 722,749,000 | 87 | 100 |
| 1010 | Agriculture, Prodn, Mkting & Regulation | 284,999,915 | 263,913,527 | 262,620,258 | 93 | 100 |
| 1011 | Dissemination NERICA and Improved Rice | 200,000,010 | 197,990,600 | 197,990,600 | 99 | 100 |
| 1012 | Integrated Pest and Disease Management | 200,000,000 | 156,246,874 | 156,246,874 | 78 | 100 |
| 1082 | Sustainable Irrigated Rice Production in E. Uganda | 283,999,123 | 252,951,500 | 252,951,500 | 89 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1083 | Uganda Meat Exports Development Project | 1,320,389,485 | 1,320,389,485 | 1,317,611,485 | 100 | 100 |
| 1084 | Avian and Human Influenza Preparedness | 119,562,845 | 102,539,000 | 102,539,000 | 86 | 100 |
| 1085 | MAAIF Coordination/U Growth | 792,000,000 | 773,878,080 | 773,878,080 | 98 | 100 |
| 1086 | Support to Quality Assurance Fish Marketing | 508,708,234 | 508,708,234 | 508,708,234 | 100 | 100 |
| 1088 | Markets and Agricultural Trade Improvement | 134,999,858 | 126,257,094 | 103,757,094 | 94 | 82 |
| 1117 | Export Goat Breeding and Production | 1,220,000,000 | 1,001,943,622 | 1,001,943,622 | 82 | 100 |
| 1119 | Improved Rice Production | 173,920,000 | 128,596,000 | 128,596,000 | 74 | 100 |
| 1165 | Increasing Mukene for Human Consumption | 761,999,575 | 761,999,575 | 757,299,575 | 100 | 99 |
| 1166 | Support to Fisheries Mechanization | 311,628,000 | 311,627,994 | 311,627,994 | 100 | 100 |
| 1170 | Kabale Tea Factory | 800,000,000 | 755,346,000 | 754,906,000 | 94 | 100 |
| 1194 | Labour Savings tech & much for agricultural production | 1,079,768,900 | 1,030,008,000 | 1,030,008,000 | 95 | 100 |
| 1195 | Vegetable Oil Development Project-Phase 2 | 1,275,716,461 | 1,262,712,889 | 1,262,712,889 | 99 | 100 |
| **Total** | | **34,989,860,399** | **30,321,652,376** | **31,903,941,668** | **87** | **105** |

**Source: IFMS**

**Vote 013 Ministry of Education and Sports**

The development budget for the sector originally had an approved budget FY 2011/12 of Ug Shs 60,064,177,368 which was later revised to Ug Shs 58,343,014,880 a budget cut of 2.8%.

The overall sector release performance was 87% and the following projects below registered the lowest release performance below 50%.

- Project 176 Child Friendly Basic Education had a release performance of 49%
- Project 984 Relocation of Shimoni (PTC (0984) had 48%
- Project 1136 Support to Physical Education and sports had 48%

All the projects under the sector fully absorbed the funds released. (See table 2.2)

**Table 2.2 Ministry of Education and Sports Budget Performance for the FY 2011/12**

| Project Code | Project Name | GOU Budget (Revised) | 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 |
|---|---|---|---|---|---|---|
| 176 | Child Friendly Basic Education | 98,441,107 | 47,840,000 | 49,390,520 | 49 | 103 |
| 191 | Rehabilitation Nat. Health Training College | 2,260,182,498 | 1,965,475,000 | 1,965,475,000 | 87 | 100 |
| 210 | WFP Karamoja | 666,773,260 | 601,290,000 | 601,290,000 | 90 | 100 |
| 897 | Development of Secondary Education | 9,923,359,029 | 9,455,229,000 | 9,455,229,000 | 95 | 100 |
| 942 | Development of BTVET | 15,283,515,455 | 13,469,608,471 | 13,469,608,471 | 88 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 943 | Emergency Construction of Primary School | 1,906,353,435 | 1,747,761,000 | 1,747,761,000 | 92 | 100 |
| 944 | Development of PTCs | 11,256,370,557 | 9,507,641,800 | 9,463,547,663 | 84 | 100 |
| 949 | ADB III Post Primary Education | 1,064,455,894 | 1,005,040,000 | 1,005,040,000 | 94 | 100 |
| 971 | Development of TVET P7 Graduate | 3,528,102,902 | 3,031,135,000 | 3,030,204,813 | 86 | 100 |
| 984 | Relocation of Shimoni PTC (0984) | 993,263,093 | 472,347,000 | 472,347,001 | 48 | 100 |
| 1091 | Support to USE (IDA) | 3,692,786,224 | 3,091,422,629 | 3,083,842,087 | 84 | 100 |
| 1092 | ADB IV Support to USE (1092) | 5,569,411,426 | 5,091,634,289 | 5,066,975,491 | 91 | 100 |
| 1093 | Nakawa Vocational Training Institute (1093) | 900,000,000 | 675,000,000 | 675,000,000 | 75 | 100 |
| 1136 | Support to Physical Education and Sports | 1,200,000,000 | 570,661,000 | 570,661,000 | 48 | 100 |
| | | **58,343,014,880** | **50,732,085,189** | **50,656,372,046** | **87** | **100** |

Source: IFMS

**Vote 017 Ministry of Energy and Mineral Development**

The Ministry of Energy and Mineral Development approved development budget for the FY 2011/12 was UgShs 163,964,196,322 which was later revised to UgShs 1,325,162,600,000 an increase of seven times compared to the approved budget.

The following projects were originally not budgeted but appeared in the revised budget during the course of the financial year (Table 2.3).

Project 1212 Electricity Sector Development Project had a budget of UgShs 300,000,000

Project 1200 Airborne Geophysical Survey Geo Mapping, UgShs 339,000,000

Project 1199 Uganda Geothermal Resources Development, UgShs 300,000,000

Project 1198 Modern Energy from Biomas for Rural Development, UgShs 200,000,000

Project 1184 Karuma Hydroelectricity Power Project, UgShs 14,700,000,000

Project 1183 Karuma Hydroelectricity Power Project, UgShs 828,999,999,999

Project 1142 Mgt of the Oil & Gas Sector in Uganda, UgShs 10,650,000,000

The overall release performance for the sector was 76% with Vote 1183 Hydroelectricity Power Project registering the lowest release performance at 67%.

Most of the projects fully absorbed the funds with a few projects closing with small balances that total to UgShs 2,335,382,459.

**Table 2.3 Ministry of Energy and Mineral Development Budget Performance for FY 2011/12**

| Project Code | Project Name | GOU Budget (Revised) | 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 |
|---|---|---|---|---|---|---|
| 325 | Energy for Rural Transformation II | 2,198,600,001 | 2,198,589,795 | 2,197,518,122 | 100 | 100 |
| 331 | Rural Electrification | 19,061,000,000 | 19,053,898,466 | 18,659,795,772 | 100 | 98 |
| 940 | Support to Thermal Generation | 429,600,000,001 | 391,767,526,565 | 391,767,526,565 | 91 | 100 |
| 999 | Power Sector Development Operation | 353,999,999 | 352,969,035 | 332,307,762 | 100 | 94 |
| 1023 | Promotion of Renewable Energy | 460,000,000 | 456,115,400 | 451,277,484 | 99 | 99 |
| 1024 | Bujagali Interconnection Project | 4,000,000,000 | 4,000,000,000 | 4,000,000,000 | 100 | 100 |
| 1026 | Mputa Interconnection Project | 14,000,000,000 | 14,000,000,000 | 12,438,360,000 | 100 | 89 |
| 1142 | Mgt of the Oil & Gas Sector in Uganda | 10,650,000,000 | 10,646,016,202 | 10,522,297,101 | 100 | 99 |
| 1183 | Karuma Hydroelectricity Power Project | 828,999,999,999 | 552,162,700,000 | 552,162,700,000 | 67 | 100 |
| 1184 | Construction of Oil Refinery | 14,700,000,000 | 14,699,999,414 | 14,643,258,349 | 100 | 100 |
| 1198 | Modern Energy from Biomas for Rural Dev't | 200,000,000 | 186,500,000 | 186,449,847 | 93 | 100 |
| 1199 | Uganda Geothermal Resources Dev't | 300,000,000 | 300,000,000 | 293,103,015 | 100 | 98 |
| 1200 | Airborne Geophysical Survey Geo Mapping | 339,000,000 | 339,000,000 | 338,481,949 | 100 | 100 |
| 1212 | Electricity Sector Dev't Project | 300,000,000 | 300,000,000 | 299,997,140 | 100 | 100 |
| **Total** | | **1,325,162,600,000** | **1,010,463,314,877** | **1,008,293,073,106** | **76** | **100** |

Source: IFMS

### Vote 008 Ministry of Finance, Planning and Economic Development

The MOFPED development approved budget for the FY 2011/12 was UgShs 156,585,819,601 which was later revised to UgShs 159,193,648,426 an increase of 2% compared to the approved budget.

The overall release performance of the sector was 72% with several projects had a release performance below 50% (Table 2.4). The funds released to most of the projects were fully absorbed.

## Table 2.4 MOFPED Budget Performance for the FY 2011/12

| Project Code | Project Name | GOU Budget (Revised) | Releases FY 2011/12 | Expenditures FY 2011/12 | Release as a % of the budget 2011/12 | Expenditure as a % of Releases 2011/12 |
|---|---|---|---|---|---|---|
| 15 | Microfinance Support Centre Ltd | 4,997,152,697 | 4,184,880,000 | 4,184,880,000 | 84 | 100 |
| 31 | Rural Financial Services | 2,022,067,899 | 1,793,944,141 | 1,787,837,491 | 89 | 100 |
| 39 | GoU-UNICEF Cross Sector Coordination | 100,003,056 | 82,126,000 | 77,750,070 | 82 | 95 |
| 40 | Dummy Kiboga | 333,000,000 | - | - | - | - |
| 46 | Support to NEC | 600,024,440 | 285,342,000 | 285,342,000 | 48 | 100 |
| 48 | Private Sector Competitiveness | 612,438,716 | 326,925,999 | 325,498,999 | 53 | 100 |
| 54 | Support to MFPED | 45,595,235,241 | 43,406,837,206 | 43,363,551,181 | 95 | 100 |
| 59 | Support to Poverty Action Fund | 369,411,287 | 306,298,000 | 304,718,531 | 83 | 99 |
| 61 | Support to Uganda National Council for Science | 835,025,973 | 397,097,000 | 397,097,000 | 48 | 100 |
| 64 | Support to Uganda Investment Authority | 699,999,999 | 332,885,001 | 332,885,001 | 48 | 100 |
| 65 | USAID Trust Fund | 1,505,546,004 | 423,676,500 | 423,676,500 | 28 | 100 |
| 745 | Support to Population Secretariat | 952,629,108 | 745,526,699 | 745,526,698 | 78 | 100 |
| 933 | Competitiveness & Investment Climate Secretariat | 852,626,053 | 634,237,680 | 634,237,668 | 74 | 100 |
| 939 | Strengthening Coordination of Accountability Sector | 500,000,000 | 375,000,000 | 335,359,181 | 75 | 89 |
| 945 | Capitalisation of Institutions | 35,557,223,720 | 20,988,239,104 | 20,985,812,804 | 59 | 100 |
| 978 | Presidential Imitative on Banana Industry | 10,200,311,688 | 5,686,118,244 | 5,686,118,244 | 56 | 100 |
| 986 | Millennium Sciences Initiative | 688,521,039 | 327,427,000 | 327,427,000 | 48 | 100 |
| 988 | Support to other Scientists | 2,733,416,524 | 2,650,493,606 | 2,650,493,606 | 97 | 100 |
| 994 | Development of Industrial Parks | 9,363,224,997 | 4,681,612,000 | 4,681,612,000 | 50 | 100 |
| 997 | Support to Microfinance | 12,332,586,270 | 5,873,768,501 | 5,867,388,893 | 48 | 100 |
| 998 | Sub county Development | 1,470,010,000 | 1,470,010,000 | 1,465,850,840 | 100 | 100 |
| 1003 | African Development Foundation | 2,340,071,505 | 1,112,822,750 | 1,112,822,750 | 48 | 100 |
| 1017 | Rural Roads Programme Coordination | 403,300,323 | 326,475,042 | 326,290,050 | 81 | 100 |
| 1059 | Value Addition Tea Industry | 1,901,058,090 | 904,049,500 | 904,049,500 | 48 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1060 | GEF Country Support Programme | 80,002,445 | 53,175,000 | 53,175,000 | 66 | 100 |
| 1063 | Budget Monitoring and Evaluation | 2,379,534,266 | 2,066,519,005 | 2,059,479,170 | 87 | 100 |
| 1080 | Support to Macroeconomic Management | 919,382,982 | 699,270,000 | 698,650,370 | 76 | 100 |
| 1111 | Soroto Fruit Factory | 5,000,000,000 | 2,333,238,000 | 2,333,238,000 | 47 | 100 |
| 1128 | Value Addition-Luwero Fruit Drying Factory | 500,015,279 | 253,489,000 | 252,649,568 | 51 | 100 |
| 1197 | FINMAP Comp 6 Management Support | 9,687,000,000 | 8,688,386,590 | 8,660,883,581 | 90 | 100 |
| 1207 | Support to Investment & Private Sector Development | 640,000,000 | 395,750,000 | 395,691,880 | 62 | 100 |
| 1208 | Support to National Authorising Officer | 200,000,000 | 155,000,000 | 147,213,915 | 78 | 95 |
| 1209 | Appropriate Renewable Technologies for Rural Ug. | 15,000,000 | 7,133,000 | 7,133,000 | 48 | 100 |
| 1211 | Belgo-Ugandan Study & Consultancy Fund | 200,000,000 | 155,000,000 | 146,175,525 | 78 | 94 |
| **Total** | | **156,585,819,601** | **112,122,752,568** | **111,960,516,016** | **72** | **100** |

Source: IFMS

### Vote 014 Ministry of Health

The Ministry of Health approved development budget for the FY 2011/12 was UgShs 26,723,482,823 which was later revised to UgShs 16,957,935,001 a budget cut of 37%. Table 2.6 below shows the details of the budget cuts and reallocations by project.

The release performance for FY 2011/12 was 95% of the revised budget. Project 1148 registered the lowest release performance of 55% (Table 2.5).

The sector absorption rate was 98% (Table 2.5) with most of the projects fully absorbing the funds released.

**Table 2.5 Ministry of Health Budget Performance for the FY 2011/12**

| Project Code | Project Name | GOU Budget (Revised) | Releases FY 2011/12 | Expenditures 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 | 3,732,623,153 | 3,732,623,153 | 91 | 100 |
| 220 | Global Funds for AIDS, TB and Malaria | 3,316,670,135 | 3,032,173,669 | 2,757,941,778 | 91 | 91 |
| 224 | Imaging and Theatre Equipment | 309,777,582 | 222,578,873 | 221,816,934 | 72 | 100 |
| 891 | Donor Support to the Health Sector | 1,140,944,882 | 1,140,944,882 | 1,140,944,882 | 100 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 980 | Development of Social Health Initiative | 1,529,673,701 | 1,416,838,400 | 1,414,489,106 | 93 | 100 |
| 1027 | Institutional Support to MOH | 5,521,528,009 | 5,521,528,009 | 5,521,528,007 | 100 | 100 |
| 1094 | Energy for Rural Transformation Programme | 278,591,845 | 249,205,110 | 249,205,110 | 89 | 100 |
| 1123 | Health Systems Strengthening | 445,117,220 | 445,117,220 | 445,117,220 | 100 | 100 |
| 1148 | TB Laboratory Strengthening Project | 109,943,184 | 60,533,999 | 57,858,999 | 55 | 96 |
| 1185 | Italian Support to HSSP and PRDP | 224,133,940 | 211,622,887 | 211,622,887 | 94 | 100 |
| | **Total** | **16,957,935,001** | **16,033,166,202** | **15,753,148,076** | **95** | **98** |

Source: IFMS

**Table 2.6 Ministry of Health changes in the Approved budget FY 2011/12**

| **Project Code** | **Project Name** | **GOU Revised Budget FY 2011/12 (A)** | **GOU Budget (Revised) FY 2011/12 (B)** | **% Increase/ (Decrease) (B-A)*100/A** |
|---|---|---|---|---|
| 216 | District Infrastructure Support Programme | 6,831,480,993 | 4,081,554,503 | -40 |
| 220 | Global Funds for AIDS, TB and Malaria | 4,150,000,682 | 3,316,670,135 | -20 |
| 224 | Imaging and Theatre Equipment | 4,582,000,577 | 309,777,582 | -93 |
| 891 | Donor Support to the Health Sector | 5,000,000,000 | 1,140,944,882 | -77 |
| 980 | Development of Social Health Initiative | 1,700,000,239 | 1,529,673,701 | -10 |
| 1027 | Institutional Support to MOH | 1,950,000,247 | 5,521,528,009 | 183 |
| 1094 | Energy for Rural Transformation Programme | 210,000,034 | 278,591,845 | 33 |
| 1123 | Health Systems Strengthening | 2,300,000,051 | 445,117,220 | -81 |
| 1148 | TB Laboratory Strengthening Project | 0 | 109,943,184 | - |
| 1185 | Italian Support to HSSP and PRDP | 0 | 224,133,940 | - |
| | **Total** | **26,723,482,823** | **16,957,935,001** | -37 |

Source: IFMS

### Vote 020 Ministry of Information, Communication and Technology

The approved budget FY 2011/12 for the development budget MICT was UgShs 11,962,537,560 and this was later revised to UgShs 11,449,937,580 a budget cut of 4%.

The sector release performance was 80% of the revised budget (Table 2.7). Projects 1053, 1054 and 1055 registered the lowest release performance of 39%, 35% and 48% respectively.

The funds released to projects were fully absorbed.

**Table 2.7 Ministry of ICT Budget Performance for the FY 2011/12**

| **Project Code** | **Project Name** | **GOU Budget (Revised)** | **Releases for the FY 2011/12** | **Expenditures for the FY 2011/12** | **Release as a % of the budget** | **Expenditure as a % of Releases** |
|---|---|---|---|---|---|---|

| | | | | | 2011/12 | 2011/12 |
|---|---|---|---|---|---|---|
| 900 | E-Government ICT Policy Implementation | 1,396,100,000 | 1,295,574,267 | 1,293,915,681 | 93 | 100 |
| 990 | Strengthening Ministry of ICT | 1,116,000,000 | 859,500,333 | 864,452,514 | 77 | 101 |
| 1014 | National Transmission Backbone project | 7,517,237,560 | 6,430,243,560 | 6,430,243,560 | 86 | 100 |
| 1053 | District Business Information Centre | 163,000,000 | 64,199,000 | 64,199,000 | 39 | 100 |
| 1054 | National IT Authority Uganda | 1,062,450,020 | 368,987,500 | 368,987,500 | 35 | 100 |
| 1055 | Business Process Outsourcing | 195,150,000 | 92,804,167 | 92,804,167 | 48 | 100 |
| **Total** | | **11,449,937,580** | **9,111,308,827** | **9,114,602,422** | **80** | **100** |

Source: IFMS

### Vote 113 Uganda National Roads Authority

### Table 2.8 UNRA Budget performance for the FY 2011/12

| Project Code | Project Name | GOU Budget (Revised) | Releases FY 2011/12 | Expenditure for the FY 2011/12 | Release Performance (%) | Absorption rate (%) |
|---|---|---|---|---|---|---|
| 265 | Upgrade Atiak Moyo-Afoji (104km) | 6,114,551,000 | 6,114,551,000 | 6,114,551,000 | 100 | 100 |
| 267 | Improvement of Ferry Services | 2,090,408,000 | 2,090,408,000 | 2,090,408,000 | 100 | 100 |
| 268 | Kampala Nothern Bypass (17km) | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 | 100 | 100 |
| 278 | Upgrade Kibaale-Kisoro-Bunagana/kyanika (98km) | 31,298,063,434 | 31,298,063,434 | 32,198,062,327 | 100 | 103 |
| 279 | Improvement of traffic flow in Kampala | 200,000,000 | 139,361,000 | 139,361,000 | 70 | 100 |
| 280 | Rehabilitate Fort Portal - Hima (55km) | 800,000,000 | 703,988,667 | 703,988,667 | 88 | 100 |
| 283 | Rehabilitation/Development of Boarder Posts | 100,000,000 | 69,680,000 | 69,680,000 | 70 | 100 |
| 285 | Upgrade Matugga-Semuto-Kapeeka (41km) | 0 | 0 | 399,999,503 | - | - |
| 292 | Upgrade Busunju-Hoima (145km) | 100,000,000 | 69,680,333 | 69,680,333 | 70 | 100 |
| 294 | External Audit Services | 999,998,771 | 696,801,924 | 696,801,924 | 70 | 100 |
| 295 | Upgrade Kampala-Gayaza-Zirobwe (44.3km) | 1,000,000,000 | 696,801,924 | 6,496,795,871 | 70 | 932 |
| 298 | Accident black spots on Jinja - Kampala | 500,000,000 | 348,401,667 | 348,401,667 | 70 | 100 |
| 299 | Upgrade Soroti - Dokolo - Lira (123km) | 300,000,000 | 299,040,667 | 299,040,667 | 100 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 315 | Reconstruct Masaka - Mbarara (154km) | 200,000,000 | 139,360,667 | 139,360,667 | 70 | 100 |
| 321 | Upgrade Fort Portal-Bundibugyo-Lamia (104km) | 7,916,141,501 | 7,800,000,000 | 7,800,000,000 | 99 | 100 |
| 954 | Design Muyembe-Moroto-Kotido (290km) | 6,978,394,854 | 6,878,394,854 | 6,878,394,854 | 99 | 100 |
| 955 | Upgrade Nyakahita-Ibanda-Fort Portal (208km) | 10,659,179,000 | 10,659,179,000 | 12,459,176,787 | 100 | 117 |
| 1031 | Upgrade Gulu-Atiak-Bibia/Nimulu (104km) | 1,593,605,000 | 1,393,605,000 | 3,193,602,787 | 87 | 229 |
| 1032 | Upgrade Vurra-Arua-Koboko | 1,593,605,000 | 1,393,605,000 | 3,193,602,787 | 87 | 229 |
| 1033 | Design Hoima -Kaiso - Tonya (85km) | 40,000,000,000 | 40,000,000,000 | 40,000,000,000 | 100 | 100 |
| 1034 | Design of Mukono-Katosi-Nyenga (72km) | 6,841,489,157 | 6,697,682,837 | 6,697,682,837 | 98 | 100 |
| 1037 | Upgrade Mbarara-Kikagata (70km) | 21,736,791,000 | 21,736,791,000 | 21,736,791,000 | 100 | 100 |
| 1044 | Design Ishaka-Kagamba (35km) | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 | 100 | 100 |
| 1056 | Transport Corridor Project | 236,455,879,074 | 235,289,212,407 | 243,617,107,859 | 100 | 104 |
| 1104 | Construct Selected Bridges (BADEA) | 3,448,675,667 | 3,115,342,334 | 3,115,342,334 | 90 | 100 |
| 1105 | Road Sector Instn Capacity Dev Project. | 2,466,000,000 | 2,170,045,000 | 2,170,045,000 | 88 | 100 |
| 1180 | Kampala Entebbe Express Highway | 50,000,000,000 | 50,000,000,000 | 50,000,000,000 | 100 | 100 |
| **Total** | | **444,892,781,458** | **441,299,996,715** | **462,127,877,871** | **99** | **105** |

Source: IFMS

### Vote 019 Ministry of Water and Environment

The approved budget FY 2011/12 for the development budget MOWE was UgShs 68,163,536,693 and this was later revised to UgShs 76,961,536,974 an increase of 12.9%.

The overall release performance for the Ministry was 96% and details of the individual project release performance are shown in Table 2.9. The funds released to most of the projects were fully absorbed only less than one per cent of the budget was available at the end of the financial year.

**Table 2.9 Ministry of Water and Environment Budget Performance for the FY 2011/12**

| Project Code | Project Name | GOU Budget | Releases FY 2010/11 | Expenditure for the FY 2010/11 | Release as a % of the budget 2010/11 | Expenditure as a % of Releases 2010/11 |
|---|---|---|---|---|---|---|
| 124 | Energy for Rural Transformation | 150,000,000 | 120,002,000 | 119,706,662 | 80 | 100 |
| 137 | Lake Victoria Environment Mgt Project | 1,460,003,000 | 869,167,999 | 869,164,999 | 60 | 100 |
| 140 | Meteorological Support for PMA | 5,020,000,000 | 2,795,700,000 | 2,793,839,408 | 56 | 100 |
| 146 | National Wetland Project Phase II | 2,950,000,000 | 2,707,589,000 | 2,639,097,453 | 92 | 97 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 149 | Operational Water Res. Mgt NBI | 349,997,126 | 219,499,000 | 218,681,601 | 63 | 100 |
| 151 | Policy and Management Support | 1,848,000,000 | 1,560,250,000 | 1,559,452,367 | 84 | 100 |
| 158 | School and Community Water - IDPs | 1,100,000,000 | 1,068,637,000 | 1,068,502,665 | 97 | 100 |
| 160 | South Western TWSP-Austria | 1,300,000,000 | 1,196,123,000 | 1,196,123,000 | 92 | 100 |
| 163 | Support to WRM | 16,569,529,999 | 16,298,318,000 | 16,286,043,467 | 98 | 100 |
| 164 | Support to Small Town WSP | 2,520,000,002 | 2,171,359,000 | 2,166,965,493 | 86 | 100 |
| 165 | Support to WRM | 1,906,991,778 | 1,136,207,999 | 1,135,641,616 | 60 | 100 |
| 168 | Urban Water Reform | 923,018,223 | 923,018,000 | 922,934,821 | 100 | 100 |
| 169 | Water for Production | 21,510,000,000 | 21,200,099,445 | 21,197,835,928 | 99 | 100 |
| 947 | FIEFOC-Farm Income Project | 2,938,000,000 | 2,805,500,000 | 2,801,332,461 | 95 | 100 |
| 1021 | Mapping of Ground Water Resource | 249,997,524 | 152,816,080 | 148,108,843 | 61 | 97 |
| 1022 | Strengthening Capacity on concessions | 300,000,000 | 207,773,000 | 207,017,206 | 69 | 100 |
| 1030 | SIP Coordination Project | 730,000,000 | 457,392,000 | 457,315,760 | 63 | 100 |
| 1074 | Water and Sanitation Facility-North | 1,810,000,000 | 1,803,956,000 | 1,803,956,000 | 100 | 100 |
| 1075 | Water and Sanitation Facility-East | 1,780,000,000 | 1,665,977,000 | 1,665,977,000 | 94 | 100 |
| 1102 | Climate Change Project | 1,299,999,322 | 951,500,000 | 949,122,521 | 73 | 100 |
| 1130 | WSDF Central | 5,366,000,000 | 5,064,997,999 | 5,064,997,999 | 94 | 100 |
| 1188 | Protection of Lake Victoria-Kla Sanitation Prog. | 100,000,000 | 99,999,999 | 99,999,999 | 100 | 100 |
| 1189 | Sawlog Production Grant Scheme Project | 1,540,000,000 | 1,039,999,999 | 1,039,999,999 | 68 | 100 |
| 1190 | Support to Nabeya Forestry College Project | 820,000,000 | 749,738,999 | 749,738,999 | 91 | 100 |
| 1191 | Provision of Improved Water Sources of Returned IDP | 760,000,000 | 678,785,999 | 678,238,127 | 89 | 100 |
| 1192 | Lake Victoria Water and Sanitation | 860,000,000 | 813,882,000 | 813,299,559 | 95 | 100 |
| 1193 | Kampala Water Lake Victoria Water & Sanitation Prog. | 800,000,000 | 800,000,000 | 800,000,000 | 100 | 100 |
| | | **76,961,536,974** | **69,558,289,518** | **69,453,093,953** | **96** | **100** |

Source: IFMS

## Vote 016 Ministry of Works and Transport

The approved budget FY 2011/12 for the development budget MOWT was Ug Shs 90,068,311,659 and this was later revised to Ug Shs 78,586,660,703 a budget cut of 12.7%.

The overall release performance for the MOWT development budget was 67% and details of the individual project release performance are shown in Table 2.10. Project 308 Road equipment for district roads had the least release of only 7%.

The funds released to the projects were fully absorbed as shown in the table below.

**Table 2.10 Ministry of Works and Transport Budget Performance FY 2011/12**

| Project Code | Project Name | GOU Budget (Revised) | 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 |
|---|---|---|---|---|---|---|
| 269 | Construction of selected bridges | 5,220,000,326 | 3,104,061,000 | 3,104,061,000 | 59 | 100 |
| 270 | Development & Strengthening Quality Mgt | 1,980,000,103 | 1,050,084,999 | 1,050,022,998 | 53 | 100 |
| 271 | Development of inland water transport | 1,800,000,096 | 1,800,000,096 | 1,800,000,094 | 100 | 100 |
| 297 | National Transport Master Plan | 890,000,048 | 452,967,999 | 452,967,997 | 51 | 100 |
| 304 | Upcountry Stations Rehabilitation | 400,000,023 | 358,720,000 | 358,719,998 | 90 | 100 |
| 306 | Urban Roads Re-sealing | 3,990,000,133 | 3,707,070,000 | 3,705,540,000 | 93 | 100 |
| 307 | Rehab. Of District Roads | 2,200,000,152 | 1,046,211,000 | 1,046,210,999 | 48 | 100 |
| 308 | Road Equipment for District Units | 5,024,682,104 | 345,110,000 | 345,110,000 | 7 | 100 |
| 515 | Rehabilitation of Bugembe Workshop | 854,000,047 | 406,120,000 | 406,120,000 | 48 | 100 |
| 902 | Axle Load Control | 1,000,200,055 | 820,198,271 | 820,198,270 | 82 | 100 |
| 936 | Redevelopment at State House at Entebbe | 2,765,318,126 | 1,826,114,000 | 1,826,114,000 | 66 | 100 |
| 951 | East African Trade & Transportation Facilitation | 2,160,000,000 | 1,064,689,000 | 1,064,688,940 | 49 | 100 |
| 965 | Redevelopment of Kyabazinga's Palace at Iganga | 1,200,000,067 | 687,693,000 | 687,692,904 | 57 | 100 |
| 966 | Late Gen Tito Okello's Residence | 150,000,009 | 119,012,005 | 119,011,923 | 79 | 100 |
| 967 | General Construction and Rehabilitation Works | 1,399,957,012 | 665,750,000 | 661,029,999 | 48 | 99 |
| 995 | Community Agriculture Infrastructure Improvement | 2,500,000,133 | 1,740,000,000 | 1,740,000,000 | 70 | 100 |
| 996 | Support to Tourism | 1,100,000,060 | 523,106,000 | 523,106,000 | 48 | 100 |
| 1045 | Interconnectivity Project | 6,360,000,445 | 5,641,271,810 | 5,641,271,809 | 89 | 100 |
| 1047 | Rehabilitation of Development of Upcountry Aerodr | 2,300,000,121 | 1,093,766,000 | 1,093,766,000 | 48 | 100 |
| 1048 | Motor Vehicle Inspection Services | 2,250,000,115 | 1,740,877,005 | 1,740,877,004 | 77 | 100 |
| 1049 | Kampala-Kasese Railway Feasibility Project | 1,900,000,102 | 1,900,000,102 | 1,900,000,052 | 100 | 100 |
| 1050 | Establishment of the National Transport Data Bank | 3,804,500,230 | 2,868,563,918 | 2,868,563,917 | 75 | 100 |
| 1051 | New Ferry to replace Kabalega | 930,000,049 | 790,212,032 | 790,212,032 | 85 | 100 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1052 | Rehabilitation and re-equipping of EACAA-Soroti | 3,200,000,247 | 2,555,088,000 | 2,555,088,000 | 80 | 100 |
| 1061 | Construction of Gov't Office Blocks | 2,350,000,018 | 2,298,493,999 | 2,298,493,999 | 98 | 100 |
| 1062 | Karamoja Roads Development Programme | 2,634,999,990 | 2,154,033,191 | 2,154,033,190 | 82 | 100 |
| 1095 | National Air Transport Facilitation Project | 520,000,030 | 255,031,000 | 255,031,000 | 49 | 100 |
| 1096 | Support to Computerized Driving Permits | 1,420,000,078 | 881,282,000 | 881,281,962 | 62 | 100 |
| 1097 | New Standard Gauge Railway Line | 1,800,000,094 | 1,800,000,091 | 1,800,000,058 | 100 | 100 |
| 1098 | Roads in Oil Prospecting Areas | 860,000,036 | 408,974,000 | 408,973,999 | 48 | 100 |
| 1101 | Building Infra, for Growth-MoWT Change Prog. | 580,000,031 | 295,729,000 | 295,728,914 | 51 | 100 |
| 1105 | Strengthening Sector Coord, Planning & ICT | 2,300,000,125 | 1,175,516,000 | 1,175,516,000 | 51 | 100 |
| 1126 | Institutional Support to URC | 500,000,026 | 500,000,026 | 499,999,994 | 100 | 100 |
| 1159 | Kasese airport Dev't project-KADP | 2,600,000,137 | 1,236,432,000 | 1,236,432,000 | 48 | 100 |
| 1160 | Transport Sector Development Project (TSDP) | 443,000,025 | 210,669,000 | 210,669,000 | 48 | 100 |
| 1171 | U-Growth Support to MELTC | 3,480,000,185 | 2,097,975,000 | 2,097,975,000 | 60 | 100 |
| 1172 | U-Growth Support to DUCAR | 1,920,000,102 | 1,090,500,000 | 1,090,500,000 | 57 | 100 |
| 1173 | Construction of MoWT Headqters Building | 1,800,000,023 | 1,624,586,000 | 1,624,585,981 | 90 | 100 |
| **Total** | | **78,586,660,703** | **52,335,907,544** | **52,329,595,033** | **67** | **100** |

Source: IFMS

## 2.3 Financial Performance of Selected Districts

### 2.3.1 Introduction

A total of thirteen districts were visited mainly to track the development grants released by the treasury for the FY 2011/12 to verify; whether the funds sent were promptly remitted to the spending departments, and the extent of use; ascertain whether there were any balances on the sector accounts as at the close of FY2011/12 and whether the balances were remitted back to the consolidated fund.

### Objectives

To establish whether all the funds released by the ministry of finance planning and economic development is promptly remitted to the sectors of Education, Health, Agriculture, Rural roads and water, Local Government Management and Service Delivery (LGMSD) and if there is no diversion of funds.

- To ascertain if there were any balances retained on the sector accounts at the end of FY2011/12; and if so whether the balances were sent back to the consolidated fund as required by the financial regulations.
- To establish whether there is adequate absorption of funds received from the Ministry of Finance Planning and Economic Development and if not, the probable reasons for such a phenomenon.
- To establish trend between FY 2010/11 and FY 2011/12 with reference to the budget figures.

**Scope and Methodology**

A total of thirteen districts were visited and the period under review is the FY2011/12 in respect to the releases and expenditure performance of districts.

Under the budget trend analysis, focus was on the approved budget of FY2011/12 in contrast with the approved budget of FY2010/11.

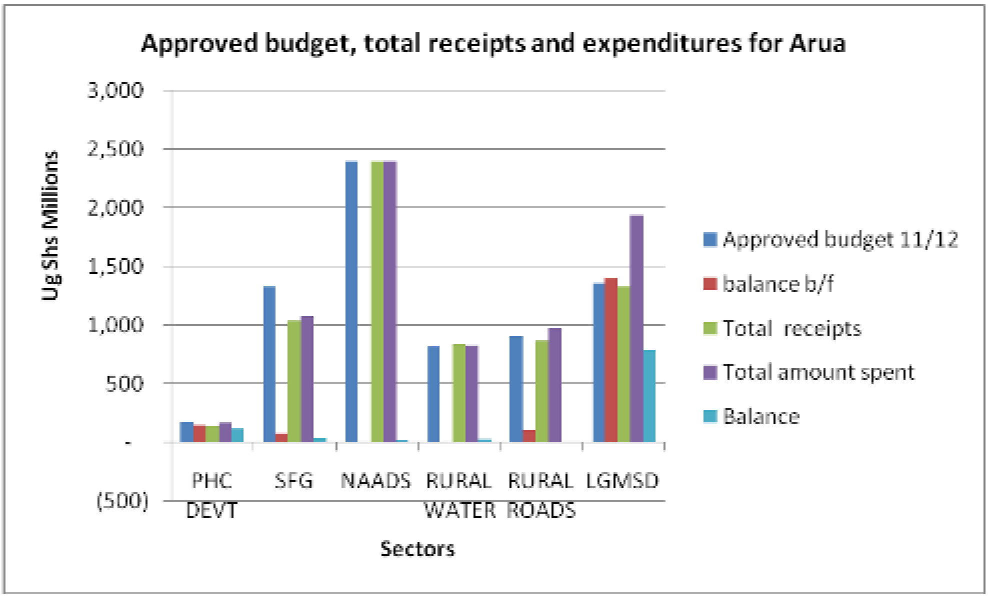
The methodology used included; physical visits to the district offices of CAO, CFO, and sector heads of departments, reviewing of relevant official documents and records, interviewing of key personnel of the local governments, and recording of the findings during the monitoring.

## 2.4 Findings

### Arua Local Government

Arua local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. NAADS and rural water received 100% of the approved budget, while PHC development, SFG, rural roads and LGMSD received 75%, 69%, 95%, and 98% respectively. The district received the funds timely for the quarters FY 2011/12 and 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. The low release performance for PHC development and SFG affected implementation of programmes.

**Figure 2.3.1 Arua LG District budget performance for the FY 2011/12**




Source: Arua LG.

The balance for rural roads (normal release) as at 1/07/2011 of Ug Shs 95,247,668 was used to pay the rural roads (PRDP) because the contractors had finished works and yet the FY 2010/11 budget for PRDP component had no funds as a result of budget cuts.

The overspent of Ug Shs 10,104,777 in FY 2011/12 on the rural roads account was covered by funds on the rural water account.

There was a balance of Ug Shs 30,390,392 on the rural water as at 30.06.2012 which was meant for the contractor who was drilling boreholes and had not completed, therefore they used part of the balance to pay the rural roads contractor who had finished works.

PHC Development also experienced huge budget cuts which adversely affected implementation; PHC (PRDP) was short by Ug Shs 298,147,102 while PHC (normal release) was cut by Ug Shs 43,147,898. The unspent balance of Ug Shs 110,613,632 on PHC (normal release) was diverted to cover the deficit on PHC (PRDP).

*It was therefore noted that there was a diversion of funds caused by the sudden budget cuts.*

The unspent balance of Ug shs 776,159,862/= for LGMSD was meant for on-going construction works.

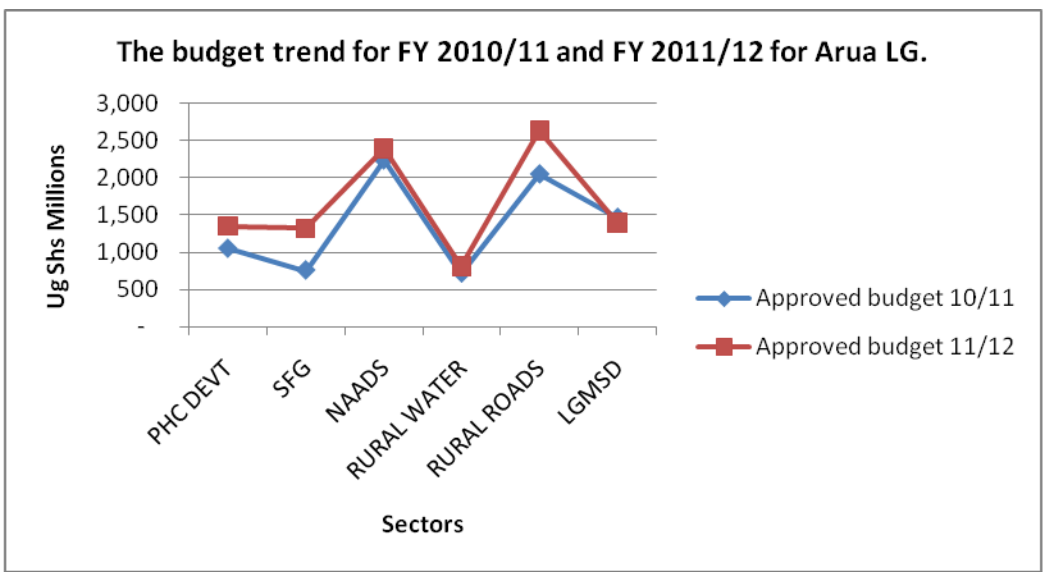
**Table 2.3.1 Arua LG District Budget Performance for the FY 2011/12**

| Sector | Approved budget 11/12 | balance b/f | Total receipts | Total amount spent | Balance |
|---|---|---|---|---|---|
| **PHC DEVT** | 170,662,000 | 140,774,230 | 127,514,102 | 157,674,700 | 110,613,632 |
| **SFG** | 1,321,080,000 | 67,658,978 | 1,028,181,000 | 1,065,449,957 | 30,390,021 |
| **NAADS** | 2,390,103,000 | 2,108,532 | 2,390,103,000 | 2,389,446,052 | 13,434,980 |
| **RURAL WATER** | 812,066,000 | 593,403 | 831,955,370 | 817,757,409 | 17,791,364 |
| **RURAL ROADS** | 904,800,000 | 95,247,668 | 863,612,199 | 968,964,644 | (10,104,777) |
| **LGMSD** | 1,347,933,857 | 1,390,489,556 | 1,316,785,000 | 1,931,114,694 | 776,159,862 |

Source: Arua LG.

The unspent balance on NAADS of Ug Shs 13M was meant for purchasing the cassava cutting machine and the contractor was awarded the contract on the 27th June 2012 therefore the contractor could not supply in the two days that were remaining to the end of the financial year. The unspent balance was returned to the consolidated fund as required by law.

**Figure 2.3.2 Arua LG Budget Trend FY 2010/11 and 2011/12**




Source: Arua LG.

There was an upward budget trend for the FY 2010/11 to FY 2011/12 for the selected sectors in Arua district as shown in the figure 2.3.2.

**Challenges**

- The district experienced huge budget cuts especially with the PRDP funds which were cut by Ug Shs 800 million.
- There are delays in verifying certificates for construction works caused mainly by the technical people, who are not easily available to meet at the same time.
- The budget figures from MOFPED are always different from what the district gets from the NAADS secretariat.
- The district is required to co-fund on the NAADS and LGMSD budgets, but this has not been achieved due to the very low revenue collection at the district.
- The funds sent by road fund are usually late and also delay to send the release schedules and these results into delayed implementation. The fourth quarter release from the road fund delayed on the general fund account for more than a month, the district received the schedules on 26$^{th}$ June 2012 which was too late.

**Bukedea Local Government**

Bukedea local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. All the above sectors received more than 80% of the FY 2011/12 approved budget. NAADS received 100% while PHC development SFG, rural water, rural roads and LGMSD received 83%, 85%, 99%, 88% and 95% respectively. The district received the funds for all the quarters FY 2011/12 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. The release performance was fair and this contributed to the improved implementation of programmes.

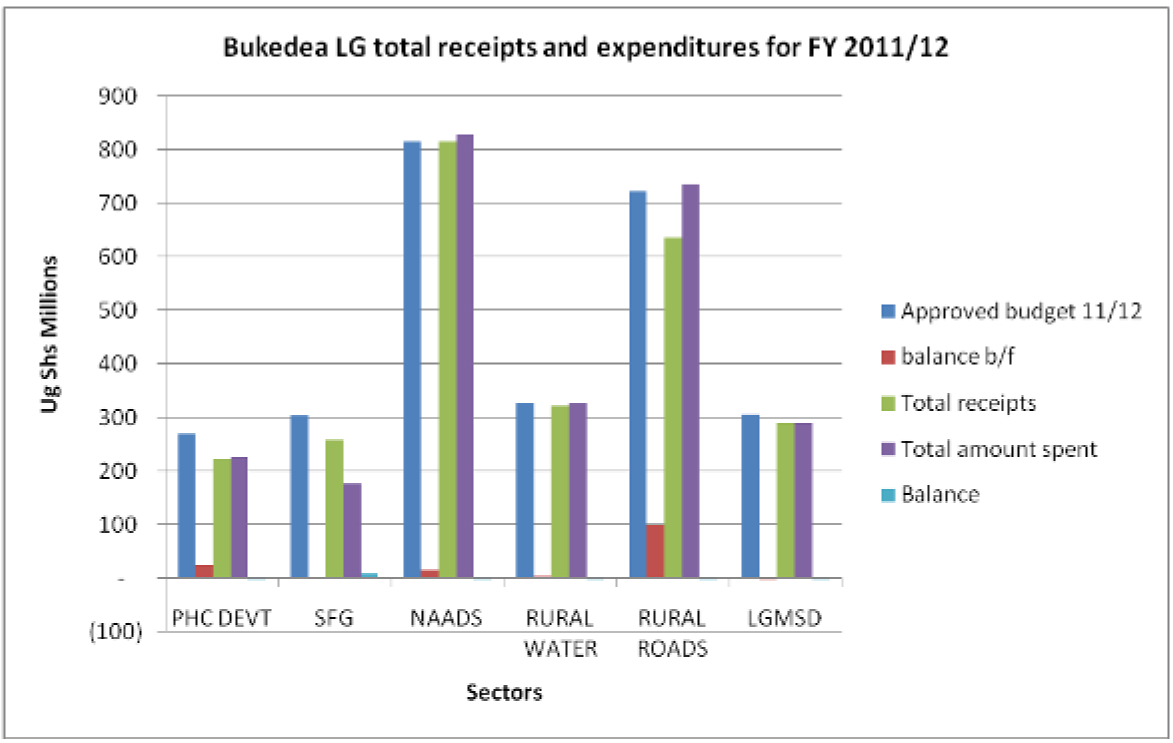
The absorption of funds by the district however was excellent for all the sectors although there were some delays in the implementation of some activities in SFG due to budget cuts. PHC development absorbed 102% while SFG, NAADS, Rural water, rural roads and LGMSD absorption rates were 69%, 102%, 101%, 116% and 100% respectively. The sectors with the absorption capacity which is over 100% is brought about by the balances brought forward at the beginning of the financial year. Table 2.3.2 clearly illustrates the districts receipts and expenditures FY 2011/12.

**Table 2.3.2 Bukedea LG District Budget Performance for the FY 2011/12**

| Sector | Approved budget 2011/12 | balance b/f as at 1.07.2011 | Total receipts | Total amount spent | Balance |
|---|---|---|---|---|---|
| **PHC DEVT** | 269,052,000 | 24,460,594 | 222,787,500 | 226,248,447 | 161,036 |
| **SFG** | 302,753,000 | - | 257,940,000 | 176,870,223 | 8,259,843 |
| **NAADS** | 813,140,000 | 14,944,309 | 813,139,000 | 828,243,610 | 160,301 |
| **RURAL WATER** | 325,578,000 | 3,604,545 | 322,028,100 | 325,611,044 | 21,601 |
| **RURAL ROADS** | 720,287,000 | 99,987,161 | 634,054,900 | 734,055,170 | (13,109) |
| **LGMSD** | 305,727,501 | 519 | 290,436,000 | 290,405,531 | 30,469 |

Source: Bukedea LG

**Figure 2.3.3 Bukedea LG District Budget Performance FY 2011/12**

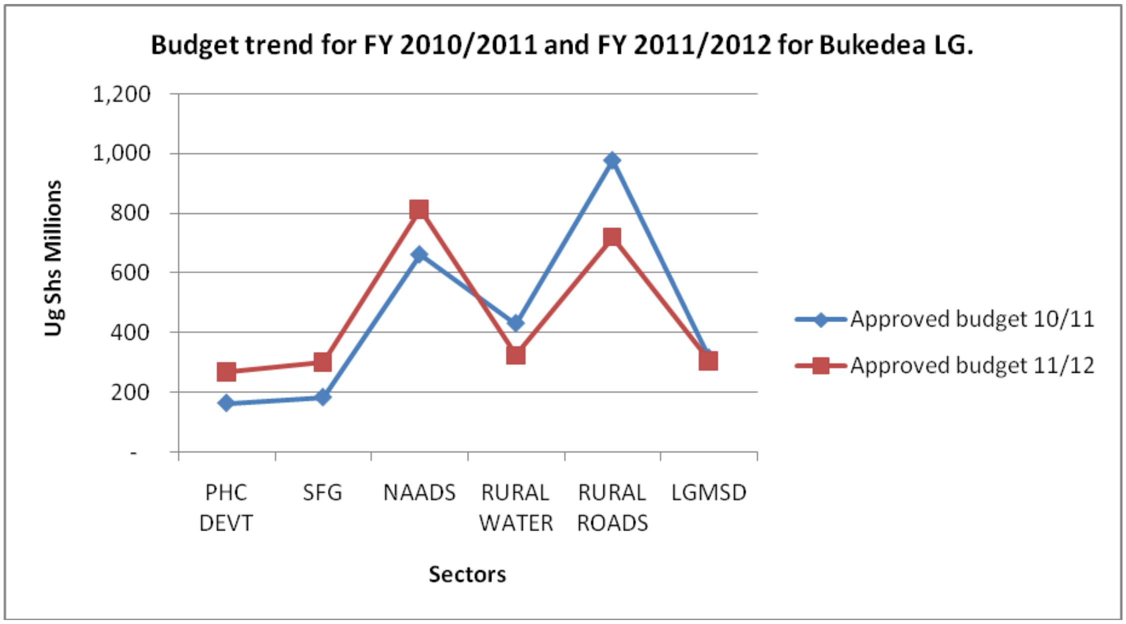



Source: Bukedea LG

The district did not have any significant unspent balances apart from SFG which had a small balance as shown in Figure 2.3.3.

Regarding the approved budget trend, there was improvement in some sectors while others registered a significant decline in the FY 2011/12 with major declines registered in rural water and rural roads budget, PHC development, SFG and NAADS received a remarkable increase while LGMSD remained almost constant (Figure 2.3.4).

**Figure 2.3.4 Bukedia District LG Budget trend analysis**




Source: Bukedea LG.

**Challenges**

- The District has experienced personnel shortages. They have limited man-power operating at 54% and the people heading departments in acting positions are not well qualified. There is a high rate of staff turnover and this is caused by the nature of the district.
- The District has been affected by the budget cuts and this has affected implementation. They cannot complete their projects when all the contractors are not fully paid and are also not sure of the availability of funds.
- They were affected by late release of funds. These particular funds were released in June, and this makes it very difficult for them to absorb the funds in a number of days.

**Bulambuli District Local Government**

Bulambuli local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. Most of the sectors received more than three quarters of the budget for the FY 2011/12. NAADS received 100%, rural water 98%, PHC development 80%, SFG 134% and LGMSD received 122%. 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.

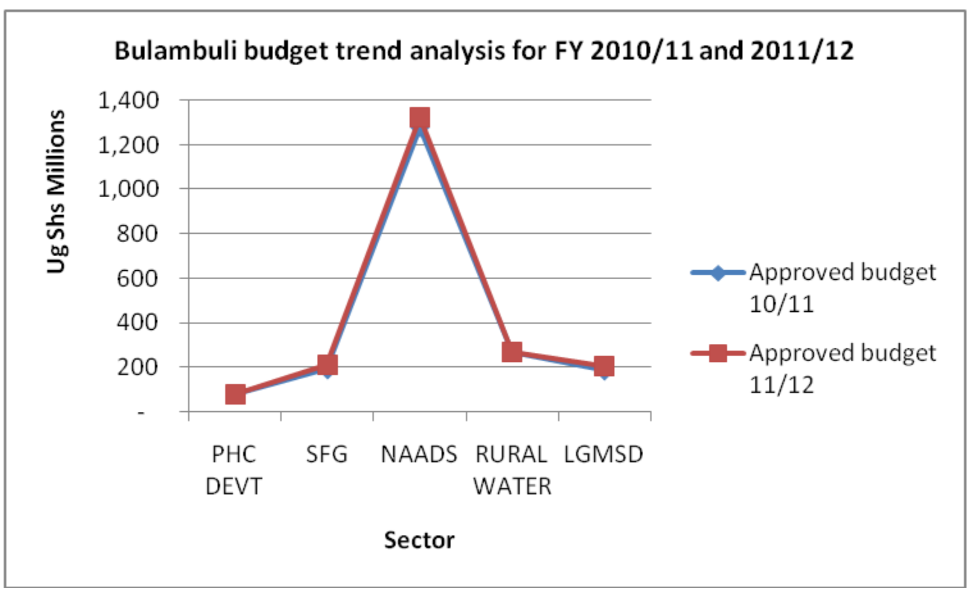
**Table 2.3.3 Bulambulu release performance FY 2011/12**

| Sector | Approved budget 11/12 | Amount received | Release performance |
|---|---|---|---|
| **PHC DEVT** | 77,171,000 | 61,909,000 | 80% |
| **SFG** | 211,323,000 | 283,363,000 | 134% |
| **NAADS** | 1,323,275,000 | 1,323,275,000 | 100% |
| **RURAL WATER** | 267,627,000 | 262,170,000 | 98% |
| **RURAL ROADS** | | 76,086,882 | |
| **LGMSD** | 204,345,000 | 249,114,692 | 122% |

*Source: Bulambuli LG Headquarters*

Information regarding the absorption of funds by the district was not availed to the monitoring team, an effort to obtain the information after the field proved fruitless. The budget trend for Bulambuli district indicates that the approved budget for the FY 2011/12 was almost the same as that of the FY 2010/11 (Figure 2.3.4).

**Figure 2.3.4 Bulambulu LG Budget Trend Analysis FY 2010/11 to FY 2011/12**




*Source: Bulambuli LG Headquarters.*

**Challenges**

- The contractors have a low capacity problem for example, there was a balance in the education sector and this was brought about by the contractor's inability to start works due to financial incapacity and the impassable roads.
- The district has never had its own contracts committee; it was using that of Sironko District which expired and this delays execution of procurements. The district submitted names for the contracts committee but has not been approved. .
- The lengthy procurement process has caused numerous delays in implementation.
- The PRDP allocation for roads FY 2011/12 was very small, it could only cover 1km which is too small.
- Releases for the 3rd and 4th quarters delayed and there were drastic budget cuts which according to the CFO negatively affected the implementation of the programmes.
- Staffing is another challenge faced by the district. They requested for consideration of recruitment and by the time the monitoring exercise was done, they had started recruiting some staff members.

**Kabarole District Local Government**

Kabarole local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. All of the sectors received more than 90% of the FY 2011/12 approved budget, Rural roads received 92%, NAADS received 100%, rural water 105%, SFG 94% PHC Development 93% and LGMSD received 105%. The information 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.

The absorption of funds by the district however was good for all the sectors with some balances, for example, the NAADS had unspent balance of Ug Shs 11.8 million was meant for farmer development training but the release came in late and therefore the training couldn't be carried out.

In Rural water, the failed to full absorb the funds because there were delays in approval of the designs from the ministry and delays in recruitment, in the long run UNICEF pulled out some of the money because of this failure to absorb.

In the education sector, they received funds for the construction of primary schools and a technical school but they got authorization from the ministry of Education in the 4th quarter therefore, could not put the funds to use. The table below shows the balance brought forward as at 1/7/2011 and the balances as at 30th June 2012.

**Table 2.3.4 Kabarole District Unspent balances**

| Sector | Balance b/f as at 1/7/2011 | Balance as at 30/06/2012 |
|---|---|---|
| **PHC DEVT** | 68,048,288 | 23,000,000 |
| **SFG** | - | 71,459,212 |
| **NAADS** | 10,160,311 | 11,868,148 |
| **RURAL WATER** | 37,801,103 | 58,351,380 |
| **RURAL ROADS** | - | - |
| **LGMSD** | - | 26,922,384 |

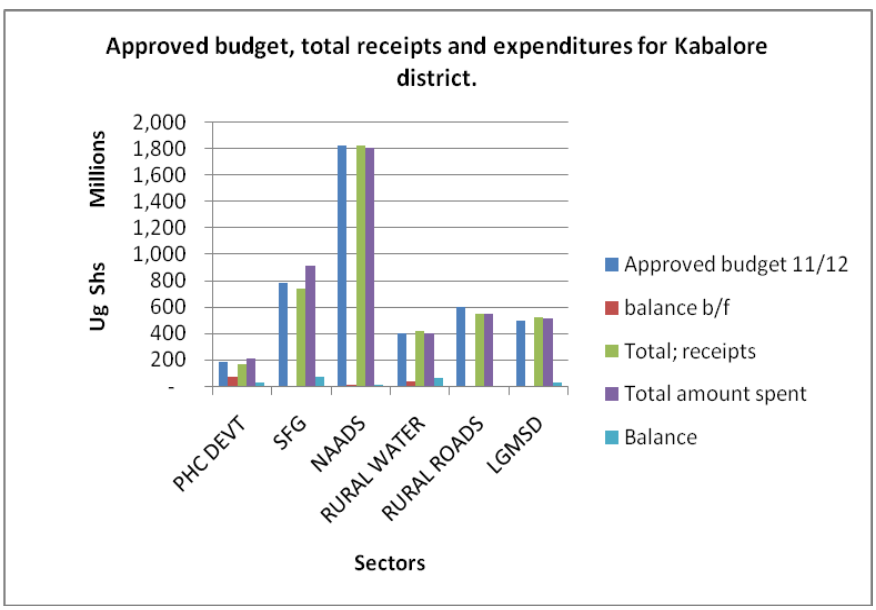
Source: Kabarole LG.

**Remittance of unspent balances**

Evidence was obtained for the remittance of NAADS unspent balance of Ug Shs 11,868,148 back to the consolidated account on a payment voucher dated 24.07.2012. The team was not able to establish whether the unspent balances on other sector accounts were returned to the consolidated account.

Figure 2.3.5 below shows the approved budget, total receipts and expenditures for Kabarole LG for FY 2011/12.

**Figure 2.3.5 Kabarole District Budget Performance FY 2011/12**




Source: Kabarole LG.

**Challenges**

- The district experienced budget cuts in the 4th quarter and this has negatively affected budget implementation across sectors.
- The procurement cycle is too long.
- Unplanned creation of units like the sub counties has caused budget constraints.
- Control from the centre is too much and sometimes it has not proved to be efficient. This is particularly in the aspects of recruitment of staff from Public service, approvals for construction works from Ministry of water and Ministry of Education.

**Kamuli District Local Government**

Kamuli local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. Most of the sectors received more than 90% of the FY 2011/12 approved budget apart from rural roads which received 84%. NAADS received 100%, rural water 100%, SFG 94% PHC Development 93% and LGMSD received 95%. The information 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. The release performance was good and this helped the district to absorb all the funds released for the programmes.

**Table 2.3.5 Kamuli District LG Budget Performance FY 2011/12**

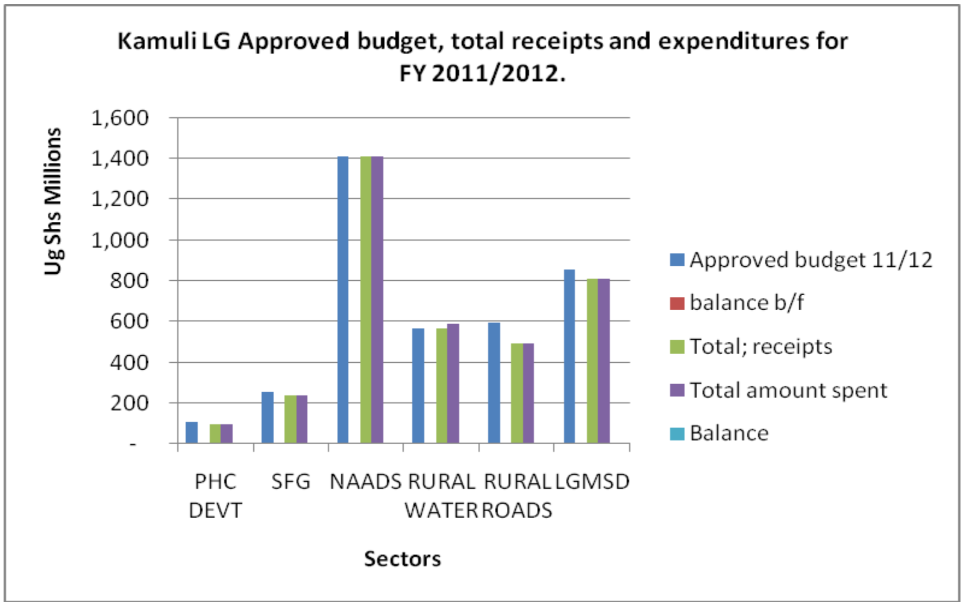
| Sector | Approved budget FY 2011/12 | Total receipts | Total amount spent | Release performance | Absorption rate |
|---|---|---|---|---|---|
| **PHC DEVT** | 105,512,279 | 97,825,000 | 98,352,360 | 93% | 101% |
| **SFG** | 253,588,000 | 239,342,000 | 238,265,699 | 94% | 100% |
| **NAADS** | 1,412,668,999 | 1,412,668,000 | 1,412,623,496 | 100% | 100% |
| **RURAL WATER** | 569,697,378 | 569,694,000 | 592,753,057 | 100% | 104% |
| **RURAL ROADS** | 593,477,640 | 496,376,273 | 496,356,683 | 84% | 100% |
| **LGMSD** | 856,747,522 | 813,910,000 | 810,456,154 | 95% | 100% |

Source: Kamuli local government.

The procurement process started in time; most of the contracts were awarded as early as December 2011. This contributed to the impressive absorption rates across the sectors (Table 2.3.5). The budget cuts affected rural roads and the district was not able to pay for all the works that were done in the 4th quarter. PHC Development and rural roads had unspent balances for the previous financial year and this caused the absorption capacity that is over 100% (Table 2.3.5).

Figure 2.3.6 below shows the approved budget, total receipts, expenditures and balances for the FY 2011/12.

**Figure 2.3.6 Kamuli Approved Budget, releases and expenditure FY 2011/12**




Source: Kamuli LG.

**Challenges**

- The district had situations of funds coming without any accompanying information, for example they received funds from Ministry of local government meant for CDD and it spent over a month on the account without knowing the purpose of the funds.
- The biggest percentage of the NAADS funds is spent on paying for NAADS coordinators and very little is left to technologies for food security farmers. The amounts are too small to have an impact.

**Kapchorwa District Local Government**

The funds received by the district for the PAF sectors under consideration were promptly remitted to the sectors. The funds include SFG, NAADS, PHC development, Rural Water, Roads and LGMSD. The release performance was rural water 92%, rural roads 85%, PHC development 37%, SFG 91% and LGMSD received 130%.

All departments had not adequately absorbed the funds received, one of the reasons being because of the balance brought forward from the previous financial year: SFG had Ug shs 80,804,220 /= balance from the previous financial year, they received Ug shs 361,060,010/= for FY 2011/12 and were able to spend Ug shs 370,618,539 and remained with a balance of Ug shs 71,243,695 by 30th June 2012 which was meant for the construction of 5 stance VIP latrines in seven schools and desks for Kaplorot P/S and Tumboi P/S, PHC development had a balance of Ug shs 250,018,469 and this was meant for construction of wards, staff houses, a maternity ward and renovation of health offices. All works were said to be in progress and the funds were sent back to the consolidated fund.

**Table 2.3.6 Kapchorwa District LG budget performance for the FY 2011/12**

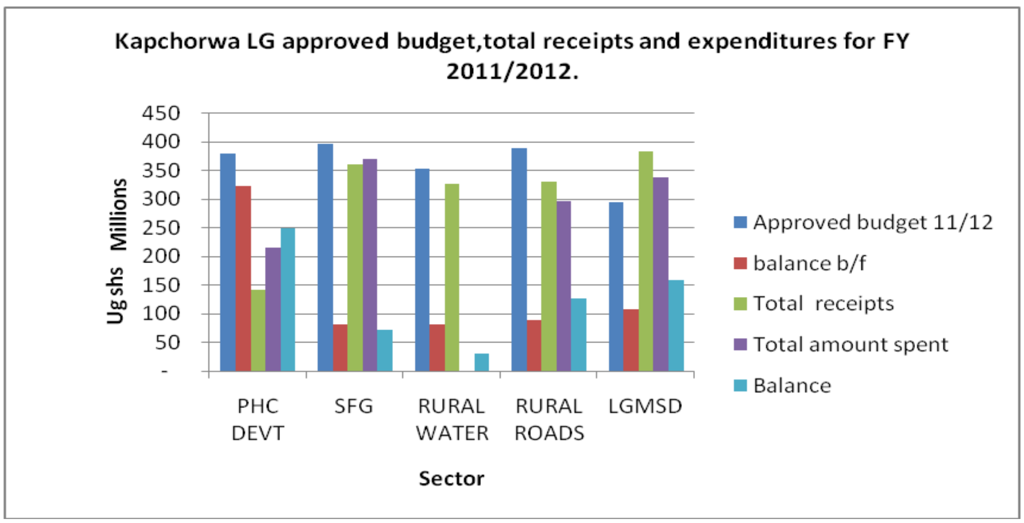
| Sector | Approved budget 2011/12 | balance b/f as at 1.07.2011 | Total releases | Total amount spent | Unspent Balance |
|---|---|---|---|---|---|
| **PHC DEVT** | 380,888,971 | 323,221,269 | 141,896,000 | 215,098,800 | 250,018,469 |
| **SFG** | 396,883,000 | 80,804,220 | 361,060,014 | 370,618,539 | 71,243,695 |
| **RURAL WATER** | 354,423,193 | 81,742,575 | 327,304,000 | 315,055,894 | 29,551,498 |
| **RURAL ROADS** | 389,513,000 | 89,771,241 | 331,179,219 | 295,955,664 | 127,008,845 |
| **LGMSD** | 294,999,000 | 107,695,075 | 384,617,462 | 338,344,117 | 158,495,551 |

Source: Kapchorwa LG.

The unspent balance on rural roads was meant for ongoing works of 13.5kms and retention for 6.5kms of Chema road and Sirimityo Bridge. The absorption of the funds is adversely affected by the terrain of the district.

The graph below shows the approved budget, receipts and expenditures for the district.

**Figure 2.3.7 Kapchorwa LG approved budget, receipts and expenditure FY 2011/12**




Source: Kapchorwa LG.

## Challenges

- The general terrain of the district has adversely affected the budget performance of the district, when it rains; the roads are impassable.

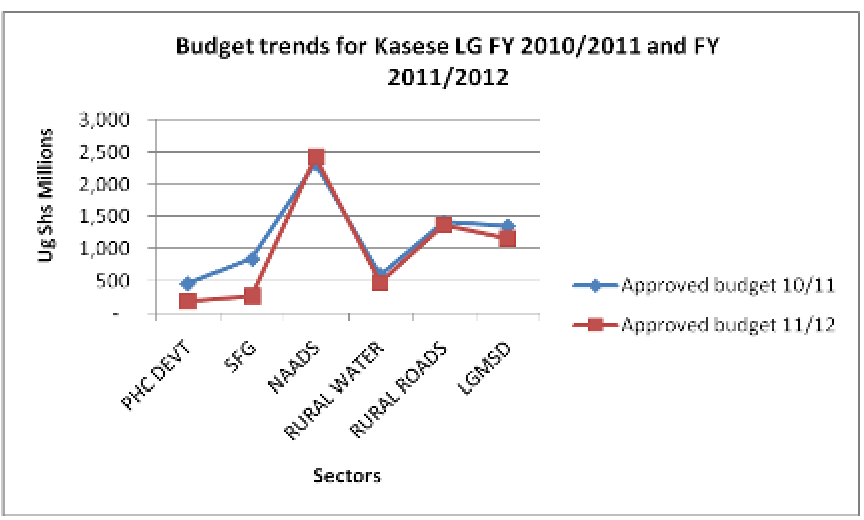
- The district is under staffed in most of the sectors; each accountant at district handles more than one sector.
- Payroll malfunctions, over fourteen head teachers have disappeared from the payroll and others get salaries as small as Ug Shs 20,000.
- Unconditional grants have significantly reduced both wage and non-wage, on annual basis the reduction is about Ug Shs 59 million.
- The NAADS office lacks computers; it has only one computer which is being used by the district NAADS coordinator.
- The NAADS technologies are very expensive for the district, at times they have to travel to Kenya to purchase the quality technologies.

**Kasese District Local Government**

Kasese local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. Most of the above sectors received more than 90% of the FY 2011/12 approved budget apart from Rural roads where the CFO could not ascertain receipt of the third quarter release, therefore, the sector confirmed receipt of three releases i.e. 1st, 2nd and 4th quarter which totals to 33% of its approved budget. NAADS received 100% while PHC development SFG, rural water, rural roads and LGMSD received 93%, 94%, 90%, 33% and 95% respectively. The district received the funds for all the quarters FY 2011/12 in the second month of each 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.

The absorption of funds by the district however was excellent for all the sectors whose expenditure information was readily available, PHC development was able to absorb 99% while NAADS and LGMSD fully absorbed the funds received. Information regarding expenditure for SFG, rural water and rural roads was not availed to the monitoring team even after making several call-backs.

**Figure 2.3.8 Budget trends for Kasese LG FY 2010/11 to FY 2011/12**




Source: Kasese district headquarters.

Figure 2.3.8 above shows that there was a general downward trend of the budget from FY 2010/11 to FY 2011/12.

**Kumi District Local Government**

Kumi local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all the quarters FY 2011/12.

Most of the sectors received less than 100% of the approved budget apart from NAADS and LGMSD which received 100% (Table 2.3.7).

**Table 2.3.7 Kumi District LG Budget performance for the FY 2011/12**

| Sector | Approved budget FY 2011/12 | Total Releases | Release performance | Expenditure | Absorption rate |
|---|---|---|---|---|---|
| **PHC DEVT** | 202,799,000 | 112,225,274 | 55% | 81,834,056 | 73% |
| **SFG** | 211,322,000 | 183,414,000 | 87% | 145,014,041 | 79% |
| **NAADS** | 1,116,743,000 | 1,116,742,000 | 100% | 1,159,707,501 | 104% |
| **RURAL WATER** | 426,424,000 | 283,472,000 | 66% | 227,392,282 | 80% |
| **RURAL ROADS** | 726,667,000 | 556,352,760 | 77% | 477,542,812 | 86% |
| **LGMSD** | 417,950,381 | 315,819,043 | 76% | 139,760,381 | 44% |

Source: Kumi LG.

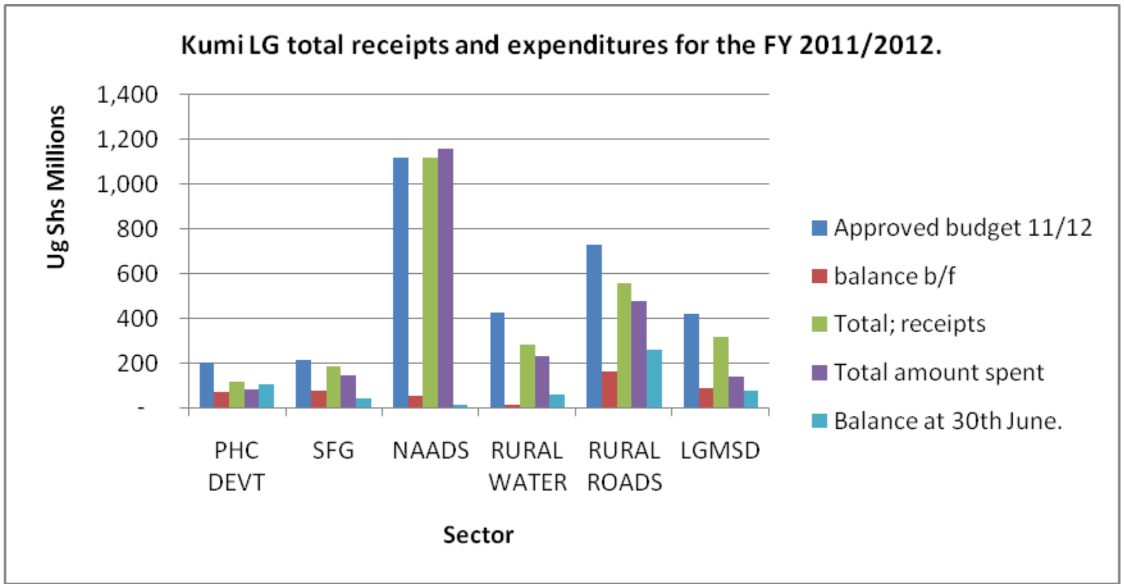
PHC Development received 55% of its approved budget and spent 73% of what they received. The unspent balance was committed for on-going works and was returned to the consolidated fund as required.

Education, SFG received 87% of the approved budget and 79% was absorbed by the end of the financial year. The unspent balance was committed for the construction of classrooms and toilets and was returned to the consolidated fund.

Rural water, rural roads and LGMSD received 66%, 77% and 76% and absorbed 80%, 86% and 44% respectively. The unspent balances for these sectors were all committed for on-going works and were returned to the consolidated fund at the time of our monitoring.

The graph below further shows the district receipts and expenditures for the FY2011/12.

**Figure 2.3.9 Kumi LG Budget performance for the FY 2011/12**




Source: Kumi LG Headquarters.

The district received PRDP funds alongside the normal release and by 30th June 2012, there was an unspent amount of Ug Shs 208,200,361 which was committed.

**Table 2.3.8 Kumi LG Budget performance of PRDP Component FY 2011/12**

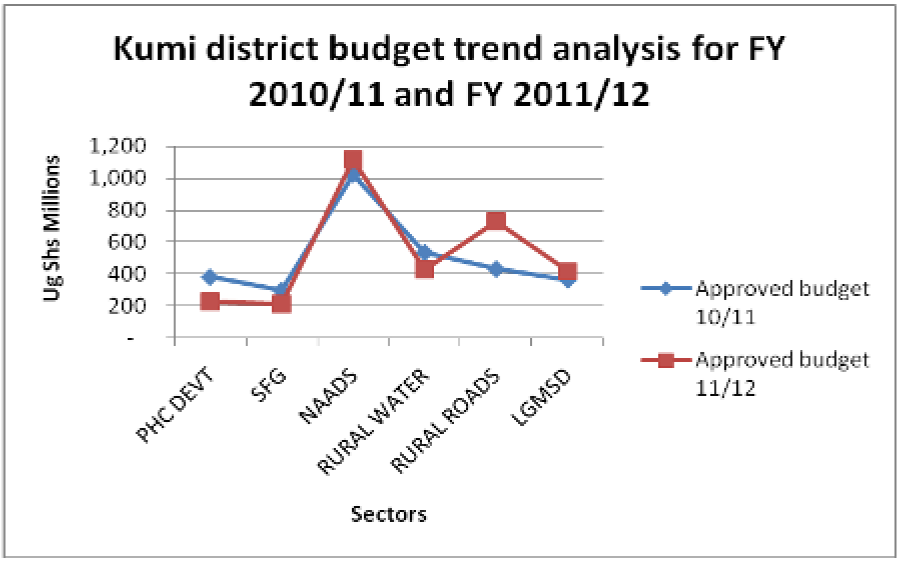
| Sector | Approved budget FY 2011/12 | balance b/f 1.07.2012 | Total amount spent | Balance as at 30th June 2012 |
|---|---|---|---|---|
| **PHC DEVT** | 117,797,000 | 66,592,498 | 106,853,945 | 83,739,654 |
| **SFG** | 81,390,000 | 59,704,052 | 61,480,311 | 54,783,500 |
| **RURAL WATER** | 81,312,000 | 138,392,411 | 45,416,868 | 9,855,857 |
| **RURAL ROADS** | 117,797,000 | 35,200,501 | 98,498,968 | 59,821,350 |

Source: Kumi LG.

The absorption capacity was generally fair since all the funds received were committed by the end of the financial year.

There was a downward budget FY 2011/12 compared to FY 2010/11 trend for the district's selected sectors apart from NAADS (Figure 2.3.10).

**Figure 2.3.10 Kumi district budget trend analysis FY 2010/11 to 2011/12**




Source: Kumi LG.

**Challenges**

- The district received the 4th quarter release late, and it was highlighted that some releases are received in June and the example given was the road fund release. For construction works, this is too late for them to be able to absorb. The district sometimes does not receive an advice note for separating the normal release from the PRDP release therefore cannot plan before they are sure of how much is for PRDP and normal, thus causing them to delay implementation. The NAADS secretariat also delays to send the advice slip for the funds and this causes delays.
- The district is one of the pilot districts on tier two of the IFMS. The budgeting process took long and the releases came before they were ready.
- It was also affected by budget cuts during the 3rd and 4th quarters of the financial year yet they had commitments already. This affected the budget for the current financial year.

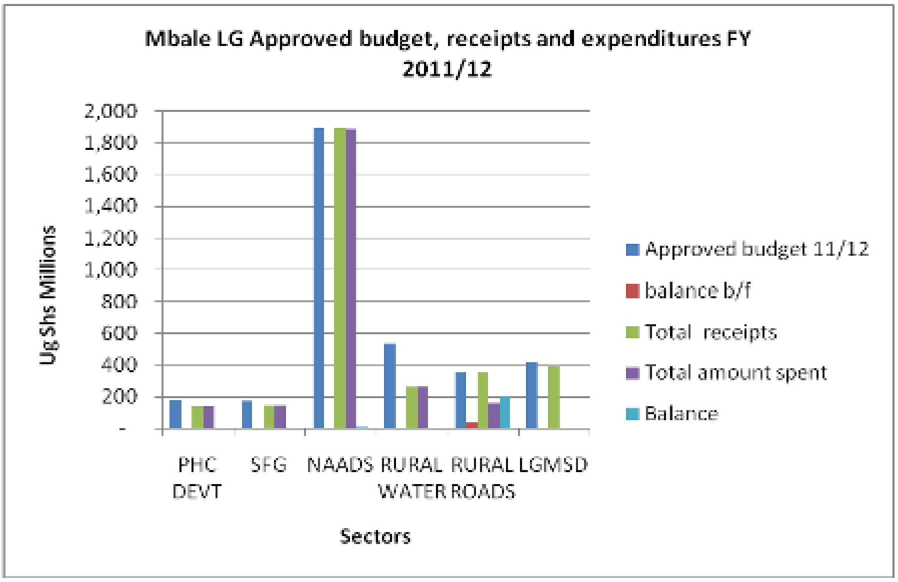
**Mbale District Local Government**

The funds received by the CAO/ CFO for the PAF sectors under consideration were promptly remitted to the sectors. The funds include SFG, NAADS, PHC development, Rural Water, Roads and LGDP. NAADS received 100%, rural water 48%, rural roads 100%, PHC development 76%, SFG 86% and LGMSD received 95%.

The following departments had adequately absorbed the funds received: PHC Development, SFG, Rural water and LGMSD. However, the NAADS sector had utilized Ug Shs 1,887,138,253 of the Ug Shs 1,893,570,000 received for the period July 2011- June 2012. Rural roads had utilized Ug Shs 160,318,000 of the Ug Shs 357,754,936 received and remained with a balance of Ug Shs 197,436,748 at the close of the financial year.

According to the Chief Finance officer, the low absorption in the rural roads was attributed to the delayed procurement process. The contracts were awarded in May 2012 and works were still on-going as at the end of the financial year.

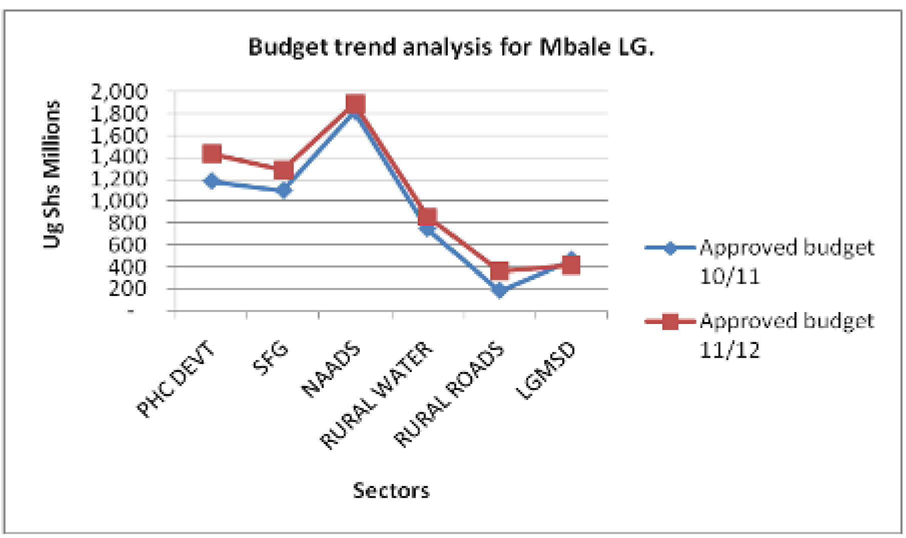
**Figure 2.3.11 Mbale District LG Budget performance FY 2011/12**




Source: Mbale LG.

There was a slight upward trend for Mbale LG approved budget in the FY 2011/12 (2.3.12)

**Figure 2.3.12 Mbale LG Budget trend analysis FY 2010/11 to FY 2011/12**




Source: Mbale LG.

**Challenges:**

- Inadequate financial capacity of local contractor has sometimes delayed implementation. Most of them prefer to be pre financed.
- The IFMS has been a disaster most especially in the first quarter of FY 2012/13.The process of upgrading and merging the old set of books became disastrous, information gets lost on the system etc. At the time of the monitoring, the district had not made any payments for the current financial year because of the unstable system.
- The process of seeking approval and use of the returned unspent balances at the end of the financial year is too long. Some contractors have finished the works immediately after year end and the funds are not available to pay.

- The district is experiencing a serious staffing problem both at the lower local government and higher local government. It has 19 sub-counties and of these only 10 have sub-county chiefs. At the district, 10 accountants are handling 19 sub-counties each accountant handles on average two sub-counties.

- The district has eight heads of departments and only four are substantive heads and the rest in an acting capacity. This has created a gap in the leadership because those in the acting capacity cannot take decisions and this has adversely affected budget implementation.

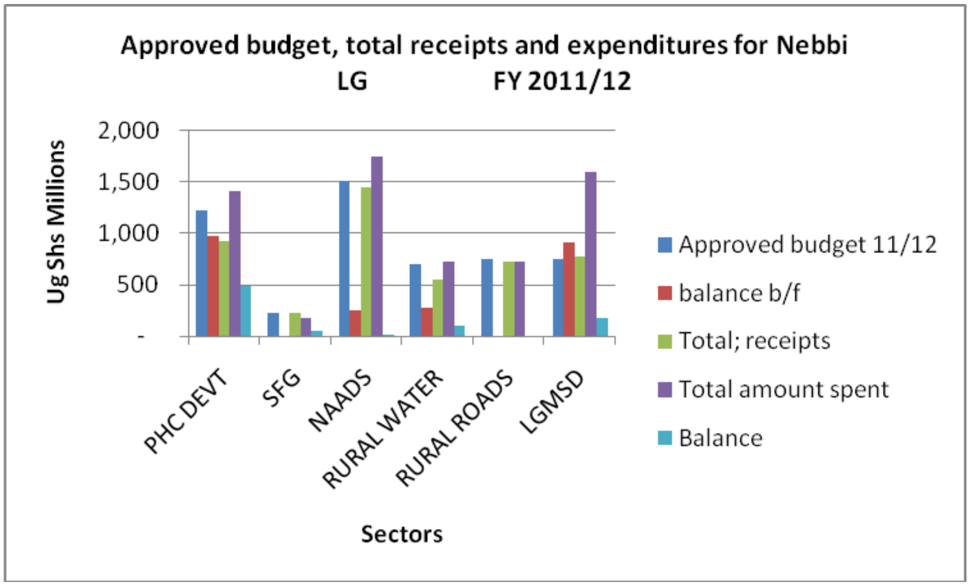
- The district experienced budget cuts in the $4^{th}$ quarter and yet the funds were already committed. The commitments have been rolled over and this has affected the budget for the FY 2011/12.

**Nebbi District Local Government**

Nebbi local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/12. Most of the sectors received more than three quarters of the budget for the FY 2011/12. NAADS received 96%, rural water 79%, rural roads 96%, PHC development 76%, SFG 100% and LGMSD received 100%. 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. The release performance was good.

The absorption of funds by the district however had improved for all the sectors compared to the last financial year. Figure 2.3.13 shows the districts receipts and expenditures for the financial year 2011/12.

**Figure 2.3.13 Nebbi District LG Budget performance FY 2011/12**




Source: Nebbi LG.

There were significant balances at the end of the financial year in almost all sectors apart from rural roads. PHC Development had a balance of Ug Shs 487,485,443, SFG had Ug Shs 53,524,023, NAADS Ug Shs 18,516,906, Rural water Ug shs 101,774,200/=, while LGMSD remained with Ug Shs 173,583,848 which, at the time of the monitoring, was not yet returned to the consolidated fund. All these sectors had huge balances at the beginning of the financial year and they were given authority to spend it. Table The table below clearly shows the details of the balances at the beginning and the end of the financial year.

**Table 2.3.9 Nebbi District LG Budget performance for the FY 2011/12**

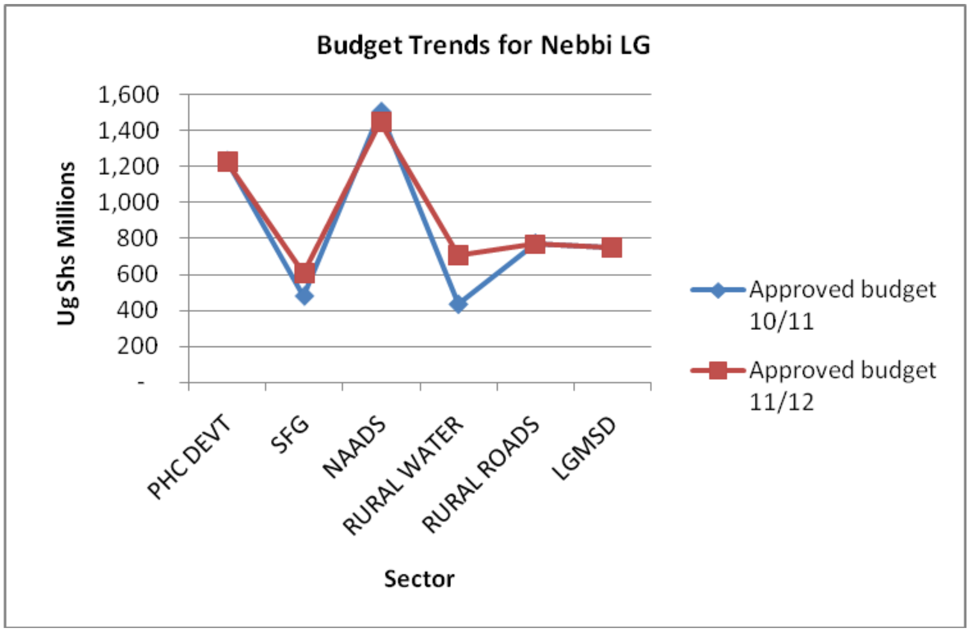
| Sector | Approved budget 2011/12 | balance b/f | Total receipts | Total amount spent | Unspent Balances |
|---|---|---|---|---|---|
| **PHC DEVT** | 1,229,333,000 | 971,000,000 | 931,089,000 | 1,414,603,557 | 487,485,443 |
| **SFG** | 220,099,249 | 2,205,977 | 229,395,202 | 178,077,106 | 53,524,023 |
| **NAADS** | 1,512,332,000 | 251,718,523 | 1,451,426,000 | 1,745,533,617 | 18,516,906 |
| **RURAL WATER** | 705,721,000 | 276,606,007 | 556,200,000 | 731,031,807 | 101,774,200 |
| **RURAL ROADS** | 750,579,000 | - | 718,751,815 | 718,751,815 | - |
| **LGMSD** | 750,579,000 | 919,225,885 | 774,147,436 | 1,601,920,330 | 173,583,848 |

Source: Nebbi LG

The absorption was greatly affected by the high inflation rates and this forced contractors to abandon works. It was also affected by delayed procurement processes and low capacity of the service providers who are also limited in number. When an open bidding is carried out the same service providers turn up, therefore can't find better.

There was an upward budget trend for SFG and Rural water in Nebbi LG for the FY 2010/11 to FY 2011/12 (Figure 2.3.14).

**Figure 2.3.14 Nebbi District LG Budget trends**




Source: Nebbi LG.

The approved budgets for PHC Development, NAADS, rural roads and LGMSD remained constant in the two financial years considered.

## Challenges

- All the grants other than NAADS were affected by budget cuts in the 3rd and 4th quarters of the financial year 2011/12.
- Delays in the procurement processes were mainly attributed to the delay in approving the budget. The procurement unit is usually reluctant to initiate procurements until they are sure of the availability of funds.
- Some local contractors abandon work without notifying district authorities, this is attributed to the inadequate financial and technical capacity of contractors.

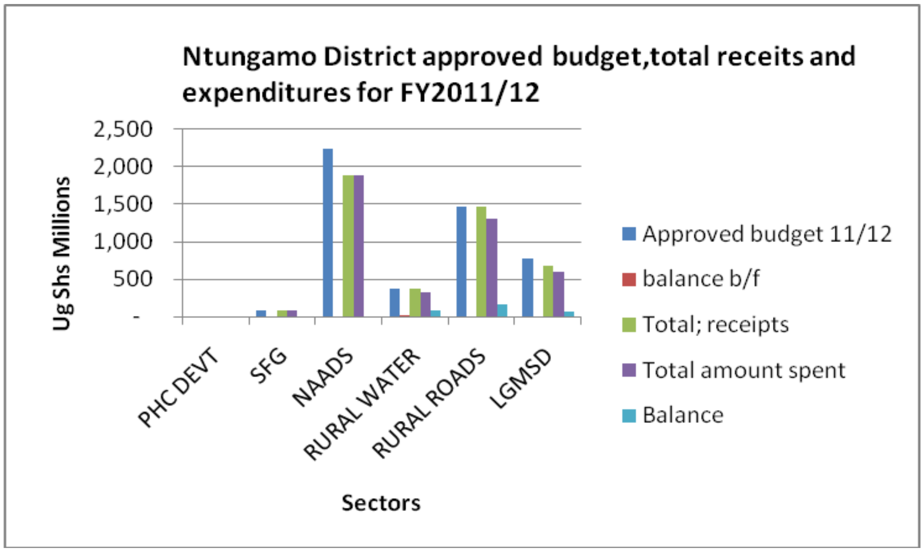
## Ntungamo District Local Government

The funds received by the district for the PAF sectors under consideration were promptly remitted to the sectors. The funds include SFG, NAADS, PHC development, Rural Water, Roads and LGMSD. Rural water 66%, rural roads 52%, SFG 94%, NAADS 84% and LGMSD received

87%. The information regarding PHC development's receipts and expenditures was not availed to the monitoring team.

Figure 2.3.15 shows the approved budget, receipts and expenditures for FY 2011/12.

**Figure 2.3.15 Ntungamo District LG Budget performance FY 2011/12**




Source: Ntungamo LG Headquarters

The sectors that had fully absorbed their funds include, SFG, Rural water, Rural roads and LGMSD. However, the NAADS sector had an unspent balance of Ug Shs 301,007, SFG Ug Shs 1,215,312, Rural water Ug Shs 72,911,496, Rural roads Ug Shs 168,104,888 and LGMSD Ug Shs 62,731,956. Some of these sectors had balances brought forward from the previous financial year.

**Challenges**

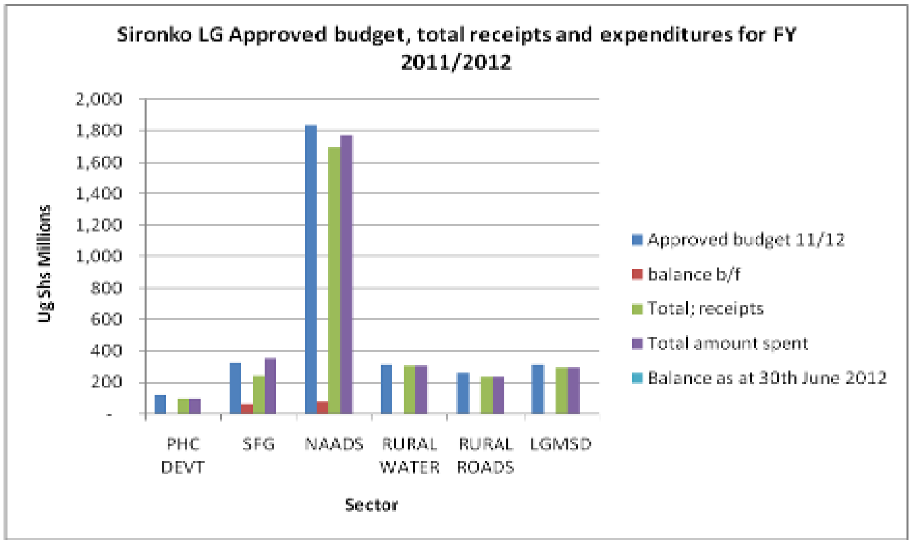
- The district was connected onto IFMS Tier II system in March 2012 and since the beginning of FY 2012/13, the district had not been able to make any payments because of the malfunctions in the system.
- The newly created town councils have taken a number of the district staff and the few left at the district are over stretched.

**Sironko District Local Government**

Sironko local government received the development funds for the selected sectors; NAADS, SFG, PHC Development, Roads and Rural Water for all quarters of FY 2011/2012. Most of the sectors received more than 90% of the FY 2011/2012 approved budget apart from PHC Development and SFG which received 82% and 75% respectively. NAADS received 92%, rural water 98%, rural roads 92% and LGMSD received 95%. The information 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. The release performance was fairly good and this helped the district to absorb all the funds released for the sectors.

The absorption of funds by the district had however, improved for all the sectors. The graph below clearly shows the districts receipts and expenditures for the financial year 2011/12.

**Figure 2.3.16 Sironko District LG Budget performance FY 2011/12**

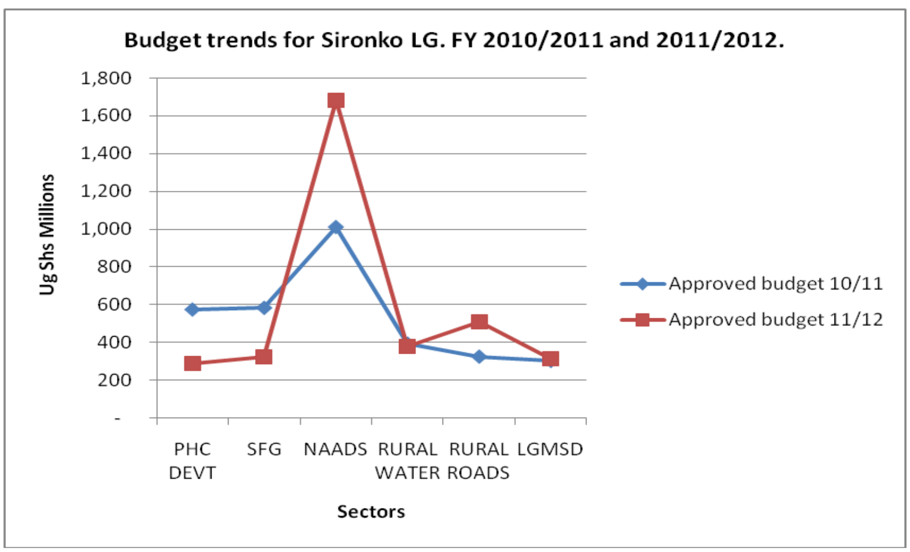



Source: Sironko LG.

The absorption of funds by the district was excellent for all the sectors although there were some delays in the implementation and planning caused by the changes in the IPFs. The district did not have any significant unspent balances.

There was a generally downward budget trend for the sectors apart from NAADS and rural roads as shown in the graph below.

**Figure 2.3.17 Sironko District LG Budget trend analysis FY 2010/11**




Source: Sironko LG.

**Challenge**

- The district terrain is affecting implementation and performance; a number of bridges are either broken or threatening to breakdown.
- The contracts committee expired and they submitted to MOFPED the five people for approval and only one was approved. The reasons why the other four members were not approved were not given. There is need for further guidance on who should be submitted or not to make it very easy.
- The issues with the Human resources at the district are getting worse by the day. Staffing level is at 42% and this is affecting service delivery yet they cannot recruit. It was highlighted that in a sub-county, you can hardly find a chief, CDO and an accountant; some of these are being shared in a number of sub-counties. At the district level, some departments do not have departmental heads.
- The wear and tear is very high especially with vehicles. The district has only two vehicles which are old and the terrain makes it worse and hard to use such vehicles at times.

## 2.5 Conclusions

### 2.5.1 Central Governments/Ministries/Agencies GoU Budgets

**Approved development budgets**

The FY 2011/12 approved development budgets for most of the Ministries/Agencies were subsequently revised, some Ministries experienced an increase in the budget and others budget cuts.

The Ministries/Agencies which experienced budget cuts are MOH reduced by 37%, MOICT reduced by 4% and UNRA reduced by 1%. Other sectors budgets were increased in the range of 2% - 20%.

The Ministry of Energy annual budget for FY 2011/12 exceptionally increased by 708% and this was attributed to some projects included during the financial year which were not budgeted at the beginning of the year.

The approved budget trend analysis indicated that all sectors monitored, their budget for the FY 2011/12 remained the same as that for FY 2010/11 with the exception of MOE which was increased by 8% and UNRA was increased by 73%.

**Releases**

Most of the sectors received more than 85% of the revised budget. The sectors that received the least release performance were MOFPED at 72% and MEMD at 76%.

**Absorption of funds**

All the Ministries/Agencies fully absorbed the funds. Some of the Ministries/Agencies had absorption rates above 100 per cent and this was attributed to unspent balances carried forward which were spent in the FY 2011/12.

### 2.5.2 Districts

**Key cross cutting issues**.

- The local governments complained about the budget cuts by the central government in the second half of the financial year without any prior communication. As a result some local governments were unable to pay contractors for whom commitments had been made based on the approved budget.
- Most districts complained of late releases of funds by the Road Fund, coupled with delayed release schedules which had adversely affected the road sector budget performance.
- Unplanned creation of units like the sub counties has caused budget constraints.
- Most districts still complained about the lengthy procurement process which had caused numerous delays in implementation.
- Staffing levels for most of the districts is very low; which had adversely affected the budget performance and delivery of services.

**Recommendations**

- The government should consider improving the staffing of those districts with very low levels.
- The road fund should improve on the timely remittance of funds to local governments and also improve on the communication when funds are released.

# CHAPTER 3: PHYSICAL PERFORMANCE

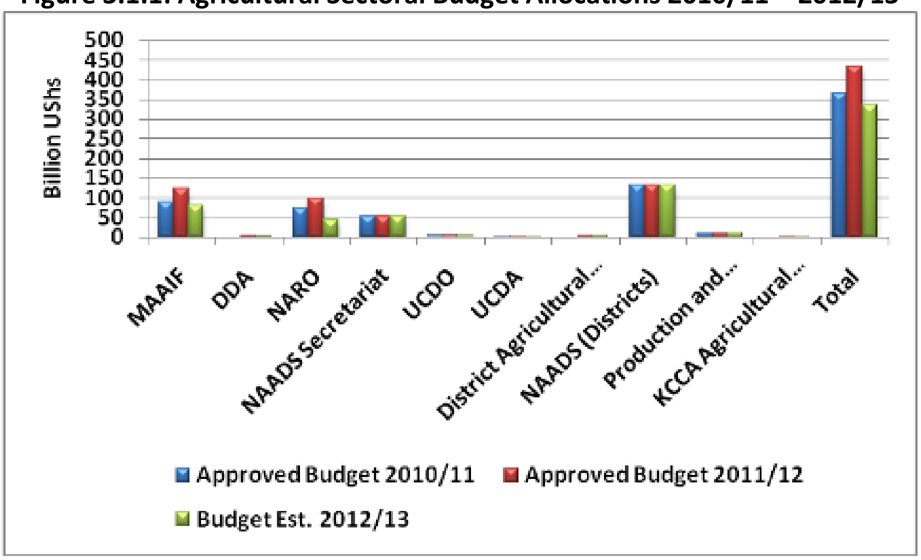
## 3.1 AGRICULTURE

### 3.1.1 Introduction

The annual report focuses on agricultural sector performance in FY 2011/12, with some updates for Quarter 1 FY 2012/2013 where implementation had occurred. The Government of Uganda (GoU)'s mission for the sector is to *"Transform subsistence farming to commercial agriculture".* The ultimate aim is to ensure that rural incomes and livelihoods are increased and household food and nutrition security is improved[5].

Inclusive of donor funding, the approved budget for the agricultural sector increased from Ug Shs 365.53 bn in FY 2010/2011 to Ug Shs 433.97 in FY 2011/2012 and is projected to decline in 2012/2013 to Ug Shs 334.33. In FY 2011/2012, the National Agricultural Advisory Services (NAADS) programme was the main beneficiary of public finance under the sector (42 percent), followed by Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) at 29 percent and the National Agricultural Research Organization (NARO) at 23 percent. Refer to Figure 3.1.1.

**Figure 3.1.1: Agricultural Sectoral Budget Allocations 2010/11 – 2012/13**




Source: Background to the Budget (BTTB) reports for various years.

Monitoring work in Q1 FY 2011/2013 updated earlier work done in Q2 and Q3 of FY 2011/2012 to give a full picture of annual performance. Table 3.1.1 provides a summary of the 6 programmes that were monitored during the year. However, there were no new findings for the Uganda Meat Export Development program and hence it is not further discussed below. In this report, the main findings of earlier quarters are summarized[6] and what are presented in detail are new developments that provide a broader view of annual performance for FY 2011/2012.

[5] MAAIF, 2010.

[6] For detailed findings, refer to MFPED, 2012 and MFPED, 2012a.

**Table 3.1.1: Programmes monitored in FY 2011/2012 and Q1 FY 2012/13**

| Vote/ Proj code | Programmes monitored | Sampled institutions/districts |
|---|---|---|
| 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, Mubende, Mpigi, Kisoro, Bushenyi, Jinja, Nwoya, Lira |
| Code 1084 | Avian and Human Influenza Preparedness and Response Project | Office of Prime Minister, MAAIF, Mbarara, Ntungamo, Bushenyi, Masaka, Soroti, Kaberamaido, Bukedea, Ngora, Serere, Gulu, Lira, Wakiso, Kampala/Entebbe |
| Vote 121 | Dairy Development Authority | Mbarara, Ntungamo, Bushenyi, Masaka |
| 010 – Output 010252 | National Genetic Resources Centre & Data Bank | NAGRC Headquarters, Bulambuli, Apac, Kiruhura, Kayunga, Buikwe, Kamuli, Entebbe |
| Code 1195 | Vegetable Oil Development Project (Phase II) | VODP Secretariat, OPUL, KOPGT, KIS, Kalangala |
| 1083 | Uganda Meat Export Development Programme | Secretariat for Uganda Meat Producers Cooperative Union Ltd – Kampala; Luwero, Masaka, Mbarara |

**Source: Author**

Data was collected through: review of relevant literature and secondary data sources, including the Integrated Financial Management System (IFMS); key informant interviews with project managers and implementers; and primary data collection through field visits and discussions with service delivery units, beneficiaries and private sector entrepreneurs.

### 3.1.2 Agricultural Credit Facility

#### *Background*

The Agricultural Credit Facility (ACF) was set up by Government of Uganda (GoU) in 2009 to support commercialization of agriculture through provision of subsidized medium and long term financing to eligible farmers. The Scheme has a revolving pool of loanable funds amounting to

Ug Shs 60 billion with GoU contributing Ug Shs 30 billion (50% risk cover) and Participating Financial Institutions (PFIs) Ug Shs 30 billion[7]. The Government contribution is deposited in an Escrow account at Bank of Uganda (BoU) which administers its usage by the participating financial institutions (PFIs) through a capital account.

**Eligible Purpose**: The financing was targeted to acquisition of agricultural machinery and equipment for agro-processing and mechanization, post harvest handling equipment, storage facilities. A window was provided for acquisition of agricultural inputs required for primary production although they were not to exceed 20% of the total project cost for each eligible borrower. *The loans were not to be used for financing working capital for trading in agricultural commodities, purchase of land, forestry and refining existing loan facilities*.

**Terms and conditions**: the maximum loan amount for a borrower is Ug Shs 2.1 billion and can be increased to a ceiling of Ug Shs 5 billion. Maximum loan period is 8 years and minimum 6 months; Grace period at a maximum of 3 years; Interest rate varied: FY 2009/10 (ACFI) was 10%, FY 2010/11 (ACFII) was 12% and FY 2011/12 and FY 2012/13 (ACFIII) at 10%. The GoU contribution (50%) is disbursed to the PFIs at zero interest rate.

**Implementation modality**: The Scheme is a partnership between GoU and Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions. The Fund is administered by BoU. Funds are availed to farmers and agro-processors by PFIs on a refinance basis; the PFIs disburse all the funds required by a client and seek re-imbursement from BoU. Facility fees charged by PFIs to eligible borrowers are not expected to exceed 0.5% of the total loan amount.

### *Progress Update*

The ACF was first monitored by the BMAU in the second quarter of FY 2011/12 (February-March 2012). A follow up monitoring visit has been conducted in this quarter during August to September 2012 to assess annual performance for FY 2011/12. In this section, a summary of the findings of the first monitoring visit[8] updated with new developments in the year under review.

The ACF beneficiaries increased from 120 in November 2011 to 154 by the close of financial year on 30th June 2012. During the first monitoring visit in February 2012, a regional imbalance was noted in the distribution of ACF investments, with 56% of the funds being earmarked to the Central region (3.1.2). The follow up monitoring visit in September 2012 indicated that although the central region still dominates in access to ACF funds, there has been a slight improvement with North and East gaining a 5% in the investment portfolio (Figure 3.1.3).

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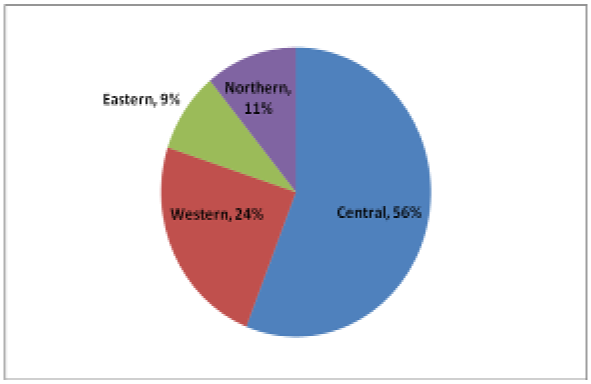
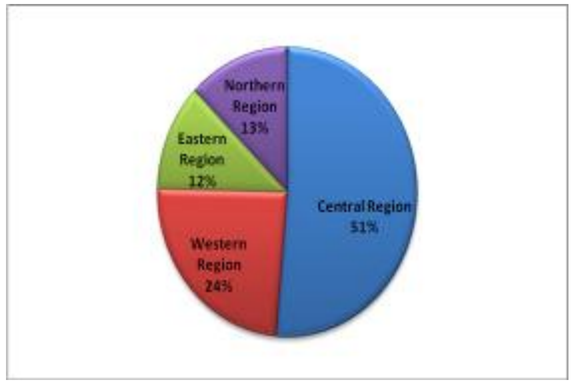
[7] BoU, 2010.

[8] Details are the Second Quarter Budget Monitoring Report FY 2011/12.

**Fig 3.1.2: ACF beneficiaries as of Feb 2012** **Fig 3.1.3: ACF beneficiaries as of Sept 2012**




**Source: Author's analysis of BoU financial data 2012.**

The majority of farmers (43%) purchased farm machinery and equipment including milking equipment, specialized tracks and hatcheries. Others (21%) invested in food processing equipment.

### Challenges to implementation

The Bank of Uganda notes the following as some of the core challenges hindering effective implementation and delivery of the ACF programme [9]:

a) **Scope:** The scheme's focus on commercialization limits the beneficiaries mainly to large scale farmers yet smallholder farmers form the bulk of the farming community.

b) **Terms and structure:** PFIs are concerned about the low interest rate (10%) at which funds are lent out as their (PFIs) contribution is acquired at a much higher rate**.** The structure of the ACF does not suit the operations of MFI operations. Hence, by December 2011, only 41% of the PFIs were participating in the scheme.

c) **Lack of expertise in agricultural finance in PFIs:** hinders thorough review of loan applications before submission to BoU and hence delaying the process.

d) **Inadequate infrastructure at farm/firm level:** Some areas lack key infrastructure like banks, roads, transport facilities, warehouses and storage facilities which hinders borrowing and commercialization of agriculture. Poor post harvest handling and low prices for produce leads to high default rates thus rendering the sector less attractive to credit providers.

e) **Lack of publicity for the ACF:** Neither the BoU nor the PFIs have the necessary resources to publicize the scheme. It is accessed by the well to do who have good social networks that inform them of the existence of the scheme.

[9] BoU, 2012a; BoU, 2012b; BoU, 2011; Discussions with Bank officials.

### *Financial Performance*

Financial performance of the ACF has been fluctuating between the phases. The first phase ACFI in FY 2009/10 (interest rate 10%) performed very well with 99.1% of the funds utilized; only 10.5% of funds were utilized in ACF II in FY 2010/11 (interest rate 12%) and 38.4% of available funds in ACF III were utilized in the first six months of FY 2011/12 (interest rate 10%). The performance declined following the general price increase between August 2011 and December 2011, with only eight applications received in the last 6 months[10].

By 30th June 2012, total commitments and disbursements since programme inception in 2009 amounted to Ug Shs 45,252,708,770. By August 2012, the cumulative disbursements had risen to Ug Shs 48,063,913,048. A summary of the transactions in the past three financial years is shown in Table 3.1.2. About 87% of the funds that have been released to the project have been disbursed to the clients, indicating a high absorption capacity overall. Funds absorption was low during FY 2010/11 attributed to the slow processes in commercial banks as a result of the late start in undertaking due diligence of potential customers; disbursements delay beyond the stipulated 14 days after getting the offer letter from BoU. Some repayments have been made by the PFIs to BoU amounting to 18% of the disbursed funds.

**Table 3.1.2: ACF Fund Utilization FY 2009/10 – FY 2012/13 (as of August 2012)**

| | **ACF I FY 2009/10** | **ACFII FY 2010/11** | **ACFIII FY 2011/12** | **Consolidated Position (Ug Shs)** |
|---|---|---|---|---|
| **TRANSFER FROM ESCROW ACCOUNT** | **28,505,413,048** | **12,058,500,000** | **7,500,000,000** | **48,063,913,048** |
| *Less:* Disbursements to date | (29,391,293,782) | (2,574,346,070) | (9,961,953,193) | (41,927,593,045) |
| Balance | (885,880,734) | 9,484,153,930 | (2,461,953,193) | 6,136,320,003 |
| *Add*: Repayments from PFIs | 7,924,502,804 | 898,204,,981 | 129,892,226 | 8,952,601,011 |
| Actual Cash Balance | 7,038622,070 | 10,382,358,911 | (2,332,060,967) | 15,088,920,014 |
| *Less:* Total commitments under ACF | (424,767,168) | (570,096,000) | (2,358,430,830) | (3,353,292,998) |
| CASH AVAILABLE | 6,613,854,903 | 9,812,262,911 | (4,690,491,797) | 11,735,626,017 |

Source: BOU financial reports August 2012.

[10] BoU, 2012.

### *Physical Performance*

**Overview**

During the second quarter of FY 2011/12, a total of 20 ACF beneficiaries were monitored in 14 districts. All beneficiaries, apart from one in Kayunga district had accessed the loans as requisitioned. The 19 beneficiaries had drawn a total of Ug Shs 20,314,636,289[11]. In the first quarter of FY 2012/13, fifteen additional ACF beneficiaries were monitored, two of whom had been monitored in the first round. The 13 new beneficiaries that were monitored had borrowed a total of Ug Shs 9,554,570,000. Thus, the BMAU has monitored ACF loans/investments worth Ug Shs 29,869,206,289 or 62 percent of the loan amount given out by BoU to date.

### Field findings

***Caveat: For purposes of confidentiality which is a requirement under public-private-partnerships (PPPs), specific names of beneficiaries and commercial banks that advanced the loans are not included in the report. However, locations of the benefitting entities are included for authenticity of the findings***.

All the fifteen beneficiaries that were monitored in this round acknowledged having received the loans, although there were cases of poor performance and variations in amount received when compared to what was requested.

**BUSHENYI DISTRICT**

**ACF beneficiary: Female farmer in Bulambe village**

**Background**

The farm, located in Bulambe village Ishaka-Bushenyi Municipality Bushenyi district deals in crop farming and livestock rearing. In 2010, the beneficiary applied for an ACF loan worth Ug Shs 100 million to expand her farm by purchasing land, livestock (200 goats, 100 cows, poultry and piggery), and improving the existing banana plantation.

**Implementation status**

Out of the expected amount of Ug Shs 100 million, the beneficiary acknowledged receipt of Ug Shs 94 million in 2010, the balance (Ug Shs 6 million) having been retained by the bank as processing fees, insurance cover and audit fees. The loan terms were: 10% interest rate, 5 years tenure and a one month grace period for both the principal and interest. By the time of the monitoring visit in September 2012, the following progress had been made:

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[11] Detailed findings can be found in MFPED, 2012a; districts visited were: Amuru, Kampala, Kapchorwa, Kayunga, Lwengo, Lyantonde, Masaka, Masindi, Mbale, Mbarara, Mukono, Nwoya, Sironko and Wakiso.

- The bulk of the resources were used for purchasing 5 acres of land with eucalyptus trees, although this is one of the ineligible expenditures under ACF.
- 90 goats were purchased against the target of 200; but many of them died and the rest, apart from one were sold off during the dry season.

**One goat left from the stock purchased under ACF**

- Purchase of 10 cows each at Ug Shs 1 million.
- Purchase of manures for banana plantation. However, 2 acres of the banana plantation was destroyed by the banana wilt and replaced with cassava.

**Challenges**

1) The grace period is so short; the beneficiary had to start repaying the loan immediately when the farm was not productive.
2) The cost of processing the loan is rather prohibitive – 6% of the total loan cost – much higher than the recommended 0.5%.
3) The commercial banks are no longer disbursing ACFIII indicating that they are not profiting from the PPP as the interest rate is too low.
4) Lack of extension advice and supervision by Government officials.

**Recommendations**

1) Commercial banks should extend the grace period for both the principle and interest to at least four months.
2) Government should get more involved in supervising ACF projects and offering advisory services, possibly through MAAIF and its associated agencies.

## JINJA DISTRICT

### <u>ACF Beneficiary: Kagoma Brand Tea</u>

**Background**

BoU records indicate that Kagoma Brand Tea firm is located in Masaka district. During the monitoring visit, the BMAU team established the physical location of the ACF investments as Jinja Municipal Council in Jinja District. Kagoma Brand Tea was started in 1997, its core business being blending and packaging tea.

**Implementation status**

In April 2009, the company applied for a loan for acquisition of machinery to upgrade from labour intensive methods of packaging tea to mechanized operations. The beneficiary reported having received a loan amounting to US$14,700 in August 2010 at the following terms: 10% interest rate; loan tenure of 2 years and a grace period of one month. **However, the BoU records indicate that the beneficiary was given a loan amounting to Ug Shs 18,522,000. Using the BoU exchange rate of US$ 1 to Ug Shs 2,230.94 in August 2010[12], this amount is equivalent to US$ 8,302, implying an unexplained variance of US$ 6,398 (43.6%) between what is recorded by BoU and what was actually received by the beneficiary**. The BMAU team saw evidence of documents indicating the beneficiary actually received US$ 14,700. The unexplained discrepancy needs to be followed by BoU.

The loan was used to purchase a tea sachet packaging machine which was in operation at the time of the monitoring visit in September 2012. The machine has capacity to package 100 boxes of 18 grams in a day as compared to human packaging which would require three days to package 100 boxes. Loan recovery is underway and it is expected that in December 2012 the loan shall be fully recovered. Plans are underway to acquire three more packaging machines and negotiations are ongoing with the bank.


**Left: Tea sachet packaging machine and Right: Kagoma Brand Packaged Tea**

**Challenges**

The following challenge was highlighted by the beneficiary:

1) Lengthy period (14 months) of processing the loan. The bank claimed that it was awaiting approval from Bank of Uganda.

**Recommendation**

The beneficiary recommended that processing of the loan should be expedited.

[12] BoU, 2010a.

**KAMPALA DISTRICT**

**ACF Beneficiary: Nsooba Slaughterhouse Ltd**

### Background

Nsooba Slaughterhouse Ltd is located in Nsooba village, Mulago Parish, Kawempe Division, Kampala District. The company is a trade centre for livestock and livestock products, selling on a daily basis 200 cows, 100 goats, 50 sheep and produces 200 hides and skins. The main business is an abattoir that slaughters on average per day 80- 100 cows, with a peak of 300 cows during festive seasons; 100 goats and 100 sheep.

The company plans to construct a modern abattoir that meets international standards. Slaughter capacity of the upgraded facility per day would rise to 800 cows, 800 goats and 800 sheep. This would enable the abattoir realize a critical mass of other by products and prompt venturing into other businesses including processing hides and skins and manufacture of sausages. It is estimated that over Ug Shs 1 billion is required to upgrade the facility to the required standard.

In November 2009, the company applied for an ACF loan amounting to Ug Shs 1,660,000,000. The proposal stipulated the following as the facilities to be constructed: bridge, market area, conveyor mechanism, terrazzo showroom, terrazzo slaughter house, and waste water treatment plant and electricity system.

### Implementation status

The loan was approved in 2011. Although Ug Shs 1,660,000,000 was applied for, only Ug Shs 150,000,000 was approved and released piecemeal in four installments. This is in agreement with BoU records. The first installment was released in February 2011. At the time of lodging in the application, the interest rate was 10% and this is what the client expected. But due to late release of funds, the loan was subjected to a 12% interest rate, no grace period and loan tenure of 3 years.

**Nsooba market area under construction**

Delivery of intended objectives by the beneficiary have not been achieved because of the small size of the loan approved and released (9 percent of requested funds) and the mode of disbursements (4 installments instead of lump sum).

By the time of the monitoring visit, construction of a market area was the only ongoing activity and was estimated to be 50% complete. The loan funds were applied to filling up the swamp area with murram and constructing the enclosure. Company management estimates that it requires an additional Ug Shs 200 million to complete the market area. Hence, a fresh application worth Ug Shs 200 million was submitted to the PFI in July 2012 and is still under verification.

**Challenges**

The following challenges were noted by the Managers of Nsooba Slaughterhouse Ltd:

1) High cost of processing the loan: Some of the costs that were incurred in processing the loan included: Ug Shs 6 million for environmental evaluation by the National Environmental Management Authority (NEMA); Ug Shs 2 million to KCCA to address hygiene related evaluations; Ug Shs 3 million to address audit queries; and numerous allowances for other people involved in approving the loan.
2) Inadequate loan and poor disbursement method: the small size of the loan compared to what was applied for and the irregular disbursement in four installments negatively impacted on implementation and the viability of the project.
3) High collateral requirement that delayed processing of the loan.
4) The slaughterhouse has missed opportunities due to its poor state which management had hoped would be refurbished by the loan. The European Union had promised market linkages for export of meat but opted out because the abattoir was deemed to be of low standards; partnerships with other prospective partners have also failed as a consequence.
5) Lack of mentoring, supervision and monitoring of the projects by the lending institutions. This leads to project failure as the beneficiaries lack adequate knowledge and skills in business management.

**Recommendations**

The ACF beneficiary recommended:

1) Lowering of the interest rate to about 5% for agricultural investments.
2) Reviewing the current modalities of channeling ACF funds as commercial banks are too bureaucratic, profit oriented not good partners. The funds should be channeled through Government programs such as NAADS.
3) Enhanced supervision and monitoring of ACF investments by Government.
4) ACF loans should be collateral free as an incentive for increased investments in agriculture.

**ACF Beneficiary: Sameer Agriculture and Livestock Ltd**

### Background

Located on Fifth Street Industrial Area Kampala, Sameer Agriculture and Livestock Ltd deals in processing milk and other dairy products for the domestic and export market. The company has been involved in purchasing the bulk of raw milk in Uganda since 2006. The company lodged an application in late 2010 for an ACF loan worth Ug Shs 3.1 billion for acquiring a steam operated environment friendly boiler and other milk processing equipment. The existing boiler is petroleum operated which was is costly and environmentally destructive.

### Implementation status

The beneficiary acknowledged having received a loan in 2011 worth Ug Shs 3.162 billion as indicated in BoU records. The terms were a 10% interest rate and loan tenure of 5 years. The company acquired the following equipment using the loan:

- A steam operated boiler worth US$ 300,000 from India.
- Twenty four milk coolers, generators and 6 milk tankers from India and Brazil that were part of the milk collection infrastructure distributed in six different centres and among 100 farmers.
- UHT Tetrapak machines from Sweden.
- Instant milk powder plant.

**Machinery acquired with ACF at Sameer Livestock Ltd**

The beneficiary reported having repaid about Ug Shs 1 billion to the commercial bank. The monitoring team noted that the equipment had been installed and was in operation. Whereas the plant's processing capacity is 500,000 litres of milk per day, currently production is at 350,000 litres in the peak season and 100,000 litres in the dry season as good quality raw milk is scarce in Uganda.

**Challenges**

1) The interest rate is too high for agricultural investments. As an alternative, the beneficiary borrows from other banks that offer cheaper dollar loans at an average interest rate of 5%.
2) Commercial banks are hesitant to lend out money under ACF III indicating that the 10% interest rate is too low to cover the actual cost of funds.
3) Companies that invest in agricultural processing or production are charged 30% corporate tax which is prohibitive and increases cost of production.
4) Milk adulteration by farmers at 3% - 10% added water. For every Ug Shs 200 billion worth of milk collected, there is a loss of Ug Shs 200 million every month. Due to this problem, the Uganda National Bureau of Standards (UNBS) withheld certification for UHT and pasteurized milk until Sameer takes appropriate action. As an action, the company imposed a penalty proportionate to the amount of water added per liter of milk which has led to a significant improvement in the quality of milk collected (adulterated milk has reduced from 100% to 60%).
5) Operational costs have increased because of GoU designation of Sameer Dairy on 1st July 2012 as a collector for 6% withholding tax (WHT). Most milk suppliers charge a premium in order to cater for the loss incurred by the tax deduction which is passed to Sameer Dairy Ltd.

**Recommendations**

The beneficiary recommended:

1) Reduction of the ACF interest rate to 8%.
2) GoU to further subsidize commercial banks by contributing 75% of the loanable funds at zero interest rate.
3) Scrapping the 30% corporate tax charged on large companies involved in agro-processing. The agricultural equipment should be corporate tax exempt for 10 years.
4) WHT should be scrapped or all milk processors should also be designated to be collectors of WHT.
5) BoU/MFPED to review and ascertain as to why commercial banks are no longer interested in disbursing ACF and take remedial actions.

**<u>ACF Beneficiary: Savannah Commodities</u>**

**Background**

Savannah commodities started in 2002 dealing in coffee procurement, processing and packaging for export. In 2006, the company diversified into grain milling and processing and was awarded a contract by East African Breweries to handle and store all their grain raw materials. Due to increased demand for grain in the region, the company deemed it necessary to expand their capacity by purchasing another grain handling facility. The current facility handles 5000 metric tonnes; the new facility would handle 20,000 metric tonnes. In 2010, Savannah Commodities applied for a loan amounting to Ug Shs 2.1 (or US$ 1 million).

**Implementation status**

The beneficiary accessed the loan more than a year later (May 2011) since lodging in the application (early 2010). Apart from red tape, the migration of the loan from one commercial bank to another contributed to the late disbursement of funds. The loan amounted to Ug Shs 2.1 billion at 12% interest rate, 6 years loan period and a grace period of one year.

By the time of the monitoring visit in August 2012, not much progress had been made under the project despite the fact that the beneficiary accessed the loan more than a year ago. The management of Savannah Commodities explained that whereas land had been secured in Namanve Industrial Park in 2011 to elect the facility, it was later found that it was inadequate to accommodate the developments as per the project design. Therefore a separate piece of land was acquired in Mukono district during 2012 for this purpose.

The company paid the supplier 30% of the cost of machinery and obtained a letter of credit. The machinery was expected in the country earliest in November 2012 and operation was scheduled to start in 2013. Savannah Commodities is in the process of acquiring another loan but commercial banks are not disbursing loans under ACF III. The banks complain about the low interest rate offered to beneficiaries compared to the borrowing rate at BoU of an average of 16%.

**Challenges**

The following key challenges were noted by the beneficiary:

1) Exchange rate losses: at the time of loan application in 2010, the dollar was at Ug Shs 2100. By the time the loan was approved and disbursed, a dollar was at Ug Shs 2900 meaning exchange losses for the company as the funds were received in local currency and purchase of machinery was in Euros.
2) Delay in processing the loan for over a year eroded the value of the loan. To US$ 700,000 instead of the US$ 1 million worth of local currency that was applied for.
3) The grace period and loan tenure is too short, putting the company under stress to pay without any significant revenue flows. Lack of a grace period for repayment of interest further makes the loan unattractive.
4) Taxation: The 30% corporate tax charged on corporate companies involved in agriculture and the processors increases the cost of production thus rendering the business non-competitive in the region. Fuel which constitutes a major cost item in processing has a high tax that increases the cost of operations.

5) Lack of interface between the ACF beneficiaries and Government agencies to assist in proper implementation of the investments. The beneficiary questioned *"Why is Government interested now in monitoring the project performance when it is not helping the client in setting up a viable investment, sourcing good quality equipment and solving the challenges as they emerge? Why does the Government leave us at the mercy of profit oriented commercial banks and come in when things have already gone wrong? When we channel our complaints to the commercial banks, we do not get any response."*

**Recommendations**

1) Government should enhance its interface with the ACF beneficiaries at the various stages of implementation including: drawing up of loan agreements, continuous supervision and monitoring of the investments.
2) BoU/MFPED should monitor the participating commercial banks to ensure that the ACF is executed effectively and in time.
3) To minimize avoid exchange rate loss should be disbursed in time and in the currency of the transaction instead of local currency.
4) Agricultural loans should be long term (10 years and above) in order to ensure favorable paying terms.
5) Corporate Tax and VAT on agricultural related investments should be reviewed.

**KISORO DISTRICT**

**<u>ACF Beneficiary: Dema Trade Ltd</u>**

**Background**

DEMA Trade Ltd was registered in 1990/1991 with an initial interest in real estate. In 2004, the company diversified into dairy processing and opened Birunga Dairy with a small plant for producing pasteurized milk. In 2007, the plant was upgraded to include a milk processing plant and UHT production line. It is located in Kabiira village, Kisoro District. In 2010, management applied for a loan worth US$ 480,000 for purposes of acquiring a second production line for UHT milk.

**Implementation**

The beneficiary reported having received an ACF loan in late 2010 worth US$ 480,000, although the BoU records indicate that Ug Shs 2.165 billion was disbursed. **Using the BoU exchange rate of US$ 1 to Ug Shs 2,230.94 in August 2010[13], the US$ 480,000 is equivalent to Ug Shs 1.070**

[13] BoU, 2010a.

**billion, implying an unexplained variance of Ug Shs 1.095 billion or 49% between what is recorded by BoU and what was actually received by the beneficiary**.

The loan terms were: 10% interest rate, 6 months grace period and 5 years tenure. By the time of the monitoring visit by BMAU in September 2012, the equipment for the second production line had been procured and installed including: pasteurizers, sterilizers, cleaning system, homogenizers, 2 tankers (of 17,000 litres each), milk receptionists, pipes and electrical control systems.

**Left: New UHT production line   Right: 2 tankers purchased with ACF**

**Left: Cleaning system tanks Right: Packed milk ready for export**

However, the new installed production line was not yet in operation due to 2 major constraints:

1) The ACF loan was insufficient to purchase all the required equipment. The beneficiary used own resources (Euros 1.2 million) to purchase a used aseptic packing machine which requires spare parts before use.
2) Low voltage power: The beneficiary has been requesting UMEME for the last two years to upgrade the power supply to the industrial phase without success.

When the second production line comes into operation, the factory processing capacity will double from 18,000 litres to 36,000 litres of milk processed per day.   Milk produced from this plant is mainly for export as the plant is 7 Kms from the Rwanda Border and 11 Kms from the DRC.

**Challenges**

1) Cost of processing: the beneficiary paid Ug Shs 120 million for processing the application (valuations, letters of credit and other processing fees).
2) Commercial banks are reluctant to provide large loans (Ug Shs 5 billion) to the beneficiaries.
3) Although the interest rate is fair, it is still too high for the agriculture sector when compared to foreign credits (at 1% -2% interest rate). In Kenya, similar loans can be accessed at a 5% interest rate.
4) Corporate tax: by law, companies operating in remote areas are supposed to be exempt from paying corporate tax of 30%. However, the law has not yet been operationalized as URA is still charging this tax.
5) Lack of agricultural experts in commercial banks to guide clients to make bankable business proposals, source good quality equipment and supervise/monitor the investments.

**Recommendations**

1) Gou should ensure reduction in bureaucracy and cost of processing loans at the commercial bank level.
2) Further reduction in the ACF interest rate to about 5%.
3) Implement the law on corporate tax exemption for rural based companies.
4) BoU to encourage commercial banks that are implementing the ACF to strengthen their capacity in business and enterprise management to be able to offer technical guidance to the borrowers. Where possible, agricultural experts should be hired for long term engagements.
5) GoU should improve follow up of ACF investments and offer technical guidance.

**MBARARA DISTRICT**

**<u>ACF beneficiary: Male farmer in Kitooma village</u>**

**Background**

The farmer, involved in commercial banana growing, is located in Kitooma village, Katoojo Parish, Nyakayojo sub-county, Mbarara District. In 2010, he applied for an ACF loan worth Ug Shs 40 million to expand his plantation by 20 acres which was approved. And in 2011, he applied for second loan worth Ug Shs 80 million. The second application was rejected and instead the commercial bank offered a commercial loan equivalent to Ug Shs 40 million at 30% interest rate which the farmer did not take up.

**Implementation status**

**The farmer acknowledged receipt of Ug Shs 35 million and not Ug Shs 40 million as indicated in BoU records; implying an unexplained variance of Ug Shs 5 million (12.5%)**. The terms were: 10% interest rate, four years loan tenure and no grace period. The farmer established 20 acres of bananas and the loan recovery is also on course.

**Banana plantation established with ACF**

**Challenges**

1) Loan processing was costly – beneficiary spent Ug Shs 2 million on processing fees, in addition to providing a land title as collateral.
2) Communication gap and conflicts between the commercial banks and the beneficiaries. Most beneficiaries are ignorant about the details concerning the ACF and as a result, either fail to access the funds or use the funds for ineligible expenditures like trade, village banks and money lending. Commercial banks claim that many of the problems with the ACF arise because Bank of Uganda is not fulfilling its obligations. *"Is ACFIII still available for us to borrow? We are not clear about the purpose and availability of the loan as the commercial banks are not transparent. The banks are making it so difficult for us to borrow ACF funds."* said the beneficiary.
3) ACF does not target production and yet a large section of the population is into smallholder farming.

**Recommendations**

1) More publicity should be carried out to create awareness about the ACF and a platform for information exchange should be developed where all stakeholders meet including Government institutions, commercial banks and the private sector.
2) Diversify the loan portfolio to cater for smallholder farmers through provision of production loans.
3) MFPED/BoU/commercial banks to strengthen supervision of clients to ensure that funds are used for what they were applied for and in a productive manner. This should include recording of the baseline conditions of the farmers and the progress made thereafter.
4) The ACF should promote zonal farming – supporting farmers in an area to develop the same enterprise to enhance bulk storage, processing and marketing.

## LIRA DISTRICT

### ACF beneficiary: Lira Integrated School

### Background

Lira Integrated School is located in Kakoge A village, Ober Parish, Ojiwina Division, Lira Municipality, Lira District. The school integrates primary, secondary and vocational education and has plans of expanding into a University. In 2008, the school management applied for a loan worth Ug Shs 92 million under commercial rates. However, with the introduction of the ACF, the loan was renegotiated and later disbursed under the ACF scheme. The purpose of the loan was to improve fish farming on the school premises by completing and equipping a fish hatchery with a solar heater, water pumps and perimeter fencing.

### Implementation status

The beneficiary reported that a loan amounting to Ug Shs 92 million was approved and disbursed in September 2009 and at the following terms: 10% interest rate, grace period of one year and loan tenure of 5 years. All the funds were fully utilized and fish farm was operational at the time of the monitoring visit in September 2012. The loan was used for the following; construction of a modern hatchery, installing a water system, purchase of a water heater, construction of five fish ponds and five nursery ponds, and fencing of the farm. All this was accomplished in 2010/2011.


**Left: Hatchery building with water heater on top of the roof Right: ACF fish ponds**

However, there was no production realized in 2011 because the fish ponds were poorly located and floods washed away all the fish. After seeking technical guidance from the district on how to construct ponds, the farm is now operational in 2012. Projected production capacity is 10,000 fingerlings per month. Each fingerling costs an average Ug Shs 400.

### Challenges

1) Inadequate information about the ACF and its procedures.

2) Low quality of fish feeds on the market (protein levels were noted to be low). The beneficiary has applied for another loan (Ug Shs 180 million) to purchase and install a feed mill in order to make own feeds.
3) Lack of monitoring and follow up of beneficiaries by commercial banks.
4) Fish farming is complex yet there is no technical advice readily available to the farmers.
5) Beneficiary expressed concern that the bank had smuggled in other costs and as result the interest rate was higher than 10%. Lack of transparency from the commercial bank was noted as a much constraint.

**Recommendations**

1) BoU and commercial banks should ensure increased transparency and information exchange on the ACF and procedures for accessing funds.
2) Increased technical support and guidance given to beneficiaries by commercial banks and the relevant Government agencies. Linkages should be created for example with District Fisheries Officers and other Production Department staff to offer technical backstopping to ACF investments.
3) The ACF should be popularized through radio programs and other forms of media, model farmers and women groups which are often efficient in information dissemination.
4) Decentralizing ACF approvals to the district or regional branches of commercial banks. Approvals are mainly done by Kampala based banks which leads to unnecessary delays and costs as all verifications are done by officers from Kampala.

## MPIGI DISTRICT

**ACF Beneficiary: Muva Poultry Farm**

**Background**

Muva farm is located in Nakyesanja village, Muduuma Parish, Muduuma Sub-County, Mpigi District. It is a mixed enterprise farm dealing in poultry, piggery, fish ponds, coffee and bananas. During 2010/2011, the proprietor applied for a loan amounting to Ug Shs 255.3 million for construction of various farm structures and purchasing equipment for a hatchery and a milling machine.

**Implementation status**

**The beneficiary acknowledged receipt of Ug Shs 255.3 million, although the BoU records indicated Ug Shs 265.3 million; implying an unexplained variance of Ug Shs 10 million between the BoU and beneficiary records**. The loan was given at the following terms: 12% interest rate, grace period of 6 months and loan tenure of 5 years.

The loan was used to acquire the following equipment: incubator, generator, refrigerated truck, farm truck, maize mill, water pump, feed mixer and a generator.  It also facilitated the construction of a wall fence, staff houses, piggery and poultry houses, installation of 3 phase power and importation of 6,000 chicks. All the equipment was locally fabricated or bought in Uganda.


**Left: ACF funded incubator on the left   Right: ACF funded generator**

By the time of the monitoring visit in August 2012, only one (ACF funded) out of the four existing incubators was in operation. The farm had a challenge of low production of eggs for brooding as the parent stock had aged.

**Challenges**

1) Inflation eroded the purchasing power of the loan as the costs of inputs were much higher than what was anticipated. Hence, some of the proposed expenditure items were not addressed.
2) High interest rate of ACF loan
3) Inadequate power supply as beneficiary lacks funds to install a three phase power line. Use of a standby generator to power the incubators escalates the operational costs.
4) Swine fever outbreak depleted the entire stock of pigs.

**Recommendations**

1) GoU should reduce the ACF interest rate further.

**MUBENDE DISTRICT**

## ACF beneficiary: Betar Ranchers

### Background

Betar Ranchers in Mubende district is the major supplier of beef to Quality Cuts. The ranch had 2,000 heads of cattle, 2,000 sheep and boar goats In February 2010, the proprietor lodged an application for an ACF loan to stock his farm with an additional 1,000 heads of improved cattle. The bank rejected the proposal as stocking the farm was considered an ineligible expenditure. The proprietor then changed the purpose of the application to farm infrastructure and applied for Ug Shs 330 million in the same month.

### Implementation status

The proprietor acknowledged receipt in March 2010 of Ug Shs 330 million as indicated in the BoU records. The terms of the loan were: 10% interest rate, grace period of one year and loan tenure of 5 years. He used the loan to establish the following infrastructure on the farm: water tank, valley dams, dip tank, 2 troughs and water extension and pumping system. He reported that the infrastructure had led to improved performance of his animal herds and the farm in general.

**Newly constructed valley dam and newly constructed water trough**

Because of the positive outcomes from the ACF investments, the proprietor had applied for a second loan under the facility worth Ug Shs 2.5 billion for building farm infrastructure and stocking. He paid for a professional consultant to prepare the business plan. The application was still undergoing verification by the commercial bank.

### Challenges

1) The ACF does not take finance production investments yet this is what the majority of farmers are engaged in; production inputs are too costly for an average farmer. For example, a good quality bull from Kenya costs Ug Shs 10 million.

2) Loan tenure of 5 years is too short for long-term infrastructure investments that take years to have cash flows.
3) Inadequate publicity about the scheme and general unawareness among the farmers on modalities of acquiring the loan.
4) The interest rate is still high for long term investments in agriculture.

**Recommendations**

1) Diversify ACF loan portfolio to include production related investments.
2) Increase the loan tenure for long-term infrastructure investments in agriculture to 10 years and above.
3) Reduce interest rate under the ACF to 5%.

**MUKONO DISTRICT**

**ACF beneficiary: Kahunga Investments Ltd**

**Background**

Kahunga Investment Ltd is located in Namumiira Sub County Mukono District and is a subsidiary to Kahoora Enterprises Ltd which manufactures floating fish feeds and Umkoboti flour for beer brewing. Kahunga Investments was established specifically under the ACF arrangement for processing wheat. Both companies share premises. In 2010, the proprietor applied for an ACF loan worth Ug Shs 1,454,750,000 to set up a wheat factory under Kahunga Investment Ltd. It was expected that, although the loan would not be sufficient to set up the plant, additional funds would be drawn from Kahoora Enterprises to finance the project.

**Implementation status**

**The proprietor reported having received the ACF loan in 2010 worth Ug Shs 1,454,750,000, implying a wide unexplained variation (Ug Shs 745,000,000 or 40%) from what is indicated in BoU records as the amount disbursed to the client (Ug Shs 2,199,750,000)**. However, the commercial bank withheld Ug Shs 400 million of the approved funds to be disbursed as working capital when the plant is operational so in cash, the beneficiary had received Ug Shs 1,054,750,000. The loan was given at a 10% interest rate.

Although the loan was accessed in 2010, only partial project implementation had been undertaken. The base structures on which the machinery would be mounted had been constructed; the machinery was shipped into the country awaiting installation. Some of the machinery was in storage while other parts were left laying on site as shown in the picture below. The constructed structures were in bush by the time of the monitoring visit in August 2012.

**Left: Partially completed abandoned factory structures   Right: Equipment in storage**

The key hindrances to project implementation were the inadequate capital for the investment and lack of power to run the existing plant that was expected to finance construction of the wheat factory. Although there was electricity on site, the voltage was too low to run the existing factory. The proprietor hence used Ug Shs 1 billion to construct a transmission line to the factory.

The company is incapacitated to install the machinery and had already defaulted by three months. The commercial bank issued a warning letter threatening to foreclose the business if management isn't able to install the machinery and would sell all the land and equipment. The company requested the bank to release the remaining Ug Shs 400 million so that they can continue with the projected but the request was turned down.

### Observations by the monitoring team

1) It was evident that the company did not have a feasible business plan from the start. The plan was estimated to cost a total of Ug Shs 4 billion but the proprietor sought for a loan of only Ug Shs 1.45 billion. The problem of low voltage power was not foreseen at the time of project start.
2) It was not disclosed whether it was ACF funds that were diverted for the purpose of constructing a power line, but whatever the source of these funds, the company run out of investment funds for installing the machinery.
3) There was lack of an intermediary between the beneficiary and the commercial bank to help sort the problems.

## NWOYA DISTRICT

<u>**ACF beneficiary: Global Traders Ltd**</u>

### Background

The company Global Traders Ltd has been in operation for 10 years, initially dealing in production of rice, maize and soya beans. Main market was seed companies: NASECO, Pearl

Seeds and Mukwano. Recently, the company diversified into commercial sunflower production. The farm is located in Pamine Olango village, Latoora parish, Purongo Sub County, Nwoya District. In May 2011, the firm submitted a loan application for Ug Shs 460 million to purchase seed oil processing machinery.

**Implementation status**

Because of lack of sufficient collateral, the approved loan was less than what was requested. The beneficiary acknowledged receipt of Ug Shs 368 million, close to what was indicated in BoU records (Ug Shs 362 million). The loan was accessed almost a year after lodging the application in March 2012 at the following terms: 10% interest rate, grace period of one year and loan tenure of 5 years.

By the time of the monitoring visit in September 2012, the bank had released Ug Shs 212 million for the purchase of machinery from India. The bank transferred 30% advance payment and 70% as Letter of Credit to the suppliers. Delivery of machinery was expected by end of December 2012 and installation to be done immediately after. The mill is projected to process 17 tonnes of sunflower daily upon installation.

Since the ACF does not support production investments, the proprietor applied for and obtained production loan of Ug Shs 58 at commercial interest rates. The aim was to step up sunflower production so that there would be adequate raw materials for seed processing mill when finally installed.

**Sunflower fields in Nwoya district established with ACF**

By the time of the monitoring visit in September 2012, 180 acres of land had been opened of which 60 acres were planted with sunflower.

**Challenges**

1) Banks deny customers ACF funds and instead offer them their own funds at commercial rates. They intentionally delay processing the loans as a way of discouraging further requests from farmers for ACF loans.
2) The period of processing the loan was too long (10 months) leading to loss of cropping seasons and potential earnings.
3) Processing the loan was too costly, at 5% of the total loan value.
4) Lack of information among the farmers about the operations of ACF. "*What is the relationship between MFPED, BoU and commercial banks? What did GoU offer to the*

*commercial banks? There is uneven application of regulations and MoUs within the banks and their branches"* said the proprietor of Global Traders Ltd.

5) Banks request for large collateral that hinders the loan applicants to adequate loan sizes.
6) Lack of quality sunflower seed in the country. Presently, sunflower seed is imported from South Africa at Ug Shs 25,000 per Kilogram.
7) High interest rate under ACF.

### Recommendations

Dialogue platform should be developed by Government where information is freely shared between the different stakeholders.

1) GoU should provide incentives to private sector and research institutions to encourage development of quality sunflower seed in the country.
2) Reduce the ACF interest rates.
3) Improve information flow to potential clients. ACF leaflets should be made available at the banks and other public places.
4) GoU should provide subsidies to farmers on fuel.

## ACF beneficiary: Male farmer in Obul village

#### Background

The commercial farmer is located in Obul village, Orum Parish, Koch Goma Sub County, Nwoya District. He applied in May 2011 for Ug Shs 650 million in order to purchase farm machinery (2 tractors with ploughs, 1 planter, 1 harvester and post-harvest equipment) to expand acreage.

### Implementation status

**Tractors and other assorted equipment sourced under ACF**

The beneficiary reported receipt of Ug Shs 650 million in February 2012 at the following terms: 10% interest rate, loan tenure of 5 years and grace period of 6 months. By the time of the monitoring visit in September 2012, two tractors and some assorted equipment had been bought in Uganda and were operational. The rest of the equipment had been ordered from UK and was expected to arrive at the end of September. Using the tractors, the farmer had planted 35 acres of maize, 16 acres of soya beans, 2 acres of beans and 5 acres of pineapples.

**Challenges**

1) Lengthy period of processing the loan decreases business viability; by the time the loan was approved (10 months), the input costs had escalated.
2) High loan processing costs and fees. The Environmental Impact Assessment (EIA) alone cost Ug Shs 10.7 million.
3) Lack of power. Most equipment is tractor or generator driven which increases the cost of production due to high fuel expenditures.
4) Lack of guidance and supervision of investments by the commercial banks.
5) Inadequate collateral to present to the bank to access bigger loans.
6) In post-conflict Northern Uganda, difficult of accessing farm equipment for bush clearing and storage facilities. Due to scarcity of equipment, it costs Ug Shs 1 million per day to clear trees and anti-hills.

**Recommendations**

1) Commercial banks should improve timeliness in disbursement of funds so that they are available before the cropping seasons.
2) The loan terms should be restructured to be more favourable to agricultural investments; payment of interest rate should start after the harvests have been realized and a grace period of one year should be given for payment of both the interest and principle sums.
3) GoU to implement special interventions in post-conflict areas with regard to provision of farm infrastructure, post-harvest handling equipment and storage facilities. GoU should provide bush clearing equipment and set up silos and warehouses in strategic places, to be hired at subsidized prices.
4) GoU should promote partnerships between NAAS and other organizations to step up monitoring and supervision of ACF projects.

## WAKISO DISTRICT

### ACF beneficiary: Formula Feeds Ltd

### Background

Located in Matugga village, Wakiso district, Formula Feeds Ltd deals in manufacture of animal feeds. Currently, the feed is manufactured in marsh form and the installed capacity at the factory 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 (Ug Shs 2 billion). Adjustments were made to the loan amount requested due to inflationary pressures and the amount granted was Ug Shs. 2,831,040,000.

### Implementation status

This project was first monitored during the second quarter of FY 2011/2012 in November 2011. The beneficiary acknowledged having received Ug Shs 2,831,040,000 by then and reported that 10% of the required machinery had been received from the suppliers in Austria. He estimated that all the equipment would be received by December 2011 and the factory would be in full production in June 2012.

A follow up monitoring visit in September 2012 indicated that no progress had been made since the first visit. The machinery had not been delivered due to exchange rate volatility. At project inception, the dollar was at Ug Shs 2,210 but during the course of the purchase, it rose to Ug Shs 2,800 which resulted in severe losses for the firm.

The suppliers of the machinery did not expedite the manufacture of the machinery and as a result there were delays in the expected time of delivery. The firm incurred additional costs of storage as the civil works of the warehouse to house the machine in Austria were guided by the specifications from the manufacturer. The civil works for the warehouse where done using another loan obtained at 30% interest rate. Despite having no revenue from the intended investment, the firm was meeting its debt repayment obligations; total loan recovery stood Ug Shs 1.35 billion.

The Management of Formula Feeds Ltd was considering abandoning the business and was in the process of searching for a buyer for the feed mill. Equipment was ready with the suppliers but shipping was a major challenge because the components of the machine were packaged in many containers which escalated costs of shipping.

As a coping strategy, the firm diversified its business from producing feeds to making briquettes used as bio fuels. The balance of the commercial loan for constructing the warehouse was diverted to import I briquette press and a small warehouse was built to house it. At the time of the monitoring visit in September 2012, production of briquettes is at 15 tonnes a day but optimal production is 70 tonnes a day.

### Challenges

1) Exchange rate losses as loan was issued in local currency yet the machinery was acquired in foreign currency.
2) The poultry industry has been suffocated by cheap imports from Brazil. This has affected the feeds market because many farmers are exiting the industry because of these cheap imports and hence no chicken to feed.

### Recommendations

1) Loans should be issued in the currency of the transaction instead of local currency.
2) The ACF should be restructured to provide for a higher proportion of working capital.
3) Strengthen enforcement of standards for agricultural imports.

**ACF beneficiary: Female farmer in Kazinga Village**

### Background

The poultry farm is located in Kazinga village, Kasangati town, Wakiso district. By 2009, the farm had 2,000 birds. The farmer had plans to increase production by procuring an additional 8,000. Hence, the farmer lodged an application for Ug Shs 115 million in 2009 to expand the business by doing the following: constructing a poultry house and a store, installing a water system and purchasing a machine for processing feeds.

### Implementation status

The farmer acknowledged receipt of a loan worth Ug Shs 115 million in 2010 as indicated in BoU records. The terms were: 10% interest rate, grace period of 1 year and loan tenure of 5 years. The loan was used during 2010/11 to construct a poultry house and store for eggs and feed; buying maize huller and a feed mixer, installing a water system and stocking 5,600 day old chicks.

By the time of the BMAU monitoring visit in September 2012, the farm was not operational. About 3,500 birds died of New Castle Disease and Cocciodiosis and the rest were sold off. The farmer failed to maintain the birds due to escalation of prices of chicken feed (from Ug Shs 300 to Ug Shs 1,500) and the lack of good quality vaccines on the market. The machines were out of service due to disuse.

**Abandoned poultry house**

**Machinery dismantled for repair at the farm**

The beneficiary approached the commercial bank to provide a second ACF loan to revamp the business. But the application was rejected and instead, the commercial bank offered a commercial loan at 20% interest rate. The beneficiary opted to stop the business and pay off the ACF loan from other personal savings.

**Challenges**

1) Lack of nutritional standards for poultry feeds in Uganda has led to poor quality feeds being manufactured and sold to the farmers.
2) Scarcity of day old chicks due to the high demand from the NAADS programme and neighboring countries. It took the farmer three months after establishing the infrastructure before they could obtain the day old chicks.
3) Having to service the ACF loan without an income as the investment had aborted.

**Recommendations**

1) Government should intervene throughout the entire value chain of poultry i.e. from feeds, cold chain (to store the drugs) to ensure quality poultry products in the country. This can be done through a PPP.
2) Government should consider alternatives other than commercial banks to disburse ACF funds as they are not effective. GoU should either capitalize the Uganda Development Bank or establish an agricultural bank for this purpose. The good practices used in

Islamic banking should serve as an example (they work closely with the borrowers to ensure that the investments succeed).

3) Standards for feeds should be developed and enforced.
4) Government should regulate the export of some commodities for example day old chics in order to satisfy internal demand as well.

## *Conclusion*

All the 35 ACF benefitting firms that were monitored during FY 2011/12 and Q1 FY 2012/13 acknowledged receipt of the ACF funds, apart from one beneficiary in Kayunga district. The majority of the beneficiaries used the funds for what was intended as stated in the loan applications. However, a small minority used the funds for other purposes, including expenditure on ineligible expenses like purchase of land and production inputs.

The Central Region remains the main beneficiary of ACF funds, followed by the Western region. However, in the third and fourth quarter of FY 2011/12, there was a slight improvement in the regional distribution of funds with the North and East gaining a 5% share of the ACF investments.

Many investments are failing due to a number of reasons: poor business plans whereby insufficient capital is requested for and the risks are not well internalized; lack of supervision and advisory services; late disbursement of funds; high cost of processing the loans and exchange rate losses.

### *Strategic Policy Issues*

The following strategic issues and concerns are noted for purposes of improving the ACF operations:

1. **Unexplained variances:** A key concern was the unexplained variances in the amount of funds allocated to beneficiaries when the BoU records are compared to the reality on the ground (beneficiaries' feedback on what they actually received). The variances were up to 40% in some cases. This is a matter that requires further investigation.

2. **Cost of processing the loan:** In some instances, project failure was associated with the high cost of processing the loan. For example, one of the beneficiary paid Ug Shs 120 million to access about Ug Shs 1.070 billion (11.3%) of loan value. The is need to cap the cost of processing the loans and this information should be disseminated widely to the farmers and loan applicants.

3. **Inadequate publicity and information dissemination**: there is a need to step up publicity of the ACF on different forms of media and communication channels including radios, television, district offices, public fora and in the banking halls of commercial banks.

4. **Low transparency**: A major constraint to the beneficiaries was the lack of transparency of commercial banks on the available loans and their terms. Commercial banks need to be more transparent in their transactions with the ACF beneficiaries, including sharing detailed information on ACF procedures, MoUs and potential risks in the investments.

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

6. **Limited investment portfolio**: The ACF in its current form caters mostly for fixed assets for value addition and agricultural machinery, with working capital not exceeding 20%. In order to cater for the farmers' interest, the ACF investment portfolio should be diversified to include production and input related projects as well as special incentives to attract private sector in Northern Uganda.

7. **Enhanced supervision and mentoring**: There is a need to strengthen supervision and monitoring of ACF investments to ensure proper implementation and enhanced performance. There is need to strengthen links between ACF at BOU with MAAIF, NAADS, NARO, Seed Companies, districts and other private sector farmer organizations to offer advisory services to the beneficiaries. Support should also be extended to the loan applicants to prepare viable business plans.

### 3.1.3 Avian and Human Influenza Project

***Background***

Avian and Human Influenza is a deadly disease that attacks domestic and wild birds and is transmittable to humans. In 2003, a global alert was issued for all countries to prepare and implement national preparedness and response plans. With support from the World Bank, the Government of Uganda (GoU) commenced the Avian and Human Influenza Project (AHIP) in 2008, slated to end in June 2012. The project objective is *"to substantially reduce the threat posed to the poultry industry and humans in Uganda by Highly Pathogenic Avian Influenza (HPAI); and to prepare for, control and respond effectively to future pandemics and other infectious disease emergencies in livestock and humans[14]".*

The project has four components:

- ***Animal Health*** – aims at institutional strengthening for animal disease prevention and control; building a modern diagnostic laboratory at Entebbe; strengthening of National veterinary Services (NVS); increased monitoring and surveillance of migratory and resident birds. MAAIF is the implementing agency (US$ 5.66 million).
- ***Human Health*** – aims at institutional strengthening to control and present spread of diseases from animals and birds to humans, including establishing isolation units and upgrading laboratories. MOH is the implementing agency (US$ 2.06 million).

[14] World Bank, 2008; Project Coordination Office at OPM

- ***Communication*** – for enhancing knowledge sharing about the disease among key stakeholders. Jointly implemented by MAAIF, MOH and Office of the Prime Minister (OPM) – (US$ 1.83 million).
- ***Coordination*** – for project planning, coordination, monitoring and evaluation. OPM is the implementing agency (US$ 0.45 million).

The monitoring work during FY 2011/2012 focused on the Animal Health Component. As of June 2012, there was not much change in the status quo or performance of the project from the last monitoring visit during March 2012. The bulk of expenditures were incurred in FY 2010/11 and the first 3 quarters of 2011/12. Hence, a summary of the key findings are presented.

### *Financial Performance*

The Animal Health Component was planned to benefit from donor financing amounting to US$ 5.66 million over the project period 2008 to 2012[15]. For FY 2011/12, the approved funding level for the project was Ug Shs 5,838,000,000 inclusive of donor funding (Ug Shs 5,538,000,000) and GoU counterpart funding (Ug Shs 270 million)[16].

With regard to GoU counterpart funding, the approved budget and release by June 2012[17] is summarized in Table 3.1.3: The budget that was available to the project was scaled back by almost a half; all GoU funds that were provided were spent by 30th June 2012.

**Table 3.1.3: GoU expenditure for the AHIP in FY 2011/12**

| Item | Amount (Ug Shs) | Remark |
|---|---|---|
| **Approved Budget** | 270,000,000 | |
| **Revised Budget** | 119,562,845 | 44% of the approved budget |
| **Releases** | 102,539,000 | 86% of the revised budget |
| **Payments** | 102,539,000 | 100% of the released funds |

Source: MFPED, 2011a; IFMS, September 2012.

Table 3.1.4 summarizes the transactions on the designated accounts for donor funding at the Bank of Uganda (BoU)[18]. This is a cumulative assessment from the time of project inception in

[15] World Bank, 2008.

[16] MFPED, 2011a.

[17] IFMS data, June 2012.

[18] AHIP Secretariat at MAAIF, August 2012.

2008. The trust fund accounts were operational since June 2010 while the Credit Fund accounts were operational since October 2010.

**Table 3.1.4: Donor disbursements to the AHIP in FY 2011/2012**

| Item | Amount disbursed (US$) | Amount utilized (US$) | Remark |
|---|---|---|---|
| **Trust Fund** | 835,000 | 835,000 | All funds were utilized by 30th June 2011. |
| **Trust Fund** | 165,000 | 165,000 | Used to pay for goods delivered under Direct Payments from the World Bank Disbursement Centre. |
| **Credit Fund** | 2,881,996 | 2,503,629 | |
| **TOTAL** | **3,881,996** | **3,503,629** | As of 30th June 2012, there was a balance on the account US$ 378,367 |

Source: AHIP Secretariat MAAIF, August 2012.

Some of the key expenditures that have been incurred since project inception are summarized in Table 3.1.5. Approximately 68 percent of the expenditures incurred were for direct support to districts and 32 percent at MAAIF Headquarters (includes procurement of vehicles, motorcycles and equipment for the districts).

**Table 3.1.5: Cumulative expenditures of the AHIP project 2008 - March 2012***

| | Amount (US$) | Amount (Ug Shs) |
|---|---|---|
| **Support to districts** | | |
| Vehicles | 523,158 | |
| Motorcycles | 200,000 | |
| Equipment (computers and accessories, GPS, sampling equipment for UWA) | | 383,032,000 |
| Disease surveillance | | 1,111,057,230 |
| Quarantine restrictions and animal check points | | 184,215,000 |
| Other equipment and systems (budizzos, protective wear) | 165,000 | 111,466,000 |
| **Sub-total to districts** | **888,158** | **1,789,770,230** |
| | | |
| **Support to MAAIF** | | |
| Training field staff, UWA staff | | 354,001,000 |
| Baseline surveys, field monitoring and supervision, technical backstopping, workshops | | 359,801,600 |
| Establishing district rapid response teams | | 143,928,600 |

| | | |
|---|---|---|
| Training course and other international engagements | 33,436 | |
| **Sub-total to MAAIF** | **33,436** | **857,731,200** |
| | | |
| ***Total expenditures*** | ***921,594*** | ***2,647,501,430*** |

*Expenditures incurred during FY 2010/11 and FY 2011/12. Detailed information was available up to March 2012. Exchange rate effective from 30th April 2008 was US$ = Ug Shs 1,705
Source: AHIP Coordination Office in MAAIF.

### *Progress Update*

By June 2012, MAAIF had procured and distributed vehicles, motorcycles, laboratory supplies, furniture and assorted equipment to the districts, Coordination Unit and Communication Unit as indicated in Table 3.1.6.

**Table 3.1.6: Equipment and Supplies distributed to districts and other stakeholders**

| Category | Items distributed | Recipient |
|---|---|---|
| **Vehicles** | 13 Double cabin pickups | Hoima, Tororo, Kabale, Bukedea, Arua, Kotido, Isingiro, Bugiri, Kasese and Kitgum, |
| | 50 motorcycles | |
| | 2 station wagons and a film van | For MAAIF headquarters |
| **Laboratory supplies** | 2,500 Personal Protective Equipment | 10 provided per district; the rest stored at headquarters |
| | 2,500 sets of Burdizzo | 5 given to each district; rest in stores at MAAIF |
| | 2,500 Kgs of Disinfectants, 10 sets of Post Mortem Kit and other laboratory equipment | NADDEC |
| **Wildlife Sampling Equipment** | 10 GPS, 1 digital camera, 20 pairs of wading boots, 4 pieces of bird cages, 20 pairs of overalls, 10 field camping gear/tents, 20 sleeping bags, 10 nets for capture | Wildlife Authority for surveillance in wild birds |
| **Equipment** | 100 GPS, 30 computers and printers, 115 internet modems, 3 laptops. | Distributed to districts.<br>In addition 9 computers where provided to the communication unit; Office furniture and stationery was provided to the Coordination Unit |

Source: MAAIF AHIP Coordination Unit, August 2012.

### *Physical performance*

In the third quarter of FY 2011/12, the monitoring team visited the National Animal Disease Diagnostic and Epidemiology Centre (NADDEC) in Entebbe and 12 districts that had benefitted from the AHIP interventions[19]. During the follow up visit, time only permitted a repeat visit to NADDEC and an update of the overall project performance by the implementers.

**Overall performance**

The AHIP Animal Health Component has two main outputs: a) preparedness and prevention b) Response and recovery. Other outputs include: strengthening capacity for animal surveillance, monitoring and emergency disease control, and a balanced epidemio-surveillance program for detecting emerging infectious diseases and transboundary animal diseases and improved veterinary competence.

It is in this regard that the AHIP Coordination Unit reported the following performance for FY 2011/12[20]:

- Undertook technical monitoring and evaluation of project activities for Avian Influenza and other diseases in various districts in the country. namely; Rakai, Masaka, Isingiro, Kasese, Rubirizi, Rukungiri, Kanungu, Mitooma, Bundibugyo, Bushenyi, Buhweju, Sheema, Kampala, Kanungu, Kalangala, Mpigi, Kalungu Lwengo, Jinja, Kamuli, Kaliro, Iganga, Namutumba, Serere, Kaberamaido and Tororo, Katakwi, Moroto, Abim, Kotido, Pader, Kitgum, Gulu, Apac, Agago, Kiryandongo, Dokolo, Kaabong, Nebbi, Arua, Adjumani, Nakapiripirit, Moyo, Lamwo, Koboko, Maracha and Yumbe.
- 112 districts were supported to carry out animal diseases surveillance, monitoring and investigation of emerging and Transboundary animal diseases.
- Disease surveillance in wild birds carried out in Queen Elizabeth National Park and Semuliki Game Reserve by Uganda Wild Authority (UWA).
- Identified and mapped markets based on Avian Influenza risk factors in the districts of Busia, Tororo, Manafa, Sironko, Bulambuli, Kapchorwa, Kween and Bukwa, Nakapiripirit, Amudat, Napak, Moroto, Abim, Kotido and Kaabong.
- Mapped out strategic sites for check points both in the border areas and inland. Areas covered included: Malaba in Tororo district; Kamwezi and Katuna in Kabale district; Kizinga in Ntungamo district and grounds formerly in active use as holding grounds and quarantine stations namely; Iriri in Katakwi, Kachinga in Sembabule, Makukulu in Lyantonde and Lukaya in Masaka district.
- Undertook baseline survey for disease in goats and sheep in the districts of Arua, Nebbi, Maracha, Yumbe, Moyo and Koboko.

[19] Refer to MFPED, 2012 for detailed report.

[20] AHIP Activity Progress Report as of August 2012.

- Undertook African swine fever surveillance in the districts of Masindi, Hoima, Nakasongola, Kiboga, Apac and Lira.
- Assessment of Avian and Human Influenza equipment in the districts of Kole, Lira, Otuke, Alebtong, Agago, Pader, Lamwo, Kitgum, Zombo, Nebbi, Maracha, Arua, Koboko, Adjumani, Moyo and Yumbe.
- Established a community based disease surveillance network in Busia District.
- Established a community based disease surveillance network in Tororo District.
- Undertook regular and periodic surveillance of hemorrhagic fevers in high risk areas in the various districts in the country namely: Yumbe, Koboko, Kitugum, Busia, Palllisa,Tororo, Gulu and Lamwo,Nebbi, Terego, Arua, Bundibugyo, Ntoroko,Kasese, Kanungu, Rukungiri, and Kisoro.

## National Animal Disease Diagnostic and Epidemiology Centre

**Background**

A major expected output of the AHIP health component is the establishment of a hi-tech laboratory at the National Animal Disease Diagnostic and Epidemiology Centre (NADDEC) which houses the Epidemiology Unit and Laboratory Diagnostic Unit. The laboratory would enable the country to handle dangerous microorganisms expeditiously, produce locally made vaccines, verify imported animals and animal products and ensure that the animals that are exported meet international quality standards.

**Implementation progress**

During the first monitoring visit in March 2012[21], it was noted that no progress had been made to commence construction of the new laboratory. The MAAIF project implementers indicated that it would require the project to be extended by 6 to 12 months beyond the completion date (June 2012) to enable the construction of the new laboratory. MAAIF was in the process of seeking for an extension for the project. *An extension of the project by at least one year was recommended by the BMAU monitoring team for purposes of completing construction and equipping of the laboratory*.

The second monitoring visit in August 2012 revealed that a project extension of one year had been granted to enable completion of the new laboratory. The completion date was extended to June 2013. However, no further progress had been made on the construction of the laboratory by

[21] MFPED, 2012.

close of the FY 2011/12. The contract for civil works was yet to be signed. The only ongoing work was establishment of a perimeter fencing in the area allocated for the laboratory.

### *Strategic Policy Issues*

The AHIP is on course in terms of setting up an early warning system for occurrence of epidemic diseases. However, one of the major outputs, the construction of the laboratory at NADDEC was not achieved. The delay in start of project implementation for two years negatively impacted on achievement of key outputs. The following four policy issues emerge from the monitoring work during FY 2011/2012:

4) **Slow project implementation**: Three months into the project extension period, construction of the new laboratory had not been commenced; even the preliminaries like signing off the relevant contracts had not been concluded. *This project needs to be fast tracked if construction and equipping of the new laboratory is to be realized by close of project in June 2013.*

5) **Limited scope of project coverage and impacts**: Although all districts acknowledged having received the earmarked funds and equipment, the resources were grossly inadequate for carrying out meaningful surveillance on an ongoing basis. Only 20 to 50 percent of the anticipated surveillance work was covered and only for two quarters of FY 2011/2012. Hence, the project objective of developing capacity for early detection and response was not fully realized.

6) **Sustainability of project interventions and exit strategy**: The district officials during the first monitoring visit in March 2012 unanimously indicated that the AHIP interventions could not be sustained beyond project closure due to funding constraints. *It is recommended that MAAIF implements an exit strategy that ensures sustainability of the interventions. Consideration should be given to formalizing the AHIP surveillance and reporting measures in the decentralized structures.*

7) **Ineffective project design**: The activities that were undertaken in the AHIP were not interlinked to produce common outcomes that would enable the achievement of the project objective. Key components like awareness raising and institutional building at the community level for ownership and sustainability of interventions were missing. The funds and equipment given were inadequate to enable the districts to become prepared to respond to an outbreak. *The design of this and future projects should be refocused to ensure that they are outcome oriented rather than input-process oriented. Outcome/impact oriented indicators should be part and parcel of the project design.*

### 3.1.4 Dairy Development Authority

#### *Background*

The dairy industry is coordinated and regulated by the Dairy Development Authority (DDA), a semi-autonomous statutory body under MAAIF, established under the Dairy Industry Act (1998). The DDA commenced operations in 2000 with the mission *"To provide development and regulatory services that will ensure increased production and consumption of milk, sustainable and profitable dairy industry sector that will contribute to economic development and improved nutritional standards in Uganda"*[22].

The BMAU first monitored DDA activities in the third quarter of FY 2011/2012. This included an assessment of DDA activities in 7 districts namely: Bushenyi, Gulu, Lira, Masaka, Mbarara, Ntungamo and Soroti[23]. The second monitoring updated performance of DDA for FY 2011/2012.

#### *Financial performance*

DDA attained a vote status on 30th June 2012 and receives GoU funds only. During FY 2011/2012, GoU allocated Ug Shs 4.260 billion to the DDA for recurrent expenditure. Table 3.1.7 shows the financial transactions during the year. About 83% of the approved budget was released and all funds were spent by the close of the year.

**Table 3.1.7: GoU Releases and expenditures for DDA for FY 2011/2012 (Ug Shs Billion)**

| | **Approved Budget** | **Releases by End June** | **Spent by End June** | **% Budget Released** | **% of Budget Spent** |
|---|---|---|---|---|---|
| Wage Recurrent | 0.950 | 1.225 | 1.225 | 128.9% | 128.9% |
| Non-Wage Recurrent | 3.310 | 2.329 | 2.330 | 70.3% | 70.4% |
| **Total** | **4.260** | **3.553** | **3.555** | **83.4%** | **83.4%** |

Source: OBT Vote Performance Report FY 2011/2012.

22 Dairy Industry Act 1998; DDA, 2012.

23 Detailed report in MFPED, 2012.

### *Progress Update*

The DDA has 6 core performance indicators in the Output Budgeting Tool (OBT): i) National annual milk production increased ii) Milk marketing enhanced iii) Quality for milk and milk products enhanced iv) Value addition for milk enhanced v) Farmers, traders and processors associations strengthened vi) Linkage with stakeholders strengthened.

During the first monitoring visit in Q3 of FY2011/12, the following key issues were noted:

- **DDA presence not felt**: The district officials in the sampled districts were generally not aware of the full mandate of DDA with regard to regulation and development of the dairy industry. The DDA Senior Management explained that, until FY 2011/12, the institution has been operating at Central Government level due to budget constraints.
- **Poor allocative efficiency**: The bulk of expenses in 2011/12 as of the third quarter were spent on salaries and allowances (44 percent), vehicle and equipment maintenance (13%) and other recurrent activities such as workshops and seminars (32%).
- **CESS**[24]: The DDA is supposed to work towards self-sustainability. However, with the abolition of the 1.5% cess on every litre of milk processed, this has greatly reduced the non-tax revenue and funds available to DDA for programme implementation. DDA officials recommended that GoU should provide compensation for the loss and funds would be channeled into a Dairy Development Fund.

### *Physical performance*

Since DDA activities are largely centrally operated, the BMAU team concentrated on assessing physical performance for FY 2011/2012 as reported by management. Most activities are recurrent by nature and hence could not be followed up through field visits. Table 3.1.8 summarizes some of the key interventions that were undertaken during the year. The funds spent on each of the intervention areas are also indicated.

The major achievements during the year were: the setting up of 2 regional offices, one in Mbarara and another at the border Malaba/Busia, procurement of milk handling equipment and institutional strengthening. By the time of the BMAU monitoring visit in March 2012, the Mbarara office was not fully operational yet.

**Table 3.1.8: Physical and financial performance of DDA in FY 2011/2012**

[24] CESS is a synonym for tax, duty, fee that is applied to a particular purpose.

| Output | Activities implemented | Amount allocated (Ug Shs) | % of funds allocated |
|---|---|---|---|
| **Increased milk production** | Refurbishment of Serere and Kaberamaido milk collecting centres; 1,200 farmers and 34 schools trained. | 5,084,000 | 0.2% |
| **Improved rural marketing infrastructure and access to markets** | Needs assessments undertaken, Support to 3 Farmers groups in Ngora, Serere & Kaberamaido districts. | 407,496,827 | 11% |
| **Institutional Strengthening** | Established 2 regional offices (Mbarara &, Malaba/ Busia), audits, advertising, vehicles, stationery, fuels, utilities, networking, computers, monitoring | 809,225,899 | 23% |
| **Strengthening human resources** | Staff costs, gratuity, Staff medical insurance, capacity building undertaken | 1,482,794,336 | 42% |
| **Reduced post-harvest losses** | 710 milk handling equipment in shipment (target was 510); 10 portable milking machines procured (target 12); | 165,502,912 | 5% |
| **Milk handling premises inspected and licensed** | 67 milk road tankers inspected, registered and licensed against the target 120; 594 dairy premises inspected against the target 655. | 62,927,948 | 2% |
| **Quality & safety of milk and dairy products** | 578 samples of milk and dairy products analyzed against the target 500. DDA Laboratory at Lugogo was re-established. | 167,261,964 | 5% |
| **Increased milk consumption and exports** | Milk consumption campaigns to enhance public awareness conducted. | 133,438,488 | 4% |
| **Improved corporate governance** | Board retreat, DDA Board and committee meetings held. | 85,204,850 | 2% |
| **Property management and control** | Acquisition of ownership titles for DDA properties; office refurbishment and property management. | 58,487,003 | 2% |
| **Stakeholder training** | 376 people trained | 64,181,400 | 2% |
| **Data management** | Established a data collection system; data collected on various aspects; | 31,819,800 | 1% |
| **Others** | Enforced compliance, NTR collected | 33,237,200 | 1% |
| **Total** | | **3,554,743,999** | **100.2%** |

Source: DDA activity performance report, September 2012; Discussions with DDA officials; performance report on the OBT, September 2012.

*Challenges*

The following challenges were highlighted by senior management at DDA as constraining program performance:

1) Inadequate funding.
2) Parallel delivery mechanisms by the different entities operating in the agricultural sector. For example, under NAADS, the delivery channels do not reach out to all livestock farmers, especially missing those who do not prioritize livestock as their key enterprise.
3) Lack of a Government communication strategy to reduce cost of advertising and information dissemination at institutional level.

*Recommendations*

DDA senior management recommended that:

1) MFPED should give compensation worth Ug Shs 1.5 billion to the institution annually in lieu of the cess losses. The funds would be used for infrastructure development in the dairy sector, among other priorities.
2) GoU to put in place a communication strategy that coordinates all publicity and information dissemination within Government.

*Conclusion*

As noted in the previous monitoring report[25], the DDA still faces challenges of allocative efficiency in the way it apportions its resources to undertake service delivery. About 70% of available resources during FY 2012/2012 were spent on institutional strengthening, staff costs, meetings, property management and data management (shaded areas in Table 3.1.8). Only 30% of the resources are available for other services. However, management explained that strengthening headquarters and the regional offices and field travel are expenditure items that are core to the delivery of the DDA mandate.

There is a need to further decentralize DDA activities to enhance institutional presence in other areas of the country.

### 3.1.5 National Animal Genetic Resources Centre & Data Bank

*Background*

[25] MFPED, 2012.

The Animal Breeding Act 2001 established the National Animal Genetic Resources Centre and Data Bank (NAGRC & DB) in 2003 as a body corporate under MAAIF mandated to establish and operate a National Animal Breeding Programme in Uganda[26].
The key objectives of NAGRC&DB for the period 2010/11 to 2015/16 are[27]:

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

NAGRC & DB has 10 farms/ranches and 3 Satellite Centres. The farms were established in the 1960s but most stock was lost in the subsequent wars in the 1970s and 1980s. Restocking commenced in recent years. All the stock farms, apart from Rubona, were monitored by the BMAU during FY 2011/2012. During Q2 FY 2011/12, the BMAU monitored performance of five farms (Nshaara, Ruhengyere, Sanga, Maruzi and Bulago). The detailed findings are in the Budget Monitoring Report of February 2012. A follow up monitoring visit was made during Q1 of FY 2011/2012 to four other stock farms (Buikwe, Lusenke, Kasolwe, LES) and the findings are presented in this report. Refer to Table 3.1.9.

**Table 3.1.9: NAGRC & DB Farms and Ranches monitored in FY 2011/2012**

| 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 | **√** |

[26] Animal breeding is controlled mating or conception of animals for the purpose of developing new and better types.

[27] NAGRC&DB, 2011.

| Stock Farm/Ranch | Location | Breeding Purpose/Acreage | Physically monitored by BMAU |
|---|---|---|---|
| | | 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***

Table 3.1.10 shows the cumulatively disbursement of technologies to farmers by NAGRC&DB for the past 7 years up to FY 2011/2012. A positive trend is noted in the distribution of semen doses, Liquid Nitrogen and cattle and goat breeding technologies to farmers. A mixed trend is exhibited in the other technologies.

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

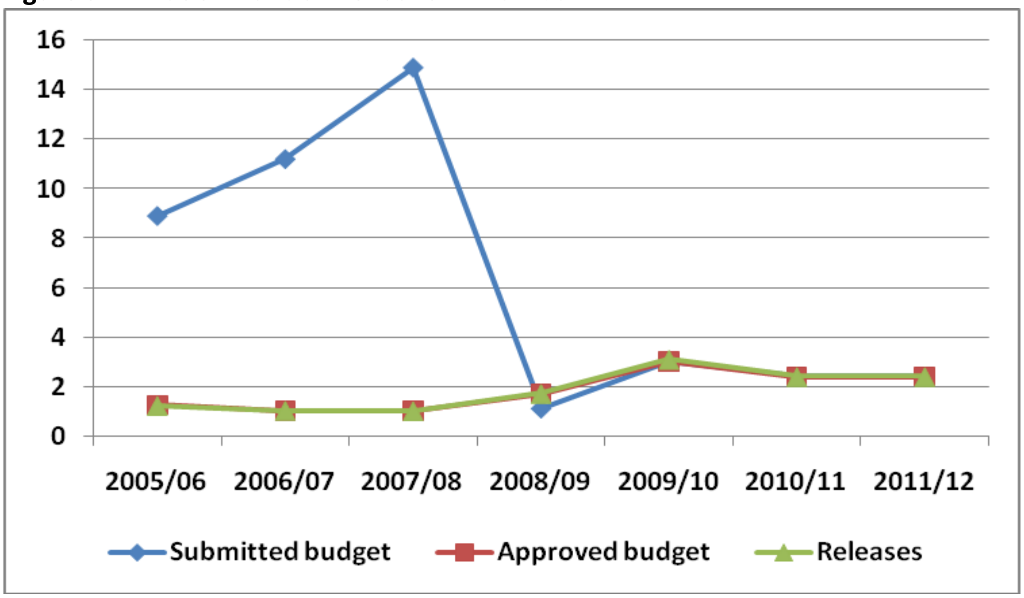
| Category | 2005/6 | 2006/7 | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| Training Artificial Insemination Technicians | 50 | 63 | 61 | 67 | 70 | 26 | - |
| Training farmers, students, interns | 1,071 | 1,288 | 1,497 | 1,589 | 1,652 | 776 | 444 |
| Pigs germ plasm | 106 | 300 | 62 | 148 | 142 | 45 | 76 |
| Exotic Cocks | 510 | 800 | 60 | - | - | 2,000 | - |
| Cattle Dairy, Beef/Pure+Cx | 4 | 16 | 314 | 1,091 | 505 | 41 | 845 |
| Goats/pure-Cx | 5 | 20 | 148 | 286 | 294 | 75 | 685 |
| Semen (doses) | 8,418 | 11,074 | 16,230 | 4,030 | 18,333 | 14,894 | 25,545 |
| Liquid Nitrogen | 14,500 | 19,900 | 14,744 | 16,309 | 21,774 | 12,424 | 13,300 |
| Kuroiler eggs imported | - | - | - | - | - | - | 73,000 |

Source: NAGRC&DB Headquarters; OBT Government Performance Report July 2012.

### *Financial Performance*

Government annual releases to NAGRC&DB have almost doubled over the last 7 years from Ug Shs 1.23 billion in 2005/06 to Ug Shs 2.41 billion in 2011/2012. However, the releases remain far below the resource requirements of about Ug Shs 14.9 billion necessary for establishing the national breeding structures and rehabilitating the stock farms. Refer to Figure 3.1.4.

**Figure 3.1.4: GoU financial trends for NAGRIC&DB**




Source: NAGRC&DB Headquarters; OBT, September 2012.

Detailed data on expenditures during the full year FY 2011/2012 was not available. However, earlier monitoring work during Q2 of FY 2011/2012 for earlier financial years indicated that 73% of resources that were available for expenditure in the Centre were spent at head quarter level; indicating poor allocative efficiency as only 27% of the resources were available for decentralized services at the 10 farms[28].

### *Physical performance*

### Kasolwe Stock Farm – Kamuli District

### Background

The farm is located in the villages of Bulagala A, Bulagala B, Kasolwe and Busamo in Balawoli Sub County, Kamuli district. It was established in 1969 as a dairy farm on 2000 acres of land. The mandate has since shifted from dairy production to the conservation of East African Short horned Zebu and the East African Goat.

[28] MFPED, 2012a.

NAGRC&DB started operations on the farm in 2003. Restocking of the farm with 800 Zebu cattle was carried out in 2007 under the National Livestock Improvement project (NLPIP); 400 cattle of the Zebu stock were taken to Lusenke Stock farm.

**Financial performance**

The Manager for Kasolwe Stock farm reported that most finances pertaining to the farm are handled directly by NAGRC&DB headquarters. During FY 2011/2012 the Manager reported having received two imprests (October 2011 and February 2012) worth Ug Shs 800,000 each; Ug Shs 2.4 million was provided to purchase fuel for pumping water in three equal installments. By the time of the monitoring visit in August 2012, the farm had not received any funds for FY 2012/2013, although requisitions had been made in July 2012. The Manager also acknowledged receipt of animal drugs, protective clothing and a computer with a printer.

The farm records indicated that revenue had been raised and remitted to the NAGRC&DB account as follows: 100 weaner bulls were sold off in July 2011 at about Ug Shs 40 million and in May 2012, an additional 23 weaner bulls were sold at Ug Shs 4,872,000.

**Physical performance**

Small East African Goats at Kasolwe Stock Farm

The farm stock stood at 700 cattle (620 Zebu and 80 Boran) and 475 Small East African Goats. The monitoring team noted that the farm structures were in good condition, only requiring some rehabilitation.

**Challenges**

The management of Kasolwe Stock Farm noted the following key challenges:

1) Inadequate and untimely fund disbursement which hinders farm operations.
2) Overstocking as about three quarters of the farm is weeds. Animals consistently break through the erected fences in search of pastures.
3) High prevalence of tick borne diseases.
4) Low salaries for farm managers (Ug Shs 450,000 net) and the lower level cadres (Ug Shs 165,000).
5) Theft of cattle and trees for charcoal making as thieves hide in the wide spread bushes on the farm. In FY 2011/2012, about 60 heads of cattle were stolen.
6) Small labour force of 15 personnel, below the required minimum number (22).
7) Lack of farm transport to monitor such a large area.

**Recommendations**

1) Increased funding for pasture development.
2) Strengthening the fencing and putting in place paddocks for better pasture development and breeding.
3) Improving farm transport.
4) Rehabilitation of the farm structures.
5) Enhancing security. The farm has 2 unpaid guards; there is a need for 8 security guards.

### Livestock Experimental Station – Wakiso District

**Background**

This station is located in Old Entebbe ward, Entebbe Municipality Division B. It was established in the 1960s focusing on experimenting on local indigenous breeds to determine their commercial viability. NAGRC&DB started its operations on the farm in 2004. Presently, the station has four dual roles:

- Dairy breeding.
- Poultry breeding to hatch day old chicks for the local poultry industry.
- Pig breeding.
- National quarantine station where all livestock imported in to the country are scrutinized before being granted entry into the country.

**Financial performance**

In FY 2011/2012 the station received imprest three times (Ug Shs 800,000 each installment) yet it is planned to be provided on a monthly basis. Other funds were spent at Headquarters to repair fences on the farm. The Manager also confirmed receipt of inputs such as drugs, acaricides, and mineral leaks from NAGRC&DB Head Quarters.

By the time of the monitoring visit in September 2012, no imprest had been disbursed for FY 2012/2013. However, the station had received Ug Shs 4 million for hosting animals that were imported into the country under the East African Agricultural Productivity Programme. The animals are for stock breeding under the National Agricultural Research Organization (NARO). The funds were used for bush clearing.

In terms of NTR, the farm sells on average 3,000 to 3,500 litres of milk every month thus generating approximately Ug Shs 3 million. From the sale of cattle, the farm generated Ug Shs 40, 650,000 during FY 2011/2012 and all revenue was banked on the NAGRC &DB account.

## Physical performance

The imprests and inputs that were received were used for maintaining the existing stock and the imported livestock. The stock on the farm included: 107 dairy cattle, 9 pigs, 134 exotic cattle under quarantine and 100 Kuroilers. The Kuroilers parent stock was being managed under a programme with Arizona State University funded by Bill Gates Foundation.

A new tractor had been purchased by Headquarters and given to the farm during July 2012 to help in bush clearing. However, it had been procured with wrong sized tyres and hence the standard equipment could not be mounted on it. By the time of the monitoring visit in September 2012, the tractor was not yet in use, awaiting spares from headquarters.

### Challenges

1) Inadequate imprest for enabling the Farm Manager to carry out the necessary operational activities. The amount Ug Shs 800,000 was last reviewed in 1990s and needs to be increased in light of the prevailing inflation.
2) Inefficient financial systems at NAGRC&DB Headquarters: financial documents forwarded by the farm for processing are frequently lost; takes 1-3 months to access funds after the Executive Director’s approval.
3) Understaffing at the station.
4) Lack of clarity on how funds are allocated after the work plans have been agreed. The disbursements to farms are not in line with agreed priorities, both in terms of amounts and timing. Some of the inputs or equipment that are sent to farms are not what has been requisitioned.
5) Lack of farm transport.
6) Poor remuneration of the staff which leads to low morale.
7) Lack of standard operating procedures for guiding scientific work in the breeding programme.
8) All NTR generated at the farm is remitted to Headquarters yet there are no funds to pay for operational expenses.

## Recommendations

1) Financial management and finances need to be decentralized from Headquarters to allow the farms manage their expenditures and programmes more effectively. Farms should be allowed to spend some of the revenue generated at source to address key challenges.
2) Strengthen financial management at Headquarters.
3) Improve transparency at Headquarters in the funds allocation and use. Farm Managers need to be more involved in resource prioritization and expenditures.
4) Provide transport means at the farm.
5) There should be regular interaction amongst the farm managers and the Head Quarters.

**Lusenke Stock Farm – Kayunga District**

**Background**

Lusenke stock farm is located in Lusenke village Busaana Sub County Kayunga District. It was established in 1969 for purposes of raising animals for beef production. The farm covers seven square miles of land. NAGRC&DB took over management of the farm in 2008; the current mandate is conservation of the East African short Zebu. The farm was restocked in 2008 with 400 Zebu for this purpose. The paddocks and water systems were rehabilitated and breeding work started in 2010. The Beef Association of Uganda also operates its programmes from Lusenke stock farm.

**Financial performance**

There were no financial records at the farm. The manager explained that all budgets are made and retained at Headquarters. The farm is entitled to a monthly imprest of Ug Shs 800,000 but this has been irregular. The station received imprest only once in FY2011/12 which was used for transport, lunch, internet and airtime. No other funds were received. The manager confirmed receipt of animal drugs in FY 2011/2012.

In terms of NTR, the farm generated Ug Shs 31 million in FY 2011/2012 from sale of 18 bulls, 4 culled and 20 steers and the funds were remitted to NAGRC&DB account.

**Physical performance**

The stock procured in 2008 reduced greatly due to diseases. Some of the animals were brought while at advanced age and hence the breeding animals are few. By September 2012, the station had 378 cattle (18 steers, 39 Heifers, 227 dry cows (not producing milk), 28 yearlings, 18 weaners, 45 calves and 3 bulls).

Breeding work is continuing after the introduction of artificial insemination services to crossbreed the Zebu to produce improved animals. Partnership was developed with a donor from Austria who supplied the farm with dual purpose semen (for dairy and beef) to produce improved animals.

**Challenges**

1) Lack of grazing systems including water troughs, fences and paddocks due to high prevalence of bushes.
2) Encroachers on the land encouraged by politicians and the lack of a perimeter fence.
3) Lack of transport means
4) Rampant cattle thefts as the farm does not have security guards.
5) Conflicting mandates of NAGRC&DB and the Beef Association of Uganda that are both operating on the same premises. Whereas NAGRC&DB is operating a breeding program

where gene transfer is observed, the Beef Association is keeping cattle of unknown origin that contaminate the breeding program. There is a conflict in the use of the available land.

6) Poor resourcing and irregular disbursement of the imprest by NAGRC&DB headquarters.

**Recommendations**

1) The NTR should be re-invested in the farm to address the following key priorities: perimeter fencing, partitioning paddocks and installation of water systems. The Farm Managers should be empowered to use the NTR.
2) Land on the farm should be surveyed and different blocks of land allocated to NAGRC&DB and the Beef Association to carry out their activities.
3) Provide transport means.

### Njeru Stock Farm – Buikwe District

**Background**

Njeru stock farm was established in 1969 as a Friesian dairy farm in Kiryowa 2 village, Njeru Sub-County Buikwe District. Overtime, piggery, goat and cattle projects have been introduced on the farm. Originally the farm's total landholding was 750 acres; currently it is on 580 acres as the rest of the land is occupied by encroachers.

**Financial performance**

During FY 2011/2012, the farm received Ug Shs 2.8 million from Headquarters for repair of a cattle dip, piggery unit and construction of a goat house. A monthly budget line was also provided for pumping water from the River Nile to the farm (Ug Shs 840,000 received every month for 9 months). The farm is also entitled to an imprest of Ug Shs 800,000 per month but in FY 2011/2012, these funds were only disbursed thrice. The Farm Manager acknowledged receipt of animal drugs, vaccines, fencing poles, barbed wire, liquid Nitrogen, animal funds and a motorcycle during the year.

The farm generated Ug Shs 15,672,000 from sale of bulls and steers and 60 litres of milk were being sold on a daily basis. All revenue is banked on the NAGRC & DB account.

**Physical performance**

There were 166 cows, 32 goats and 62 pigs on the farm. However, the dairy function was operating sub-optimally: out of 65 heifers, 25 were of advanced age and producing 14 litres per day instead of 25 litres; the introduction of non-dairy Ankole cows reduced the focus on dairy breeding. **The monitoring team noted that the ongoing activities on the farm are more**

**focused on income generation rather than breeding as per the mandate**. During FY 2011/2012, the funds that were received were channeled into expanding the commercial piggery unit and goat house. **The activities of the station need to be reviewed and re-focused to ensure that funds are channeled to breeding programmes as a core priority rather than focusing on income generating activities**.

About half of the existing infrastructure on the station was functional and the rest dilapidated. The milking parlor was partially used while the milking machines and coolers were available but not in use due to the small stock of milking animals. A concern was raised regarding the 3 communication masts that were mounted on the station since 2006, generating about Ug Shs 10 million each per year, and the NTR never re-invested in the farm.

**Challenges**

1) Delay in delivery of inputs. There is a significant time lag of two months from the time of requisition to time of delivery.
2) The farm is under stocked compared to the land size. The carrying capacity is 250 animals; only 166 were presently on the farm.
3) The farm tractor had been taken for repair six months ago and not returned.
4) Lack of fencing. A requisition was placed for 1,000 fencing poles and only 100 poles were delivered by NAGRC&DB headquarters.
5) Lack of farm transport.
6) Land grabbing by Njeru Town Council
7) NSSF contributions not paid for some employees by Headquarters.

**Recommendations**

1) The Management at Njeru Stock Farm recommended:
2) NAGRC&DB to revive the dairy section of the farm to enhance performance.
3) Timely delivery of inputs that are requisitioned.
4) Farm should be provided with transport means.
5) A substantial part of the NTR that is generated at the station should be channeled back to the farm for infrastructure development.

### *Strategic Policy Issues*

During FY 2011/2012, the NAGRC&DB has made serious effort to implement the designated mandate of establishing breeding structures and farms and providing breeding technologies and stock to farmers. The following key policy issues are noted for purposes of further improvement in NAGRC&DB performance:

1. **Financial management challenges**: Among the key constraints are delayed disbursement of funds (1-3 months after approval of requisitions); lack of clarity on how the priorities that are funded at farm level are chosen as they are seldom in line with what is agreed at the planning and budgeting stage; lack of financial records and skills at farm level. NAGRC&DB Management reported that an accountant and an internal auditor had been recruited during FY 2011/2012 to strengthen financial management at headquarters. There is need to strengthen financial systems and reporting at all levels and enhance transparency with regard to resource allocation and use.

2. **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.

3. **Poor allocative efficiency**: Apart from Njeru stock farm, the rest of the 8 farms that were monitored had a major funding gap. Instead of monthly imprests (Ug Shs 800,000), the farms got in on average Ug Shs 1.6 million as imprest for the whole year. Monitoring work during Q2 FY 2011/2012 indicated that about 73% of all resources that are available for NAGRC&DB operations are unjustifiably spent by 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.

## 3.1.5 Vegetable Oil Development Project

### *Background*

The Vegetable Oil Development Project (VODP) aims to *"increase the domestic production of vegetable oil and it's by products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighboring regional markets".* The project has three components: (i) the Oil Palm Development (ii) the Vegetable Oil Development Fund (Traditional Oilseeds and Essential Oils Sub-components) and (iii) the Institutional Support component. The first phase of the project has been completed

(1997-2012) and the implementation of the second phase (VODP2) has commenced for the period 2012-2018.

The project is financed by the International Fund for Agricultural Development (IFAD) with a major private sector player in Kalangala – Oil Palm Uganda Ltd (OPUL) – in charge of establishing the nucleus plantation, palm oil mill and market. The Kalangala Oil Palm Growers' Trust (KOPGT) supports oil palm small holder farmers through provision of inputs, credit, extension and transport for produce; the Kalangala Oil Palm Growers Association (KOPGA) is their umbrella association.

During FY 2011/2012, the only component that was still under implementation was the Oil Development component. The BMAU monitored this component twice during February and August 2012. The monitoring team also interfaced with Kalangala Infrastructure Services (KIS), a private sector company that is mandated to deliver infrastructure and basic services to facilitate the VODP.

### *Financial Performance*

GoU committed to fund 30% of the VODP budget to cover 100 percent of land cost, the balance being met through an IFAD loan. Table 3.1.7 provides a summary of the financial transactions of the VODP during FY 2011/2012. The IFAD loan was almost fully disbursed while a small proportion of GoU counterpart funds (37%) was released. The project management reported that all the disbursed funds were paid out, which was in agreement with the IFMS data.

**Table 3.1.7: Disbursements to VODP in FY 2011/2012 as of June 30th 2012**

| Source of funds | Approved Budget (Ug Shs million) | Actual release (Ug Shs million) | % release |
|---|---|---|---|
| IFAD | 15,989 | 14,464 | 90.5 |
| GoU | 3,396 | 1,263 | 37.2 |
| Total | 19,382 | 15,727 | |

Source: VODP Project Management Unit, September 2012.

### *Physical performance*

Table 3.1.8 summarizes the cumulative physical performance of the VODP as at end of FY 2011/2012 as reported both by the VODP Headquarters and verified through field visits in Kalangala district during February and August 2012. The performance focuses on the first phase of VODP which ended in June 2012. This however, includes some activities under VODP2 like purchase of land in Buvuma Island which commenced in 2011.

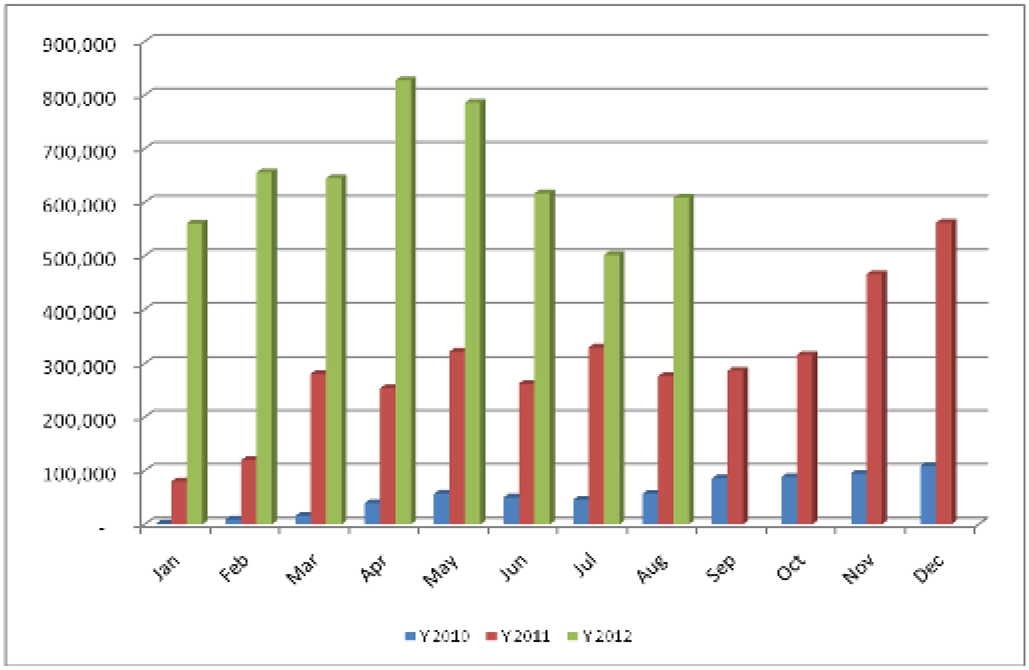
**Table 3.1.8: Physical performance of VODP during FY 2011/2012**

| Performance Indicator | Target | Actual achievement |
|---|---|---|
| OPUL develop nucleus plantation | 6,500 Ha | 6,100 Ha |
| KOPGT out growers and smallholders develop plantations | 3,500 Ha purchased | 3,800 Ha purchased of which 3,355 Ha was already planted |
| Construct KOPGT office block | 1 office block constructed and equipped. | 1 office block was constructed and equipped |
| OPUL constructs processing mill | One mill | Mill was constructed and is operational with installed capacity of 10 MT; about 200 tonnes of fruit is processed every day. |
| Commence replication of project on Buvuma Island under VODP2 | 3,500 Ha of land purchased for smallholder plantations | 2,700 ha of land purchased on Buvuma Island |
| Provision of oil palm seedlings to farmers. | Oil palm seedlings provided | 1.93 million pre-germinated seedlings imported and distributed; additional 400,000 seedlings imported and were being raised for the outlaying islands. |
| Provision of credit to farmers and recovery | | Ug Shs 24.8 billion worth of credit extended to farmers; Ug Shs 1.09 billion recovered and put in fixed deposit account. |
| Improve farm access roads | 250km constructed | 250 km has been constructed |
| Provision of extension services to farmers | Extension services to be provided to participating farmers | KOPGT provided extension services to 1,300 participating farmers. |

Source: Field findings

Almost all the project targets have been achieved, except for the nucleus estate where an additional 400 Ha have to be got. Production of fresh fruit bunches (FFB) has been on an increasing trend over the years as more trees gain maturity (Figure 3.1.5). The KOPGT office reported that cumulatively, as of August 2012, the smallholder farmers had marketed 9.4 million Kg of FFB worth Ug Shs 3.86 billion.

**Figure 3.1.5: Fruit sales by Kalangala smallholder farmers in 2010-2012 (Kg)**




Source: KOPGT office, August 2012.

**Challenges**

During FY 2011/2012, the challenges that were affecting project implementation were mainly at the farmer, Local Government and KOPGT level including:

1) Irregular flow of funds as the project transited from the first to the second phase.
2) Limited staffing at KOPGT to manage the 1,300 farmers.
3) Insufficient trucks to transport farmers' fruits and fertilizers. Procurements were ongoing for 4 additional trucks.
4) Lack of storage facilities to handle the minimum stock of 500 tonnes of fertilizer. KOPGT hires stores in Kalangala Town Council but they are of limited capacity of 50 to 200 tonnes, at varying rental charges and generally insecure (subject to pilferage). This has raised audit queries.
5) The escalating market value of land in Kalangala.
6) Uncertainty with regard to land ownership by settlers in 10 fishing/landing/trading sites where public land was secured by the district and handed to OPUL for investment. The affected areas are: Mulabana, Kananansi, Nakatiba, Bwiri, Kasenyi, Kasekulo, Lusozi, Kyabwima, Lwabalega and Kittoke. The settlers have expressed fear that they may be evicted by OPUL which has generated political tension in the district.
7) Slow establishment of supportive infrastructure for the VODP through the PPP arrangement with Kalangala Infrastructure Services (KIS).

**Recommendations**

1) Timely and regular disbursement of funds by MAAIF/MFPED.
2) Staffing needs to be stepped especially in the areas of accounting and auditing, procurement, information technology and field extension.
3) An additional 8 trucks should be provided to KOPGT under VODP2.
4) Plans under VODP2 to construct a warehouse for KOPGT should be expedited.
5) GoU to review the prices at which land is bought in Kalangala district to reflect the current market value.
6) Three options were proposed for dealing with the land problem involving settlers: (1) GoU to negotiate with OPUL to return the affected areas to the district (2) Central Government to make a Memorandum of Understanding (MoU) with OPUL that secures land security for the settlers (3) Central Government to authorize the district to make an MOU with OPUL.
7) Expedite the KIS PPP so that infrastructure that facilitates VODP implementation if provided in time.

**Kalangala Infrastructure Services**

**Background**

One of the provisions in the concession agreement between Government and OPUL was that the former would provide supportive infrastructure for the outgrowers including roads, water, electricity and water transport. The Government entered into a PPP with INFRACO a private infrastructural firm in the UK to fulfill this condition. In May 2006, INFRACO established Kalangala Infrastructure Services (KIS) as the special purpose project company through which to implement the Project. In September 2006, the Cabinet approved the Project Development Plan submitted by INFRACO for project development to begin.

**Financial performance**

By the time of the first monitoring visit by BMAU in February 2012, no funds had been disbursed as the agreements were not yet fully signed. However, the company was using its own reserves to undertake some pilot activities. Being a private company, financial records were not disclosed for FY 2011/2012. The KIS is a US$45 million multi-sector infrastructure project. It is planned that GoU will pay about Ug Shs 6 billion every year to KIS to enable it operate the ferry service free of charge.

**Physical performance**

Field visits indicated that KIS had made some progress in project implementation during FY 2011/2012, especially with regard to water and transport infrastructure. Table 3.1.9 summarizes progress made against the set targets.

**Table 3.1.9: Physical performance of the KIS in FY 2011/2012**

| Component | Target | Progress |
|---|---|---|
| **Transport and Infrastructure** | Provision of two new ferries. | One ferry was delivered and started operations in August 2012 on the Bukakata-Bugoma route. |
| | Upgrade and construct the 66Kms main island road. | Completed road design, procurements and awarded contracts. Compensation report was approved by GoU. |
| | Re-construction of the landing sites at Bukakata (Mainland) and Bugoma (Bugala Island). | Both landing sites were reconstructed. |
| **Power** | Construction and operation of a 1.6MW hybrid solar/diesel power generating facility and a transmission and distribution grid serving the principal settlements on the Island | Completed power infrastructure design, procurement and award of contracts.<br>Ground clearing done at the site in Bukuzindu village but the facility is not yet constructed. |
| | Power generation will also use raw materials from oil palm production | Not done. |
| **Water** | Construction and operation of a series of solar-powered pump based water supply systems in Kalangala Town Council. | Not done. |
| | Develop water infrastructure on seven landing sites of Kasekulo, Mulabana, Kagulebe. Bugoma, Kibanga, Bwendero and Mulore. | Two pilot water systems were established during March 2012 in Mulabana and Kasekulo. |

Source: Field findings.

### Transport infrastructure

The ferry was procured in FY 2011/2012 but started operations in FY 2012/2013, with a carrying capacity of 300 tonnes. It undertakes four round trips per day. For the VODP, the ferry was facilitating movement of imported seedlings to and from the Island; fertilizers, petroleum products and staff of KOPGT and OPUL. **The main challenge noted was the carrying of dangerous goods (petroleum products, charcoal) with the passengers**. The ferry master indicated that this problem had been brought to the attention of the Ministry of Works and Transport. The proposal was for GoU to increase funding to KIS so that they can operate a fifth round trip for transportation of dangerous goods only. No response had been received yet on the matter.

Both landing sites at Bugoma and Bukakata had been repaired by KIS and were in good condition.

**New ferry and rehabilitated Bukakata landing site**

**Other infrastructure**

No major developments had been made with regard to establishing the electricity facility although the site in Bukuzindu village was fenced off. Both pilot water systems in Mulabana and Kasekulo villages were operational. The main challenge in the water system was vandalisation of equipment and poor maintenance of systems by the communities.

**Fenced off area where power station is yet to be constructed. Right: Water system in Kasekulo village**

### *Strategic Policy Issues for VODP/KIS*

1. **Capacity constraints at KOPGT**: With the expanding production by smallholders, KOPGT is constrained in addressing farmers' problems especially with regard to transporting the fresh fruit bunches, offering adequate extension advise and reaching out to the special interest groups that are resource poor. Additional staffing, transport and equipment is needed to enhance the performance of KOPGT.

2. **Land ownership problems**: Part of the public land that was given to OPUL by GoU has land tenure problems arising from settlers that were found on the land. A number of options are proposed for addressing the land ownership problem to avoid political conflicts in the district.

3. **Low performance of KIS**: Infrastructure development in Kalangala by KIS has commenced but still below expectation. The main tangible deliverables were the ferry, landing sites and water systems. Other infrastructures have not been constructed or rehabilitated yet. There is a need to fast track implementation of KIS activities.

## *3.2 EDUCATION*

### 3.2.1 Introduction:

The education sector's main concern has continued to be placed on increasing access to quality education at all levels, as well as, ensuring equity in resource allocation targeting rural education institutions.

The Mission is ***"to provide for, support, guide, coordinate, regulate and promote quality education and sports to all persons in Uganda for national integration, individual and national development".***

Strategic Objectives

- To ensure universal and equitable access to quality basic education for all children in Uganda.
- To improve the Quality of Education at all levels in the country
- To ensure equal access by Gender, District and Special Needs at all levels of Education.
- To build capacity of districts by helping Education Managers acquire and improve on their knowledge, skills and attitudes to be able to plan, monitor, account and perform managerial functions.

**Scope of the Report:**

The report covers the planned activities for FY 2011/12. The monitoring team sampled activities reported in the four Progress Reports and visited development projects in 19 districts.[29] 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 TVET P7 Graduate and Development of PTCs and NTCs.  We also monitored constructions under the Presidential Pledge for FY 2011/12 in the same districts.

This report therefore gives the verified status and progress of implementation for projects under Vote 013 as at the time of the monitoring visit during the months of September 2012.

**Methodology:**

The team reviewed of a number of documents in preparation for the fieldwork and during the process of compiling this report. These included MoES Quarterly Progress Reports, Work plans, and Ministerial Policy Statement (MPS) and Budget Framework papers from the education Sector. 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 status of reported activities in the Progress Reports. Observations of events, processes and activities regarding the reported outputs were made. In some cases call-backs were done to triangulate information.  The team

[29]Kabale, Ntungamo, Isingiro, Rakai, Ssembabule, Sironko, Bulambuli, Namutumba, Kaliro, Kamuli, Jinja, Bundibugyo, Kabarole, Mubende, Hoima, Wakiso, Mpigi,Buikwe and Mukono.

also took photographs to show the status of the monitored projects as at the time of the monitoring visits.

During the FY 2011/12, the total approved budget for vote 013 was Ug Shs 370.920bn. This includes the recurrent (both wage and non wage) and the development (GoU and the donor component). Out of this Ug Shs 262.231bn (71%) was released.

### 3.2.2 Vote Function 0701: Pre-Primary and Primary Education:

The total approved budget for Vote Function 0701 was Ug Shs 39.52bn. Out of this Ug Shs 39.22bn (99.2%) was released. According to MoES progress report, 100% of the total releases were spent. During this monitoring, project (0943) Emergency Construction and Rehabilitation of Primary Schools was sampled to verify the reported achieved outputs at the end of the FY. The details follow below:

**Project 0943:Emergency Construction and Rehabilitation of Primary Schools**

The project was designed to re-construct and rehabilitate classrooms and latrines, and procure desks in primary schools all over the country. The strategic objectives of this project are: (i) rehabilitation and strengthen primary schools damaged during disaster; improve the pupils to classrooms ratio; and (ii) supplement and support local initiatives by parents in the rehabilitation and construction of schools in order to achieve UPE.

In FY 2011/12, MoES planned to construct 64 new classrooms, 120 new VIP latrines and renovate 84 existing classrooms and procure desks in 38 selected primary schools. The approved budged for these planned outputs was Ug Shs 1.795 bn. Findings show that Ug Shs 1,694,807,000/= (94.4%) was released for this line item. According to the consolidated progress report, the project spent 100% of the releases.

The Q4 progress report notes that MoES disbursed funds to 16 primary schools.[30] 15 primary schools were monitored to verify the reported achieved status under project 0943. Findings show that out of the 15 schools monitored, nine received the reported funds and construction was at different stages. In most of the nine schools, construction was nearing completion. Findings showed that Patto P/S did not receive funds for construction and rehabilitation as they were sent to a personal bank account of an individual who used the funds. Findings further showed that

[30] St Aloysius Bukasa P/S, Bundikahungu P/S, Thomas Bazadde Bweyogerere P/S, Kalububbu Muslim P/S, Kicwekano P/S, Patto P/S, Bujubi P/S, Kagina P/S, Bugwe P/S, Kirowozo P/S, Kigalagala P/S, Matale P/S, St.Mary’s Nawanyago P/S, St. Gonzaga Namukunyu P/S, Bumaddu P/S

MoES mis-reported on five schools.[31] These five schools did not receive the reported funds and no construction under the emergency component ever took place. The details follow below:

**St. Aloysius Bukasa Primary School:**

St. Aloysius Bukasa Primary School is located in Bukasa village LC1, Bukasa Parish, Wakiso S/C in Wakiso district. According to Q2 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to the school. Findings indicated that the school received the reported funds. The head teacher reported that Ug Shs 77,250,000/= under the Emergency Construction and Rehabilitation project was received. These funds were credited directly on the school account on 7th February 2012.

*Teachers' house at roofing level*

The funds were initially meant for construction of a two-classroom block and procurement of thirty five, three-seater desks. However, the school management sought permission from MoES instead to use the funds to put up a four unit teachers' quarters and procurement of sixty seven three-seater desks.

Findings further showed that civil works were awarded to Prof. Technical Services company limited at a contract sum of Ug Shs 76,960,960/= for a contract period of four months. Civil works started on 17th May 2012.

By the time of the monitoring visit on 4th September 2012, a four unit teacher's house was at roofing level. Each unit has a sitting room, bed room, bathroom and a closet. The head teacher reported that two certificates had been paid as at the time of monitoring. She further reported that work so far done is satisfactory.

**Bundikahungu Primary School:**

Bundikahungu Primary school is located in Bundikahungu 1 village LCI, Bundikahungu parish, Nyahuka Town Council, Bundibugyo district. According to Q4 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds were received. According to the head teacher the school received Ug. 60,240,000/=. The funds were meant for completion of a four classroom block. This classroom was a roofed shed supported by metallic poles. The contract for the civil works was awarded to Mamuka Multipurpose company at a contract sum of 60,000,000/=. The structure is now at finishes level. The remaining works include plastering and fixing shutters.

**St Thomas Bazadde Primary School:**

[31] Kigalala P/S, Matale P/S, St. Mary's Nawanyago P/S, St. Gonzaga Namukunyu P/S and Bumaddu P/S.

St Thomas Bazadde Primary School is located in Bweyogerere central zone, Bweyogerere ward, Kira Town Council in Wakiso District. According to Q4 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds were received. According to the head teacher, the school received Ug Shs. 119,245,000/= on 3rd May 2012. The funds were meant for construction of a three classrooms block, a two classrooms block and a five stance VIP pit-latrines as well as procurement of 110 three- seater desks, teachers' desks and tables.

After consultations with MoES, this scope of civil works was reduced. The funds were now to be used to put a three classroom block and a two classroom block with an office and store. Funds for the VIP pit latrine were to be converted into putting ground bims to re-enforce the above two structures. It was noted that the structures are close to a railway line.

The school used a force on account modality and contracted Barike Investments limited at a contract sum of Ug Shs 30,000,000/= to provide the labour services for a contract period of three months.

By the time of the monitoring visit on 4th September 2012, the three classrooms block was at whole plate going on to roofing while the two classrooms block with an office and a store was at the ring beam level. The furniture was yet to be delivered.

***A three classroom block at whole plate level and a 2 classroom block at ring bim level at St.Thomas Bazadde P/S Bweyogerere***

**Kalububbu Muslim Primary School:**


Kalububbu Muslim Primary School is located in Kalububbu LC1, Kasambya Parish, Mateete Sub County in Sembabule district. According to Q2 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds were received. According to the head teacher the school received a Ug Shs 65million on 7th February 2012 for Emergency Construction and Rehabilitation during the FY 2011/12. The funds were meant for rehabilitation of a four classroom block (Ug Shs 47,760,000/=), a five stance VIP pit-latrine for girls (Ug Shs 12,000,000/=) and a two stance VIP pit-latrine for the teachers (Ug Shs 5,240,000/=).

It was noted that a force on account modality was used to implement the activity. Mr. Bugembe Hajab was contracted to provide labor at a contract sum of Ug Shs 10,000,000/= for period of 2 months. Civil works started on 16th April 2012 with the expected completion date set on 16th June 2012.

At the time of the monitoring visit on 10th September 2012, civil works for the five stance VIP pit latrine and a two stance VIP pit latrine were complete and were in use. The renovation works on the four classrooms block were also complete. It was noted that the renovation works included, removing part of the walls and fixing a box beam around the entire block, removing old iron sheets and replacing them with new ones of gauge 28[32], removing the partitioning walls in the block to allow for temporary partitions. Other renovation works included putting a new floor, plastering and painting as well as connecting the block to the electricity grid. The building now serves as a main hall/examination hall.

***A renovated 4 classroom block, a newly constructed 2-stance and 5-stance VIP pit latrine at Kalububbu Muslim P/S***

However it was doubtful that the renovation works on the four classroom block costed the school an entire 47,760,000/= considering that school management was using force on account modality. It is recommended that Auditor General examines the expenditures to ensure that there was value for money.

**Kicwekano Primary School:**

***A 2 classroom block at finishes level Kacwekano P/S***

Kicwekano Primary School is located in Kicwekano LC1, Kagarama Parish, Kabingo Sub County in Isingiro District. According to Q2 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds were received. According to the head teacher, the school received Ug Shs 41,020,000/= on 4th may 2012. The funds were for construction of a two

[32] The new iron sheets were not pre-painted.

classroom and provision of thirty –six 3 seater desks, 2 teachers' tables and 2 teachers' chairs. Kabingo Contractors Limited was contracted to undertake the civil works at a contract sum of Ug Shs 40,989,500/=. Works commenced on 20th June 2012 and were expected to be completed within a period of three months.

By the time of the monitoring visit on 12th September 2012, the two classrooms block was at finishes level. The remaining works included floor screeding, completing verandah works, fixing glasses in the window frames as well as fixing the lightening conductor. The furniture was yet to be delivered as at the time of monitoring. The beneficiaries were satisfied with the quality of civil works.

**Patto Primary School:**

Patto Primary School is found in Buwiira village LC1, Nagudi Parish, Buwalasi Sub County, Budadiri County in Sironko District. According to Q2 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds amounting to UShs 36,000,000/= had never been received on the school account[33]. As a result no development under the Emergency and Rehabilitation project was done at the school although it is in bad shape.

It was however reported that funds meant for this school were credited to a personal account in the names of Wetaka Peter Benon by MoES.[34] It was also reported that Mr. Wetaka withdrew all the funds and used them. It is surprising how funds were deposited not to a school account but to a personal account of someone heading another school.

**Recommendation:**

Some one within MoES should be held responsible for causing financial loss to government.

**Bujubi C/U Primary School:**

Bujubi Primary School is found in Nakulamude village LC1, Kivuvu Parish, Maanyi Sub County, Busujju County in Mityana District. According to Q4 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. Findings indicated that the reported funds were received. According to the head teacher the school received Ug Shs 76,212,000/= on 21st May 2012. The funds were for construction of a three classrooms block, procurement of 41 three seater desks, renovation of three blocks of two classrooms each,

[33] As at the time of our monitoring on 25th September 2012.

[34] Wetaka Peter Benon happens to be a head teacher of Mahempe Primary School. He holds an account with Crane Bank , Mbale branch. Patto Primary school has an account with the same bank (Account number 0142006457500)

procurement of four sets of teacher`s tables and chairs and construction of a five stance VIP latrine.

At the time of the monitoring visit on 26th September 2012 the renovations and rehabilitation of structures had not started. All the school funds were still on the school account. It was however reported that procurement of a firm to undertake the works was going on. They were still at the evaluation stage and that all firms that had responded to the bid had quoted much above the available funds.

It was noted, however, that this school was too slow in the execution of this activity.

**Kagina Primary School:**

Kagina Primary is located in Nyakabungo village LC1, Rwene parish, Buhara Sub County, Ndorwa County in Kabale district. According to Q4 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school.

Findings indicated that the reported funds were received. According to the head teacher the school received Ug Shs 104,901,092/=. The funds were for construction of two classroom blocks each with two classrooms, two blocks of five stance lined VIP pit latrine and installation of a 10,000 litre water harvesting tank.

Findings further indicated JIBCO Technical Services limited was contracted to put up those structures at a contract sum of UShs 104,893,800/= for a contract period of 6 months. Civil works started 12th August 2012.

At the time of the monitoring visit on 13th September 2012, the two blocks of two classrooms and the two blocks of 5 stance lined VIP pit latrines were all at foundation level.

**Bugwe Primary School:**

Bugwe Primary School is found in Bugwe LC1, Buwalira parish, Ivukula Sub County, Busiki County in Namutumba District. According to Q4 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school.

Findings indicated that the reported funds were received. According to the head teacher, the school received Ug Shs 84,028,900/= under the Emergency Construction and Rehabilitation of primary schools project. According to the initial guidelines received by the school, the funds were meant for construction of a three classroom block (costed at Ug Shs 55,500, 000/=), construction of a five stance lined VIP pit latrine (costed at Ug Shs 14,000,000/=), construction of a two stance lined VIP pit latrine (costed at Ug Shs 6,248,900) and procurement of ninety three-seater desks (costed at 8,280,000/=).

For optimal use of the resources the district chairperson together with school management sought permission from MoES to alter the scope of works as stipulated above to as follows:

- Instead of constructing a three classrooms block, they put up two blocks of two classrooms each.
- Instead of constructing a five stance lined VIP pit latrine, this money be used to construct the addition fourth classroom. The rationale was that the school would get a five stance lined VIP pit latrine from the SFG component for FY 2012/13.
- Instead of procuring 90 desks, procure 72 desks following the S.F.G guidelines of 18 three seater per classroom, then the savings from the desks be added to the construction of a fourth classroom.

In a letter dated 27th June 2012, permission was granted. Findings further showed that Teco Investments Limited was awarded a contract to undertake the aforementioned new project at a contract sum of Ug Shs 82,245,540/= for a contract period of three months. At the time of the monitoring visit on 24th September 2012, the two blocks of two classrooms each were at roofing level while a two stance lined VIP pit latrine was still at excavation level. Furniture was not delivered yet. The beneficiaries were satisfied with the quality of civil works.

***The 2 blocks each with 2 classrooms at whole plate level and the 2-stance VIP pit latrine at excavation level at Bugwe P/S***

**Kirowozo C/U primary School:**

Kirowoozo C/U Primary School is found in Gramma village, Kirowooza LCI, Seeta parish, Goma division, Mukono municipality in Mukono district. According to the Q2 and Q4 Consolidated Progress Reports, MoES disbursed funds for construction and rehabilitation to this school.

Findings indicated that the reported funds were received. According to the headmistress, the school received Ug. UShs 105,056,000/= around December 2011. The funds were for construction of a three classroom block (costed at Ug. Shs 55,502,612), a two classroom block with an office and store (costed at Ug. Shs 46,255,182/=) and procurement of 36 three-seater desks.

The contract to undertake these works was awarded to M/S Forkis Services limited at a contract sum of Ug. Shs 103,137,300/=. Civil works started on 3rd April 2012 and the expected completion date was 10th October 2012.

At the time of monitoring, a two classroom block with an office and store was at finishes level. Remaining works included painting, fixing glasses, fixing doors for the office and store and putting rough cast around the entire block. The contractor also had to level the ground behind the classroom block. It was however, noted that the floor for the entire block had cracked. The contractor had accepted to do it again.

The three classroom block was also at finishes level. The remaining works included painting, working on the splash apron, finishes works on the verandah, and fixing glasses.

***A 2 classroom block and a 3 classroom block at Kirowooza P/S***

The monitoring team noted however, that the contractor was not using the recommended batch box during the mixing of materials. This compromises the quality of civil works as wheel barrows are of different sizes. The supervisor was non committal on the number of wheel barrows per one bag of cement.

**Cases of Mis-reporting under Project 0943**

**Kigalagala Primary school:**

Kigalagala Primary school is found in Kigalagala LC1, Itakaibolu parish, Busedde Sub County, Butembe County in Jinja District. According to Q2 Consolidated Progress Report, MoES disbursed funds for construction and rehabilitation to this school. However, findings from the monitoring as of 24th September 2012, revealed that this school has never received any funds for construction and rehabilitation. No development was undertaken at this school with funding from the emergency project. Therefore this was a misreporting.

**Matale Mixed Primary school:**

Matale Mixed Primary school is found in Bulengezza LC1, Matale parish, Kalisizo rural Sub County in Rakai district. According to the Q4 Consolidated Progress Report for FY 2011/12, MoES disbursed funds for construction and rehabilitation to this school. Findings from the monitoring visit as of 27th September 2012 revealed that MoES did not remit any funds to this school for construction and rehabilitation during the FY 2011/12. No development was undertaken at this school with funding from the emergency project. Therefore this was a mis-reporting.

**St Mary`s Nawanyago Primary School:**

St Mary`s Nawanyago Primary School is found in Nawanyago LC I, Block D, Nawanyango Parish, Nawanyago Sub County, Buzaaya County in Kamuli District. According to the Q4 Consolidated Progress Report for FY 2011/12, MoES disbursed funds for construction and rehabilitation to this school. Findings from the monitoring visit as of 21st September 2012 revealed that MoES did not remit any funds to this school for construction and rehabilitation during the FY 2011/12. No development was undertaken at this school with funding from the emergency project.Therefore this was a mis-reporting.

**St Gonzaga Namukunyu Primary School:**

St. Gonzaga Namukunyu Primary School is found in Bususwa-Bukiika LC1, Namusikizi parish, Bugaya Sub County, Budyope East County in Buyende District. According to the Q4 Consolidated Progress Report for FY 2011/12, MoES disbursed funds for construction and rehabilitation of this school. Findings from the monitoring visit as of 21st September 2012 revealed that MoES did not remit any funds to this school for construction and rehabilitation during the FY 2011/12. No development was undertaken at this school with funding from the emergency project. Therefore this was a mis-reporting.

**Bumaddu Primary Schools:**

Bumaddu Primary School is located in Bumaddu central I, Bundibugyo parish, Bundibugyo Town council. According to the Q4 Consolidated Progress Report for FY 2011/12, MoES disbursed funds for construction and rehabilitation of this school. Field findings indicate that MoES did not send any funds to this school for construction and rehabilitation. No development was undertaken during FY 2011/2012 at this school. Therefore this was a mis-reporting.

**Conclusion:**

Out of the 38 primary schools MoES planned to renovate and rehabilitate under Project (0943) Emergency Construction and Rehabilitation of Primary Schools during FY 2011/12, MoES disbursed funds to only 19 primary schools (50%). This is despite the fact that this project (0943) received 94.4% of the approved budget for the FY 2011/12 and spent 100% of the releases. In addition, out of the 19 primary schools reported to have received funds, five primary schools[35] did not receive any funds from MoES. MoES therefore mis-reported on at least five schools under this project.

This means that MoES under project 0943 implemented less than 50% of their annual planned output targets, and therefore project 0943 did not achieve the annual planned output targets for FY 2011/12.[36]

**Recommendations:**

- Auditor General should undertake Forensic audit on project 0943 Emergency Construction and Construction of Primary Schools, to establish whether there is value for money.
- MoES should follow up on the funds meant for Patto P/S and ensure that they are recovered and construction and rehabilitation of the school takes place.
- MoES should fully account for funds for the five Primary schools under project 0943 where they mis-reported.

### 3.2.3 Vote Function 0702: Secondary Education

The strategic objectives of this vote function are: (i) to formulate appropriate polices, plans, guidelines and give technical advice to the education sector on issues of secondary education;(ii) to increase access and equity, improve quality of secondary education and establishment of education Centers of excellence; and (iii) enhancing public private partnerships in secondary education.

The total approved budget for this vote function was Ug. Shs 190.72 billion for the FY 2011/12. Of this Ug.Shs 46.09 billionn was GoU contribution while Ug. Shs 144.63 billion was donor support.[37] Out of the total approved budged Ug Shs 27.52bn was recurrent while Ug Shs 163.21 billion was Development Budget. The total releases during the course of the year were Ug Shs 110.85 billion.[38] Analysis shows that MoES spent 100% of the total releases.

[35] Kigalagala P/S (Jinja), Matale Mixed(Rakai), St Mary`s Nawanyago(Kamuli) and St Gonzaga Namukunyu(Buyende) primary schools did not receive any funds from MoES during the FY 2011/12,

[36] MoES planned to construct 64 new classrooms, 120 new VIP latrines and renovate 84 existing classrooms and procure desks in 38 selected primary schools.

[37] ADB III, ADB IV and World Bank (Support to USE-IDA)

[38] GoU released 94.3% of the approved budget while donors release 46.6% of what their total pledge to the sector.

**Project 0897: Development of Secondary Education:**

The total approved budget for project 0897 Development of Secondary Education was Ug. Shs10.69 billion. Of this 9.92 was GoU contribution while 0.77 was the donor component. GoU released Ug. Shs 9.46 billion(95.3%) while the donors did not release any funds for development under this project. The project was therefore funded fully by Government of Uganda. All the total releases were spent.

Reported outputs under output 070281 Latrine constructions and rehabilitation and output 070280 Classroom constructions and rehabilitation were sampled for monitoring.

**(i) Output 070281: Latrine construction and rehabilitation**

The approved budget for output 070281, Latrine constructions and rehabilitation (secondary), was Ug Shs 0.54 billion. According to the Q4 Consolidated Progress Report, 100% of the total approved budget for FY 2011/12 was released and spent.

Analysis of the work plan under Project 0897 (Development of Secondary Education), line output 070281 (Latrine construction and rehabilitation –secondary) does not show the details of the planned outputs to be achieved by the end of the financial year. However it shows that the approved budget for this line item 070281 i.e. construction of sanitation facilities in secondary schools, for FY 2011/12 was Ug shs 540,000,000/=

Analysis of the Q4 Consolidated Progress report shows that the reported cumulative outputs under this line item were only two: Installation of improved toilets and rehabilitation of the water system at Buhanika Seed S.S. (Hoima) and emergency payments for construction of toilet facilities at Kiira College Butiki (Jinja).

Four other cumulative achieved outputs reported under output 070281 are outside this line item (latrine construction and rehabilitation). The report therefore shows that funds for latrine construction were instead diverted and used to pay for final certificates for completion of administration blocks at Baligeya Memorial S.S. Nkondo Seed S.S (Kamuli) and Bukonte Seed S.S. (Namutumba). The funds were also used to pay for the final certificate for construction of Kameruka Seed School (Budaka) and Joint evaluation works at Sir Samuel Baker S.S (Gulu). It is not clear whether MoES received clearance from P/S ST before diverting these funds as per Section 39 (3) of the Public Finance and Accountability Regulations, 2003[39].

[39] The Public Finance and Accountability Regulations , 2003 Section 39 (3) states that: All virements within a Vote shall be the subject of an application of virement addressed to the Secretary to the Treasury and copied to the Accountant General and the Auditor General- (a) showing the amounts involved, (b) identifying the items where extra provision is required, (c) identifying, where appropriate, an delegated authority for the re-

The monitoring team visited the two schools (Kiira College-Bitiiki in Jinja and Buhanika Seed S.S in hoima) which were reported under this output. Findings revealed that the two schools visited received the reported funds. The details are below:

**Buhanika Seed Secondary School:**

Buhanika Seed S.S is found in Buhanika LC1, Nyakambugu ward, Mparo Division, Hoima municipality in Hoima District. The Q4 Consolidated Progress Report shows that MoES disbursed funds to the school for installation of improved toilets and rehabilitation of the water system. Field findings show that the school received the reported funds. According to the Head teacher, Ug. Shs 19,400,000/= for construction of toilets and Ug.11, 330,000/= for renovation of the water system were credited to the school account on 13th September 2011 and 08th September 2011 respectively.

Field findings indicated that one block of 5 stance lined VIP pit latrine was completed. The second block of 5 stance of lined VIP pit latrine was at foundation level. It was noted that construction of this pit latrine started 2011 and had stalled. It was reported that contraction was undertaken by Calvary Construction Company. On the other hand the renovation works on the water harvesting system were completed. The underground tank was repaired and a new water pump was installed. The beneficiaries reported that water flows very well in both the toilets and the laboratories.

**Kiira College -Butiki:**

Kiira College Butiki is a boy's secondary School located a long Jinja-Kamuli Rood, Butiki LC1, Kivubuka parish, Mafubira Sub County in Jinja district. According to the Q4 Consolidated progress report, MoES disbursed funds to this school for emergency construction of toilets. According to the Head teacher, MoES promised to release Ug. Shs 40,000,000/=, however only Ug.Shs 20,000,000/= was released to the school during the course of FY 2011/12.

Field findings showed that the college planned to construct water born toilets at the school. This is because the school is located in a rocky place and secondly they have issues of space so they have to utilize available space maximally. Because of this the funds that were released to the school were inadequate. So the board decided to halt construction until they have mobilized available resources. At the time of monitoring, the Ug. 20,000,000/= was still on the school account. It was reported that the water born toilets will require Ug. Shs 60,000,000/=. Parents have been asked to contributed Ug.Shs 30,000/= per child for this cause.

**Conclusion:**

allocation, (d) giving appropriate explanation for the shortfall in the original provision; (e) clearly identifying the items with the anticipated savings and (f) giving appropriate explanations and the reasons for the savings being available.

It is clear that out of approved budged of Ug. Shs 540,000,000/= for line item 070281 (Latrine construction and rehabilitation – secondary) only Ug.Shs 50,730,000/= was used to construct latrines in secondary schools.[40] The rest of the funds were diverted to activities not related to construction of latrine construction and rehabilitation and which had been planned for elsewhere. As noted above, MoES does not show that they received clearance from PS/ST as per the requirements of Section 39 (3) of the PFAR (2003). This is was therefore irregular. MoES should therefore clearly account for these funds.

### (ii) Output 070280 Classroom Construction and Rehabilitation

The approved budget for Output 070280 Classroom construction and Rehabilitation was for FY 2011/12 Ug. Shs 8.04 billion. Out of this Government released Ug. 7.86 billion (i.e. 97.8%) and all of it was spent (100%). These funds were for rehabilitation and construction of secondary schools under batches in three batches.[41]

Comparison of the annual planned outputs with the cumulative outputs achieved at the end of the year (cfr. Q4 report p 44-45) shows a big variation between the two. A number of reported cumulative outputs achieved under this line item at the end of FY 2011/12, were not planned for and do not appear in the annual work plan for FY 2011/12. This therefore means that funds for the planned activities were diverted to pay for activities that were not planned for during this FY 2011/12.[42]

The Q4 Consolidated progress report notes that among the cumulative outputs achieved at the end of FY 2011/12 included construction of staff houses at St. Edwards College Galamba, Rusekere S.S, Bulamogi College Gadumire, Kagurwe S.S. Mpigi, Bukanga Seed, Kitara S.S,

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[40] (i.e. Ug. 30,730,000 to Buhanika Seed S.S. and Ug. Shs 20,000,000/= to Kiira College Butiki).

[41] **Batch one:** St. Edward S.S. Bukuumi, Jinja S.S., Sir Tito Winyi, Makobore H.S, Nyakasura S.S and St. Charles Lwanga Kalongo.

**Batch Two**: Kigezi H.S, Kitante H.S, Ndejje S.S, Gulu H.S, Namagabi S.S, Kitgum H.S, Bwera S.S. and Comboni College,

**Batch Three:** Masaba S.S, Warr Girls, Gamatri Girls, Kako S.S, Kibuli S.S., Kitala S.S, Kyambogo College and Sir Samuel Baker

[42] **The reported activities that were not planned for are:** Emergency repair of Bugobi, compensation of land claimants for Adwari S.S., payments for certificates arising from on going works at Kagoro Seed S.S., Kisozi and Lutunku, emergency renovation of Wakatayi S.S, administration block at Bussi S.S, Rwemikona Seed .S.S. Construction of staff houses at St.Edwards Galamba, Busekere S.S., Bulamogi College, Kitara S.S., Tunyi S.S. and Kitende S.S. Repair of underground water tank at Butologo Seed, certificate no 3. For Kameruka Seed, Bulamba S.S and Ngoma Seed and payments fro civil works at Paicho Seed. Salaries, airtickes, workshop allowancesfor Korean teachers, remittance to NCDC for implementation of UPOOLET Policy, photocopying, refund to ADB for a borrowing to pay for certificates no 9,10 and 11 for rehabilitation of Sir Samuel Baker (1.1 bn), and payment of invoice no. 2 for grading of private secondary school (180m).

Tunyi S.S. and Kitende S.S. The monitoring team visited seven out of the eight schools.[43] Findings indicated that five out of the seven schools visited did not receive the reported funds for construction of staff houses.[44] No staff houses were therefore constructed in these five schools during the period under review. This was therefore a mis-reporting.

**Staff houses:**

In addition, whereas the Q4 Consolidated progress report notes that MoES constructed staff houses in eight secondary schools. Analysis of the annual work plan for project 0897(Development of Secondary Education), shows that no staff houses were planned for construction during the period under review. Analysis further shows construction of staff houses was planned under the World Bank project (Project 1091 Support to USE –IDA). So this further proves use of funds under this project to pay for construction of staff houses was simply a diversion of funds. Findings showed that five out of the eight secondary did not receive any funds for construction of staff houses during the period under review and no staff houses were constructed. MoES therefore misreported on these five schools.[45]

Details of the field findings follow below:

**Butoloogo Seed Secondary School:**

***The underground water tank at Butoloogo Seed S.S.***

Butoloogo Seed Secondary School is found in Kawolo LC1, Kisagazi parish, Butoloogo Sub County, Buwekula County in Mubende district. This is one of the seed schools which was constructed by MoES with funding from ADB III Project. The Q4 Consolidated Progress Report noted that MoES disbursed funds for repair of the underground water tank at this school. Findings from the school indicated that the school received Ug. Shs 5,107,316/= on 6th December 2011. The tank had cracked inside and was leaking and had not been in use for over a year since its construction. At the time of the monitoring visit on 17th September 2012, the repairs were complete.

[43] Rusekere S.S. (Kabarole), Kitara S.S. (Hoima), Tunyi S.S. (Bulambuli), Kitende S.S. (Wakiso), Bulamogi College Gadumire (Kaliro), St. Edwards Galamba (Wakiso) and Kagurwe S.S. (Mpigi)

[44] Kitara S.S. (Hoima), Tunyi S.S. (Bulambuli), Kitende S.S. (Wakiso) and Bulamogi College Gadumire (Kaliro) and Kagurwe S.S. (Mpigi)

[45] Kitara S.S., Kagurwe S.S, Tunyi S.S, Kitende S.S and Bulamogi Gadumire college.

**Rusekere Secondary School:**

Rusekere Secondary School is found in Kyeirumba village, Hakibaale LC1, Kabasi parish, Hakibaale Sub County, Burasya County in Kabarole district. The Consolidated Progress Report for FY 2011/12 MoES indicated that a staff house was constructed at Rusekere Secondary school. Finding revealed that parents in conjunction with Uganda Australian friendship association constructed a four unit staff house up to the roofing level and they ran short of funds.

***A completed staff house at Rusekere S.S.***

The school then requested MoES to assist them to complete the structure. The school confirmed received of Ug.Shs 6,056,000/= on 19th December 2011 from MoES for this purpose. According to the Head teacher the school spent the funds from MoES on completion of the structure as follows: Ug. Shs 1,886,250/= for shuttering, Ug. Shs 247,000/= for transport, Ug. Shs 282,400/= for labor and Ug. Shs 3,577,100/= for finishing works which included internal and external rendering, painting and putting a ceiling. The house was completed and is now in use. The ministry therefore did not construct the whole structure, but assisted the school to complete an already existing structure started by parents.

**Kitara Secondary School:**

Kitara Secondary School is found in Isaka-Kigunju LC1, central ward, Kahoora division, Hoima Municipality in Hoima district. The MoES Quarterly Consolidated Progress Report for FY 2011/12 indicated that, MoES constructed a a four unit staff house Kithara S.S. According to the head teacher[46], MoES did not disburse any funds to the school during FY 2011/12 for construction of staff houses. As a result no staff house was constructed at this school. This was therefore a mis-reporting.

However, the school received some funds amounting to Ug.Shs 20,000,000/. The funds were credited on the school account on 9th December 2011 and they were meant for Construction of two blocks lined VIP pit latrines each with five stances. At the time of monitoring each of the two blocks of VIP latrine was finishes level.[47]

**Kagurwe Secondary School:**

Kagurwe Secondary School is found in Kagurwe-Kiyemba LC1, Kabasanda parish, Kalamba Sub county in Butambala district. The Q4 Quarterly Consolidated Progress report for FY

[46] The school was monitored on 6th September 2012

[47] The 2 blocks of five stance VIP pit latrine were not reported on in the Q4 consolidated report.

2011/12 noted that MoES constructed a staff house at this school. According to the Head teacher, MoES did not disburse any funds to the school for construction of a staff house at this school. This was therefore a mis-reporting.

### Tunyi Girls' Secondary School:

Tunyi Girls' Secondary School is found in Busiya village LC1, Tunyi parish, Bulaago Sub County in Bulambuli district. The Q4 Consolidated Progress report for FY 2011/12 reported that MoES constructed a staff house at Tunyi Girls' Secondary school. According to the Head teacher MoES did not disburse any funds to the school during FY 2011/12 for construction of staff houses. This was therefore a mis-reporting.

### Kitende Secondary School:

Kitende Secondary School is found in KKB zone, Bweya parish, Ssisa Sub County in Wakiso district. The Q4 Consolidated Progress report for FY 2011/12 reported that MoES constructed a staff house at this school. According to the Head teacher MoES did not disburse any funds to the school during FY 2011/12 for construction of a staff house. This was therefore a mis-reporting.

However, the school had received some funds under APL1 World Bank project, for construction of 10 classrooms and three blocks of five stances each VIP latrines.

### Bulamogi- College Gadumire:

Bulamogi- College Gadumire is found in Nansiono-Nasere LC1, Gadumire parish, Gadumire Sub County in Kaliro district. The Q4 Consolidated Progress report for FY 2011/12 reported that MoES constructed a staff house at this school. According to the Head teacher MoES did not disburse any funds to the school during FY 2011/12 for construction of a staff house. This was therefore a mis-reporting.

However, the school received some funds under Adaptable Program Lending (APL1) project.

### St. Edwards College –Galamba.

***A semi detached house at finishes level, and the 2 completed staff houses at St. Edward College -Galamba***

St. Edwards College –Galamba is found in Galamba LC1, Kavule parish, Gombe Sub County in Wakiso district. The Q4 Quarterly Consolidated Progress report for FY 2011/12 noted that MoES constructed a staff house at this school. Analysis of the work plan shows that this activity was not planned for under this project. Therefore MoES implemented it outside the approved work plan.

However, the school received funds for construction of the staff houses. According to the Head teacher, MoES disbursed Ug. Shs 277,571,000/= to the school. The funds were for construction of two blocks of teachers' houses, with each block having 4 units as well as construction of a semi detached house for the Head master and the deputy and supply of the solar system for these houses. Part of the funds was for construction of lined VIP latrines, procurement of furniture for the science laboratory as well as completing the plumbing works for the same laboratory.

Findings showed that the school used a force on account modality and contracted Ms God's Love Kiberu Construction ltd. to provide labour at a contract sum of Ug. 45,000,000/=. The firm was to put up the semi detached houses for the head teacher and his deputy as well as the two blocks of teachers' houses each with 4 units.

At the time of monitoring the semi detached house was at finishes level. Each of the houses has a sitting room, two bedrooms, a kitchen and a bathroom. The remaining works included internal and external rendering, floor screeding, painting and finishes works on the verandah. A 2 stance VIP lined pit latrine for the semi detached house was at slab level. On the other hand the 2 blocks of teachers' houses were complete. Mr. Ssenyonjo Edward Mivule was contracted to provide the solar system for the staff houses and the semi detached houses at a contract sum of Ug. Shs 15,522,000/=. The solar system was connected to the two houses and was functional. The houses were left with one coat of painting.

Findings further showed that the school contracted Adams Engineering services limited to provide furniture for science laboratory at a contract price of Ug. Shs 18,669,800/=. The firm supplied 50 pieces of stools for the laboratory. It was reported that this firm has not provided all the furniture as per their contract, this includes doors, door locks, curtain boxes and rails and furniture for the administration block.

The contractor who put up the science laboratory was also recalled to work on the plumbing works. He provided new Bills of quantities for these civil works totaling up to Ug. Shs 26,000,000/=. The Head teacher reported that Ug. Shs 15,000,000/= was advanced to him. At the time of monitoring, the plumbing works were half way done and works had stalled. The science laboratory is not yet functional. The water tank and gas system are not fixed yet and there are no Bunsen burners. The gutters for plumbing works are not yet covered.

Considering that the school authorities used the force account modality in implementing these activities, it was doubtful that the Ug. Shs 277million was effectively utilized on this activity. The Auditor General should undertake a forensic audit to establish whether there was value for money.

**Conclusion:**

It is clear from the two outputs sampled (i.e. output 07281 latrine construction and rehabilitation-secondary and output 07280 classroom construction and rehabilitation-secondary) that project 0897 Development of Secondary Education did not achieve their annual planned output targets. This is because there was implementation outside the approved work plan/performance contract/ by diversion of funds and mis-reporting of activities that were never done. While these two line outputs received 97.8% and 100% of their total approved budgets respectively, the outputs on the ground at the end of the financial year do not fully account for the funds that were spent.

**Recommendations:**

- MoES should give a more convincing accountability of funds under this line item for FY 2011/12.
- The office of the Auditor General should conduct a forensic audit of the whole project 0897 Development of Secondary Education to assess whether there was value for money for activities of FY 2011/12.

**Universal Post Primary Education and Training (UPPET).**

The Government of Uganda through the MoES put in place a strategic plan to support the implementation of the UPPET programme. The programme aims at increasing access, improve quality and enhancing efficiency of post primary education in Uganda. Implementation of this programme involves construction of physical facilities for schools over the period of three years (i.e. 2010-2012) with support from World Bank. The facilities include classrooms, libraries, multipurpose science rooms, teachers' houses and sanitation and hygiene facilities.

The Bank is providing US$ 150 million for Post Primary Education and Training Adaptable Program Lending (APL1) project. The project comprises of three components: increase access to lower secondary education (US$ 92 million), improve the quality of lower secondary education (US$ 48 million) and enhance the enabling environment for Post Primary Education and Training (US$ 10 million).

Focus here is on the first component of increasing access to lower secondary education (US$ 92 million). Under this component, APL 1 project supported the expansion of school infrastructure, including construction of classrooms, libraries, teacher houses, multi-purpose science rooms and related water and sanitation facilities. Under this component World Bank financed technical assistance, civil works and school furniture. APL 1 was planned to cover 763 beneficiary schools in 80 districts. By the end of that period, the planned target to be achieved was 1,335 incomplete classrooms completed, 3,968 new classrooms, 49 new administration blocks, 384 new multi science blocks, 76 teachers' houses, 138 new libraries and 150 VIP 5-stance latrines constructed. During this monitoring, eight schools were sampled to assess the progress of implementation of APL 1.

Findings show that this project (APL 1) has issues of implementation. There were procurement issues for contractors in a number of schools. A number of schools reported to have received only 50% of the approved budgets. Most of the civil works are behind schedule. A number of contractors had abandoned sites and civil works have stalled. As a result APL 1 project will not be able to achieve the planned output targets by the end 2012. Eight secondary schools under the APL 1 project were monitored and details of the findings are summarized below:

**Kagurwe Secondary School:**

Kagurwe Secondary School is found in Kagurwe-Kiyemba LC1, Kabasanda parish, Kalamba Sub County in Butambala district. Under this project the school was scheduled to get 4 classrooms, 1 science block and 2 blocks of 5 stance VIP pit latrine. These activities were scheduled for FY 2010/11. Findings from the ground show that the school benefitted from this project. At the time of monitoring, construction of two blocks of two classrooms each, a science laboratory for both physics and chemistry, and a five stance VIP latrine was going on.[48] The works were good quality.

**Tunyi Secondary School:**


Tunyi Secondary School is one of the hard to reach secondary school situated in Mt. Elgon area in Busiya village LC1, Tunyi Parish, Bulaago Sub County in Bulambuli district. Under this project the school was scheduled to have 6 incomplete classrooms completed, have a new 2 classroom block, one science block constructed and one block of 5 stance VIP pit latrine. This was planned to be achieved during FY 2009/10. These civil works were costed at Ug. Shs 256,556,850/=

***A 2 classroom block and a multipurpose science block which were roofed and the classroom block for completion at Tunyi S.S***

Findings showed that MoES disbursed Ug. Shs 128,278,425/= (50%) around April 2011 to the school account.

M/s Infrastructure Consult Limited was contracted to undertake the aforementioned civil works at a contract sum of Ug. Shs 279,921,450/=.[49] Civil works commenced on 12th May 2011 and was expected to be completed by 15th August 2011.

[48] In the work plan the school was supposed to get 2 blocks of 5 stance lined VIP pit latrine. However, on the ground the school received one block.

[49] The contractor quoted Ug. Shs 278,331,750/= in his bid documents but upon scrutiny of the documents at evaluation stage the figure was corrected to Ug. Shs 279,921,450/= due to inherent mistakes in the original additions.

It was reported that, there were landslides and the roads in the area were cut off for some time. The completion date was therefore revised to 24th May 2012. This date however, passed without this firm completing the works. It was reported that the firm was seeking another extension.

The two classroom block and the multipurpose science block were roofed. The remaining works included internal and external rendering, fitting the doors and windows, painting and floor screeding. Four and the two classroom blocks for completion were completed. They were fitted with new doors and windows, a new floor, and painted. They were left with furnishing and fixing the lightening conductor. The five stance lined VIP pit latrine had been roofed. It was left with finishes works that included plastering, flooring and painting.

Findings further showed that the school had not received the second 50% of funds form MoES because the Head teacher had not properly accounted for the first batch of funds. It was also noted that this activity is far behind schedule.

**Recommendation:**

MoES should guide the school authorities use the force on account modality to complete the facilities at this school. This is because contractors do not want to do works in the area, and the sole contractor who bidded for works at this school had also found challenges completing his contractual obligations on time.

**Butoloogo Seed Secondary School:**

***The 2 classroom blocks at ring bim level and the teachers' house at window level at Butoloogo Seed S.S***

Butoloogo Seed Secondary School is found in Kawolo LC1, Kasangazi Parish, Butoloogo Sub County, Buwekula County in Mubende district. Under this project the school was scheduled to have 4 classrooms, 1 teacher's house and 2 blocks of 5 stance VIP latrines constructed. These activities were planned for FY 2010/11. The approved budget for this activity was Ug. Shs 184,320,400/=. It was reported that MoES released Ug. Shs 92,160,200/= (50%). The funds were credited on the school account on 25th June 2012. It was also reported that M/s Alps Group Limited was contracted to construct those facilities at contract sum of Ug. Shs 184,304,400/=.

By the time of monitoring, the 4 classrooms were at whole plate level, while the 4 unit teachers' house was at window level and the 2 blocks of 5 stance VIP pit latrines were at excavation level.[50] The beneficiaries are satisfied with the work so far done by the contractor.

**Bulamogi- College Gadumire:**

Bulamogi- College Gadumire is found in Nasiono-Nasere LC1, Gadumire parish, Gadumire Sub County in Kaliro District Under this project the school was scheduled to have a 4 classroom block with an office completed and a new science block constructed. These activities were planned for FY 2009/10.

Findings indicated thatM/s Mbuja General Contractors limited was contracted at a sum of UShs 120,635,783/= to construct a Mult-Science block and completion of a four classrooms block. The contract was signed on 21st march 2011 for a contract period of four months. Civil works commenced in September 2011 and was expected to be completed around December 2011.

At the time of monitoring[51], the multipurpose science laboratory was roofed. Internal rendering was also done. The remaining works included painting, plumbing works, installing the sinks and other fixtures. On the other hand the four classroom block for completion was worked on. The completion works included re-roofing the block, floor screeding, verandah works, painting and putting a ceiling for the office. The remaining works on this block included replacing the windows and doors, fixing 10,000 litre water tank and delivery of furniture. The beneficiaries were satisfied with the quality of works done on the structures.

**Rwebisengo Secondary School:**

Rwebisengo Secondary School is a community senior secondary school started in 2000. It became grant aided in 2001. It is found in Majumba LC1, Majumba parish, Rwebisengo Town Council in Ntoroko district. Under this project the school was scheduled to have a 3 classroom block with an office started by parents completed, a new 4 classroom block constructed, a new science block constructed and 2 blocks of 5 stance VIP pit latrines constructed. These activities were planned for FY 2009/10.

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[50] The school was monitored on 17th September 2012

[51] This school was monitored on 21st September 2012

***3 blocks of classrooms (2 & 2& & 3 classrooms)at roofing level at Rwebisengo S.S.***

Findings showed that MoES disbursed Ug. Shs 268,323,700/= to the school. The school contracted M/s Dozens Construction Company limited to undertake the aforementioned project for a contract sum of Ug. Shs 268,323,700/= for contract period of four months. Civil works started in July 2011. At the time of monitoring[52], 2 blocks each with 2 classrooms and another block with 3 classrooms were all at roofing level. The 2 blocks of 5 stance VIP pit latrines were at walling level. It was however noted that construction at this site was behind schedule and the contractor had applied for an extension. It was also reported that the contractor asked for variations of Ug.Shs 21,000,000/= for extra works. It was not clear whether these have been cleared by the supervising firm.

**Semiliki high School:**

Semiliki high School is found in Izahura LC1, Bupomboli parish, Harugale Sub County in Bundibugyo district. Under this project the school was scheduled to have a 4 classroom block completed, construction of 10 new classrooms and construction of 4 blocks of 5 stance VIP pit latrines. These activities were planned for FY 2009/10.

It was reported that while the school had procured a different contractor, MoES came in and awarded the contract for all the civil works to a different contractor called Kamua International Jassen limited. The total budget for the civil works was Ug. Shs 374,165,000/=. Reports indicated that MoES made a down payment of 50% to the firm to undertake the civil works. While civil works commenced in March 2011, the contractor abandoned the site long time ago and all works stalled and up now no structure has been completed. At the time of our monitoring[53] the structures had stalled at the following levels:

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52 This school was monitored on 18st September 2012

53 The school was monitored on 19th September 2012

- A 3 classroom block had stalled at ring bim level. Actually the ring bim was not put. The walls are beginning to be washed by the rains.
- Another 3 classroom block was also at ring bim level.
- A 4 classroom block was at ring bim level.
- The four 5 stance VIP pit latrines were all abandoned at excavation level.



***2 blocks of 3 classrooms and a 4 classroom block that stalled at Semiliki High S.S. (APL 1 World Bank Project).***

MoES should demand for liquidated damages, terminate the contract and hire a new contract to complete the civil works at the school.

**Bihanga Community Secondary:**

Bihanga Community Secondary school is located in Nyakaziba LC1, Nyakaziba parish, Bihanga Sub County in Buhweju district. TUnder this project the school was scheduled to a new 2 classroom block constructed, a new science block constructed and one block of 5 stance VIP pit latrines constructed. These activities were planned for FY 20010/11.

M/s Goodwill Contractors Limited was contracted at a sum of UShs 293,425,000/= to undertake the aforementioned project and was expected to be completed within 15 weeks from the date of signing the contract. According to the Head teacher, MoES disbursed Ug. Shs 146,712,500/= (i.e. 50%).

At the time of monitoring[54] both the 2 classroom block and the multi-purpose science block were both at ring bim level while the 5 stance VIP pit latrine was also at ring bim level. However, while the work plan indicated that the school would receive one block of 5 stance pit latrines, on the ground 2 blocks of 5 stance pit latrines were being constructed. The second block of 5 stance VIP pit latrine was at walling level. This project is also behind schedule.

[54] The school was monitored on 11th September 2012

  

*A 2 classroom block, a multipurpose science block and the 5-stance VIP pit latrine at Bihanga Community S.S. - APL1 World Bank project*

**St Mary`s Simbya Secondary School:**

St Mary`s Simbya Secondary School is found in Bundikatemba LC1, Mirambi parish, Mirambi Sub County, Bwamba County in Bundibugyo district. Under this project the school was scheduled to get 12 new classrooms constructed, a new science block, one new teachers' house, a library and 5 blocks of 5 stance VIP pit latrines constructed. These activities were planned for FY 2009/10.The approved budget for these scope of works was Ug. Shs 608,000,000/=. Findings showed that MoES disbursed 304,000,000/= (50%) to the school account.

Although the funds were sent to the school account, it is the ministry that awarded the contract to M/s Kamua International Jassen limited. The contract awarded to them in may 2011 for a contract period of 3 months.

By the time of monitoring[55] all the civil works had stalled. According to the head teacher, the school authorities pleaded with the contractor to return to the site several times to no avail. The structures were at the following stages:

  

*3 blocks of 4 classrooms each with 4 classrooms that stalled St. Mary's Simbya S.S.- APL1 World Bank project*

- The 4 classroom block stalled at walling level.
- Another 4 classroom block stalled at ring-bim level.

[55] This school was monitored on 19th September 2012

- Another 4  classroom block stalled at foundation level
- 2 blocks of 5 stance VIP pit latrine were at foundation level. It has to be noted that the contractor was supposed to construct 5 blocks of 5 stance VIP pit latrines but foundation were done for only two of them.
- No works were started on the teachers' house, the multi purpose science block and the library.

**Conclusion:**

Findings show that this project (APL 1) has of implementation issues. There were procurement issues for contractors in number of schools.  These projects were scheduled to be implemented between FY 2009/10 – 2010/11. However, a bigger proportion is not completed and all of them are behind schedule. A number of contractors have abandoned sites and civil works have stalled. As a result APL 1 project will not be able to achieve the planned output targets by the end 2012. Government is therefore losing value for money.  At the end of the day mismanagement of this project will affect the strategic objective of increasing access, improving quality and enhancing efficiency of post primary education in Uganda.

**Recommendation:**

There is need to undertake an evaluation of the APL 1 programme  to establish how far the programme achieved the planned output targets and design strategies to avoid a repeat of the same mistakes in the second phase of the programme.

Auditor General should undertake a complete audit for the programme to establish value for money.

### 3.2.4 Vote Function: 0706 Quality and Standards:

During the period FY 2011/12, the Vote function 0706 Quality and Standards was allocated an approved budget of Ug. Shs 25.84 billion, of which Ug. Shs 8.44bn was for development while Ug. Shs 17.4bn was for recurrent budget. At the end of the fourth quarter of FY 2011/12, a total of Ug. Shs 23.35 billion (90.3%) was released of which 99.8% was spent during that period.

The objectives of the Vote Function is to (i) support the improvement of quality and relevance of teacher/instructor curricula and program for pre service, in service and continuing professional development and (ii) enhance teacher institutional planning, management, service delivery and government.

The monitoring team sampled project 0944 Development of PTCs to verify the reported achieved outputs on the development side.

The approved budget for FY 2011/12 Development of PTCs was Ug. Shs 7.45 billion and releases were Ug. Shs 6.01 billion (80.8%). By the end of FY 2011/12, Ug. Shs 5.97 billion (99.3%) was spent on this project. Under this project, output: 070672 Government building and administrative infrastructure was monitored.

### (i) Output 070672 Government building and Administrative Infrastructure

Under output 070672, Government buildings and Administrative Infrastructure for PTCs, MoES spent Ug. Shs 5,089, 823,000/= during FY 2011/12. The monitoring team visited Bundibugyo, Bushenyi, Kiyoora and Nkokonjeru PTCs to verify the reported cumulative outputs achieved of project 0944 under vote function 0706. Analysis of the work plan for project 0944 compared to the reported cumulative outputs achieved at the end of the financial year indicates that most of the annual planned outputs were not achieved.

Analysis further reveals that a number of reported cumulative outputs achieved under this project were outside the approved work plan for FY 2011/12. This means that implementation under this project during the course of the financial year did not follow the approved work plan for which funds were given and for which Parliament appropriated them. This also shows that there was a lot of diversion of funds.[56] In addition there was no evidence that diversion of funds to implement unplanned activities followed the requirements of section 39 (3) of the Public Finance and Accounting Regulations 2003.[57]

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[56] Implemented activities which were not in the approved work plan for 2011/12 include the following: Funds for construction of a library block inclusive furniture at Bwera PTC, Procurement of a consultancy to undertake a comprehensive needs assessment in PTCs, payment of the balance for the completion of a library at Kotido PTC, payment of certificate no 4 for a completed tutors' house for an un mentioned PTC, payment for a tutors' semi detached house at Jinja PTC, payment of VAT for accumulated arrears for Buhungiro PTC, payment for civil works at ring beam level at Bushenyi PTC, payment of facilitation to officers from CMU and TIET to conduct an assessment of condemned facilities in 6 PTCs, payment and service and repair of UG 2259E, purchase of desktop computer and accessories, payment of adverts for procurement of firms to purchase 62 motorbikes for 20 PTCs, procurement of firms to purchase science equipment and chemicals, procurement of firms to undertake construction works in 8 PTCs, payment of photocopying services for procurement of firms to undertake construction works in 8 PTCs, payment of allowances to staff to attend site meetings, payment of allowances to facilitate preparation of Bids, payment of sitting allowances during evaluation of bids, payment of emergency construction of VIP latrines that collapsed at Nakaseke and Bushiko, purchase of stationery and small office equipment for TIET department, payment of facilitation to officers for implementation of ESC minutes for 2008/2011, 2010/2011, 2011/11, payment of the remapping exercise for the core PTC coordinating centre catchment areas, payment for teachers' registration certificates, payment of lubmarks for construction of Shimoni Demonstration primary school.

[57] The Public Finance and Accountability Regulations , 2003 Section 39 (3) states that: All virements within a Vote shall be the subject of an application of virement addressed to the Secretary to the Treasury and copied to the Accountant General and the Auditor General- (a) showing the amounts involved, (b) identifying the items where extra provision is required, (c) identifying, where appropriate, an delegated authority for the re-allocation, (d) giving appropriate explanation for the shortfall in the original provision; (e) clearly identifying the items with the anticipated savings and (f) giving appropriate explanations and the reasons for the savings being available.

Field findings further show that there were cases of mis-reporting of cumulative outputs achieved under project 0944 Development of PTCs. Cases in point are in Nkokonjeru PTC where no storied classroom block was constructed as reported in the progress report and Bundibugyo PTC where no library block was constructed during FY 2011/12 as reported in the Q4 consolidated Progress report. Details of field findings follow below:

**Bushenyi Primary Teacher's College:**

Busheyi Primary Teachers College is located in Nyakabirizi cell, Nyakabirizi division, Bushenyi-Ishaka municipal council in Bushenyi District. The Q4 consolidated progress report reported that MoES paid for civil works at ring beam at this teachers' college. Findings indicated that a girls' dormitory at this college got burnt. The college administration requested for assistance from MoES to reconstruct the dormitory. In May 2011 MoES started construction of that dormitory with a capacity of 68 students. The dormitory has 6 bathrooms and 6 stances of VIP pit latrines. The dormitory was completed and handed over to the college administration in May 2012 and is in use.

Findings further indicated that MoES contracted DECCAN limited at a contract sum of Ug. Shs 254,755,974/= to construct this dormitory. It should be noted that the unit cost for a dormitory block for institutions under vote function 0706 Quality and Standards for FY 2011/2012 was Ug. Shs 177,439,000/=. This figure includes provision of double decker beds, ceiling, build-in wardrobes and electrical installation.[58]

It was also reported that this contract was awarded by MoES. However, the funds were sent to the college account. The certificates raised by the contractor were all forwarded to MoES. The only role played by the college was to pay the cleared certificates. This was rather irregular.

**Bundibugyo Primary Teachers College:**

Bundibugyo Primary Teachers College is found in Bundibugyo Central, Bundibugyo Town Council, Bwamba County in Bundibugyo district. The Q4 consolidated progress report notes that MoES paid for construction of a library block at window level for Bundibugyo PTC. According to the College Principal, there is no library under construction at this college and no funds were remitted to the college for this purpose. **This was therefore a case of mis-reporting.** Findings further showed that the college actually has a relatively new library block that was completed in 2008. This library was constructed by M/s Giant Engineering Company between 2006- 2008 and it is in use.

The same Q4 consolidated report further notes that MoES paid advance in respect to M/s Giant Company limited for civil works in the same college. Findings at the college indicated that this

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[58] Cfr the MoES Ministerial Policy Statement FY 2011/2012, p.51

firm was actually constructing a 2 classroom block. This firm was contracted to do the civil works at a contract sum of Ug. Shs 174,777,507/= for a contract period of 18 months. The works started on 22nd March 2012 and the expected completion date was 22nd September 2012. Construction of this classroom block was on schedule and the firm did a good piece of work.

It was also reported that MoES sent Ug. Shs 138,000,000/= to the College account for this purpose. By the time monitoring[59], the classroom block was at finishes level. The only remaining works on the structure was a second course of painting, connection to the electricity grid and supply of 120 single seater student desks as well as chairs and desks for the teachers.

**Nkokonjeru Primary Teachers College:**

Nkokonjeru Primary Teachers College is located in Nkokonjeru Parish, Nkokonjeru Sub County, Buikwe County in Buikwe district. The Q3 Consolidated Progress Report for FY 2011/12 states that MoES constructed one storied classroom block at this college and was at finishes level. Field findings show[60] there is no storied classroom block that was constructed at the college. **This was therefore a case of mis-reporting.**

However, Nkokonjeru PTC is one of the institutions that benefited under Presidential Pledges for FY 2009/10. The institution received funds for construction of a storied dormitory block, which was completed. The beds were also delivered. At the time of monitoring the dormitory block was in its defect liability period. The dormitory block has 16 rooms, each accommodates 18 students and the 17th room accommodates 4 students. The block has water born toilets with six flash toilets and six shower rooms, 6-stance lined VIP pit latrines and one for disabled students.

***The storied dormitory block and water born toilets at Nkokonjeru PTC***

[59] This college was monitored on 19th September 2012

[60] This college was monitored on 9th September 2012

It was reported that the civil works for the dormitory block were done by SKMG holdings limited at a contract sum of Ug. Shs 618,000,000/=. Construction started in 2000 and was completed in April 2012.

**Kayoora Primary Teachers College:**

Kayoora Primary Teachers College is found in Kiyoora Central, Kiyoora parish, Nyakyera Sub County, Ruhama County in Ntungamo district. The annual Consolidated Progress Report for FY 2011/12 indicated that the procurement process for construction of a modern kitchen, 1 sickbay and 2 semi detached house at Kiyoora PTC was on-going. Findings revealed[61] that the college authorities were not aware of the reported procurement process and reported that no funds were remitted to their college for construction of those facilities at their college.

**Conclusion:**

This project did not achieve the planned output targets for FY 2011/12. This is because the project funds were used to implement activities outside the approved work plan for the FY. There were also 2 cases of mis-reporting.

**Recommendation:**

- MoES should stick to the approved work plan for which resources were given and appropriated by Parliament.
- MoES should explain the identified cases of mis-reporting for Bundibugyo PTC where no library was constructed and Nkokonjeru PTC where no storied classroom block was constructed during FY 2011/12 as reported. Funds for those structures should be accounted for.

### 3.2.5 Vote Function: 0705 Skills Development:

The approved budget for Vote function 0705 for FY 2011/12 was Ug. Shs 68.91billion of which UShs 62.85billion (91.2%) was released. By the end of the FY 2011/12, the report indicated that there was a donor contribution of Ug. Shs 10b illion to project 0942 Development of BTVET, of which 100% was spent.

The strategic objectives of this Vote Function are: (i) provision of craftsmen, technicians, and other related skilled individuals to meet the demands of industry, health, agriculture and

[61] This college was monitored on 12th September 2012

commerce, as well as the teaching of vocational subjects and other related skills and, (ii) developing of occupational standards, competency based vocational training modules.

The Vote function is responsible for offering employable skills for self-sustenance and for the benefit of the economy both in the formal and informal sectors; and also improves the staffing levels in BTVET institutions.

Vote Function 0705, Skills Development, has four development projects. During the course of the financial year, three of them were monitored. (i.e. Project 0971 Development of TVET P.7 Graduate, Project 0191 Rehabilitation of National Health Training Colleges and Project 0942 Development of BTVET).These projects were monitored to verify the reported status of implementation during the course of the financial year. Findings show that, despite a few institutions that received funds and were behind schedule in implementation, most of the planned output targets under this Vote Function were achieved.

During the last monitoring of the financial year, the following institutions were monitored and details follow below:

### a) Project 0191 Rehabilitation of National Health Training Colleges

The objective of project 0191 Rehabilitation of Health Training Colleges was to rehabilitate, expand and equip the institutions as well as training and re-training of staff. The approved budget for this project was for FY 2011/12 was Ug.Shs 2.26 billion of which UShs 1.97 billion was released. By the end of the FY 2011/12, all the total releases had been spent.

**Fort Portal School of Clinical Officers (SOCO):**

Fort Portal School of Clinical Officers is found in Buhinga village LC1, East division, Fort Portal-Kabarole Municipality in Kabarole district. According to the Q4 consolidated progress report MoES disbursed funds to this institution for construction of a girls' hostel. Field findings indicated that the school received a total of Ug.Shs 500,000,000/=. These funds came in two installments; the first installment of Ug.Shs 430,000,000/= was credited on the institution's on 4th January 2012 while the second installment of Ug. Shs 70,000,000/= was credited on the school account on 15th May 2012.

Findings further showed that Khalsa Development Limited was contracted to construct the girls' hostel at a contract sum of Ug.Shs 641,590,530/=. The contract was signed on 31st July 2012 for a period of nine months. At the time of monitoring[62] construction had not started. The school authority was waiting for the results from the tests of the soil samples from Ministry of Works regional offices. During previous monitoring it had been established that Lira school of

[62] This institution was monitored on 17th September 2012

comprehensive nursing as well as Mulago Paramedical School also received Ug. Shs 500,000,000/= each for construction of a boys' hostel and a girls' hostel respectively.[63]

**Conclusion:**

The annual planned output targets for project 0191 Rehabilitation of National Health Training Colleges were partly achieved. This is because the institutions received funds of construction of hostels as planned during the course of the year. However, completion of these facilities is behind schedule.

### b) Project 0942 Development of BTVET:

The approved budget for project 0942 Development of BTVET was Ug Shs 15.28 billion. Out of this 13.47 billion (88.1%) was released. Expenditure under this project was reported to be 100% of the total release. In addition to this, the report indicates that a donor contribution Ug.Shs 10 billion was also spent for construction of different facilities under this project during the course of FY 2011/12. The monitoring team sampled project activities under output 070580 Construction and rehabilitation of learning facilities. Under this output item, MoES planned to construct and rehabilitate learning facilities (BTVET) in eleven institutions. Details of findings follow below.

### i) Output 070580: Construction and rehabilitation of learning facilities:

The approved budget for FY 2011/12 output 070580 Construction and rehabilitation of learning facilities was Ug.Shs 8.51billion. Out of this, Ug Shs 7.33 billion (86.2%) was released and all was spent during that period. Details of the findings are shown bellow.

**Uganda College of Commerce-Kabale:**

Uganda College of Commerce-Kabale is found on Nyerere road, central Division, Kabale Municipal Council in Kabale district. The Q4 consolidated report noted that MoES provided funds for completion of a storied classroom block at this college. Field findings showed that the college received a total of Ug.Shs 739,468,200/= in installments of Ug. Shs 378 millions in FY 2008/09 and Ug. Shs 389,468,200/= in FY 2011/12.

6 ***The storied multi-purpose block at UCC Kabale***

The funds were used to construct a three storied multipurpose block. The estimated cost of this block is about Ug.Shs 1.2 billion.

The structure has three lecture theaters, a main hall, two computer laboratories, a library and toilets for boys and girls on each floor. The school uses the force on account modality for this project. Two construction companies have supplied labor since the beginning of this project, Jibco Technical Services in the first phase and Contra Uganda Limited for the second phase. Civil works commenced around January 2010.

At the time of monitoring[64], the storied multipurpose block was at finishes level. The remaining works included painting the entire storied block, fixing glasses, plumbing works, works on the veranda, connecting the water system (fixtures and fittings), putting the Gutters, verandah works, furniture for entire block, fixing tiles in wash rooms as well as the sewerage connections. College administration should be commended for the excellent quality of work done on this structure and definitely there is value for money.

**Uganda Technical College –Kichwamba:**

Uganda Technical College –Kichwamba is 14 Kms along Fort Portal –Bundibugyo road, Kihondo parish, Kicwamba Sub County, Burahya County in Kabarole district. The Q4 consolidated report noted that MoES provided funds for completion of hostels at this college.

Findings indicated that the college received Ug. Shs 125,601,295/= on 23rd August 2011. The funds were meant to cater for extra works that were not in the original Bills of Quantites for the project rolled over to FY 2011/12. The works included plumbing works, partitioning the ceiling, laundry, and the electrical installations. Findings further indicated that part of these funds were used to pay for the outstanding bills to Entebbe builders and contractors, a firm that put up the civil works at the college.

At the time of monitoring[65], progress on the different structures was as follows:

A new administration block was completed. Part of the funds was used to put tiles on the floor and to make modification inside and outside the block.

- 2 hostels were completed. Within the hostels a number of partitions were created with shutters to accommodate 4 students each. Each of the hostels accommodates 64 students. At the time of monitoring power was being extended to the hostels.
- Part of the funds was used to renovate two old Carpentry and Joinery; and Brick laying and Concrete Practice workshops. Civil works on both structures included replacing the

[64] This school was monitored on 13th September 2012

[65] This college was monitored on the 18th September 2012

floors, putting rough cast on the external walls, putting translucent iron sheets, painting the window shutters, replacing the glasses and fixing the lightening arresters.

The college administration used a force on account in undertaking these works. All the works were done by the students as part of their training with supervision of their staff.

***Administration block and one of the hostels completed and a CJ workshop under renovation***

**Abilonino Instructors College:**

Abilonino Instructors College is found in Abilonino Village LC1, Lwala Parish, Ayer Sub County, Kole County in Kole district. MoES planned to extend a power line to this institution during this FY 2011/12. The Q1 and Q4 Performance Reports for FY 2011/12 indicate that MoES provided funds for extension of power to the college. Power was to be extended from Ayer trading centre about 3.5kms from the college.

Findings from the monitoring visit indicated that the College received UShs 302,000,000/= in two installments. The first installment of UShs 150,000,000/= was received on 16th December 2010 (FY 2010/11) while the second installment of UShs 152,386,906/= was received on 15th November 2011 (FY 2011/12).

Findings further indicated that Umeme carried out a survey in May 2011 and quoted UShs 234,063,125/= to extend power to the college. It was also reported that Umeme's quotations are valid for only three months. Umeme also requires full payments in order to start on the works. At that time the college did not have all the funds to make the full payment.[66]

In October 2011 Umeme revised the quotation to UShs 301,821,685/=. In the meantime, the college had requisitioned for UShs 10,951,875/= from MoES for installing power to the administration block, and UShs 64,371,900 for completion and extension of power to the library. In November after receiving the second installment, the principal wrote to MoES requesting for permission to divert funds for extension of power to those 2 blocks to extension of power to the college. This permission was granted in a letter dated 13/12/2011.

Findings further indicated that as on 21/02/2012 the college had not transferred any funds to Umeme. However, a check of UShs 251,000,000/= had been written in the names of Umeme and

[66] Remember the second installment was received in November 2011

was still with the school administration. However, this was not full payment. Secondly even the second quotation from Umeme had expired. A quick perusal of the school bank statement showed that the balances on the school account as on 12th January 2012 was UShs 74,981/=.

It was reported that the college did not transfer the all the funds to Umeme because other funds amounting to UShs 50,000,000/= had been diverted to other college activities. It was also found that they did not get clearance from PS/ST as per section 39 of the Public Finance and Accountability Act 2003 as amended in 2006 before diverting these funds to other college activities. It was therefore clear diversion of funds, this activity is going to delay extension of power to this college. MoES should ensure that school administration recovers all the funds for this activity and ensure that the activity is conducted.

Other institutions visited under output 070580 during the course of the financial year were Arua T/I, UCC Pakwach, Jinja Vocational Training Institute. Civil works in these institutions was at different levels of progress (cfr. to Q2 and Q3 BMAU reports).

**Conclusion:**

A number of planned output targets under this project were achieved.

**Recommendations:**

- MoES should follow up the issue of diversion of funds at Abilonino Instructors College meant for extension of power to the college. MoES should ensure that school administration recovers all the funds and that the activity is implemented.

**Project 0971 Development of TVET P7 Graduate institutions:**

The approved budget for project 0971 Development of TVET P7 Graduate institution for FY 2011/2012 was Ug Shs 3.53 billion. Out of this Ug.Shs 3.03billion (85.9%) was released. All of it was reported to have been spent by the end of the FY.

Under output 070580: Construction and rehabilitation of learning facilities (BTVET), MoES planned to construct 4 classrooms and 3 workshops in 10 Technical Schools and complete constructions of different structures in four institutions during the course of the year. A number of these institutions were monitored during the course of the period under review.

Findings indicate that out of the ten technical institutions for construction of classrooms and workshops, MoES handled nine.[67] Details follow below:

**Kizinga Technical School:**

[67] It is only Omugo T/S that was not handled.

Kizinga Technical School is found in Kizinga-Lyamuzungu LC1, Nyakasharara parish, Kaharo Sub County, Ndorwa County in Kabale district. The Q4 consolidated report notes that MoEs carried out construction works in in this technical school. Findings from the institution[68] indicated that the technical school received UShs 96,000,000/=. The funds were for construction of a five stance VIP latrine and a twin Carpentry and Joinery (CJ); and Brick laying and Concrete Practice (BCP) workshop. One Jibco Technical Services Limited was contracted at a contract sum of Ug.Shs 92,512,900/= to undertake the aforementioned project. Civil works commenced on 30th June 2012 and was expected to be completed by 16th October 2012.

Although the site was handed to the contractor on 16th June 2012, by 13th September 2012, a five stance VIP latrine was at foundation level while the twin workshop for CJ and BCP was at foundation. Construction at this site was therefore far behind schedule.

**Hakitengya Community Polytechnic:**

Hakitengya Community Polytechnic is found in Bundikayanja II LC1, Mataisa parish, Bubukwanga Sub County in Bundibugyo district. According to the Q4 consolidated report, MoES provided funds for completion of civil works to this institution. Findings indicated that the community polytechnic received Ug. Shs 35,000,000/=. The funds were credited on the institution's account on 11th August 2011. The funds were used to complete a staff house in this institution. The completion works included plumbing works, painting, electrical installation and works on the ceiling. These completion works were undertaken by KADPM limited between 14th November and 14th December 2011.

**Conclusion:**

The three projects under Vote Function 0705 Skills Development, (i.e. Projects 0191 Rehabilitation of National Health Training Colleges, Project 0942 Development of BTVET and Project 0971 Development of TVET P7 Graduate), largely achieved most of their planned output targets for FY 2011/12. This therefore means that Vote Function 0705 Skills Development largely achieved its planned annual outputs, despite a few cases where institutions were behind schedule in implementation. This is commendable.

### 3.2.6 Construction under Presidential Pledges FY 2011/12:

Since FY 2008/09 to date Government has been providing Ug. Shs 10,000,000,000/= every financial year for construction under Presidential Pledges in the education sector. Over the last

[68] This Institution was monitored on 13th September 2012

four years, government has provided over Ug.Shs 40 billion to the education sector for this cause.[69]

Over the period of four years, there are a number of institutions that received funds and the Presidential Pledges were fulfilled. However, there are many institutions that did not receive funds although they appear in the work plan/implementation schedule. There are many other institutions that received half of their approved budges for Presidential Pledges and over the years civil works have never been completed. There are also institutions that received all the funds but civil works have never been completed.[70] Findings indicated disbursement of funds to institutions ranged between 50% -100%. This has greatly affected implementation of these pledges. Funds for Presidential Pledges are remitted to beneficiary institutions as SFG through their mother districts. This has continued to contribute to the delays in receipt of these funds by the institutions.

There is need to establish whether there has been value for money for the funds that have been released to meet construction under Presidential Pledges under the sector.

During FY 2011/12, another Ug Shs 10.89 billion was provided. Of this Ug Shs 8,095,526,000/= was allocated to Primary, Secondary and BTVET institutions while Ug. Shs 2,800,000,000/= was allocated to Universities in Uganda. A number of institutions earmarked for construction during the FY 2011/12 were monitored to establish the progress of implementation.

The details of the findings follow below:

**Primary Schools Constructed under Presidential Pledges:**

**St Thereza Namagunga Primary School:**

***The multi purpose hall at St. Threza Namagunga P/S***

The School is located in Namagunga LC1, Naggojje parish, Nakifuma Sub County, county in Mukono district. During the year 2010, parents together with Old girls of Namagunga started a big project to construct a two storied multi purpose hall estimated to cost about Ug. Shs2 billion. The hall has a chapel to accommodate all students, a sacristy, an office for the chaplain and seven flash toilets on the ground floor and has a main hall with a stage, a gallery, dressing rooms, three offices and computer rooms on the upper floor. The upper floor also has seven flash toilets, a control room fitted with

[69] Ushs 10bn for 2008/2009, Ush 10bn for FY 2009/2010, Ushs 9.7bn for FY 2010/2011, Ushs 10.89bn for FY2011/2012 and Ushs 10.3bn for 2012/2013

[70] Refer to the previous BMAU Reports.

CCTVs and fire extinguishers. H.E the President made a pledge of Ug. Shs 500,000,000/= as a contribution to construction of this modern facility. MoES prioritized fulfillment of this pledge during financial year 2011/12.

Findings indicated that MoES disbursed Ug. Shs 463,613,640/= (92%) to the school. According to the headmistress these funds come in four installments of Ug. Shs 124, 232,262/= in Q1, Ug. Shs 117,892,489/= in Q2, Ug. Shs 104,765,956/= in Q3 and UShs 116,722,933/= in Q4 in FY 2011/12. This left a shortfall of Ug. Shs 36,386,360/= of what was pledged

Pioneer Construction Limited was contract by the school to undertake the aforementioned project. At the time of the monitoring visit on September 5, 2012, the multi purpose hall was at finishes level. It was expected to be completed in September 2012. The quality of civil works was extremely impressing.

**Bitya Primary School:**

Bitya Primary School is located in Kanoni village LC1, Bitya parish, Bitya Sub County in Buhweju district. This is one of the schools to which H.E made a Presidential Pledge. MoES prioritized fulfillment of this pledge during FY 2008/09. According to the schedule from MoES, the school was to receive nine classrooms, a four unit teachers' house, 3 blocks of 5 stance VIP pit latrines and one water harvesting tank at a cost of Ug. Shs 165,400,000/=.

Funds for fulfillment of this pledge were sent to Bushenyi district as SFG. Procurement of the contractor was done at district level. Findings revealed that in all five classrooms were constructed. A 2 classroom block with an office for the head teacher was completed and is in use. Another 3 classroom block with a 10,000 litre water tank was also completed and is in use. A four unit teachers' house was also constructed and completed. 2 blocks of 5 stance VIP pit latrines for pupils and another 2 stance VIP pit latrine for teachers were constructed.

According to the schedule of fulfillment of Presidential Pledges for FY 2011/2012, MoES was to remit Ug. Shs 6,382,000/= as outstanding bills/debts for FY 2008/09 for Bitsya P/S. Findings indicated in April 2012 the contractor Mr. Mahiso Bekunika, delivered 100 twin desks, 6 teachers' tables and 6 chairs which he had withheld pending his payment.

**Kisomoro Primary School:**

***A 2 classroom block at finishes level at Kisomoro P/S***

Kisomoro Primary School is located in Kisomoro LC I village Kisomoro parish, Kisomoro Sub County in Kabarole District. H.E the President pledged UShs 110,060,000/= to support this school. The funds were for construction of 6 classrooms, provision of furniture, lighting system and a water harvesting tank. MoES prioritized fulfillment of this pledge in its work plan of FY 2011/12.

Findings indicated that the school received Ug.Shs 110,000,000/= (99.9%) through Kabarole district Local Government. The district procured M/s Mukafra Contractors Limited to undertake the civil works at a contract sum of 109,600,000/=. Findings further show that 4 classrooms were constructed at the school. At the time of monitoring[71], a 2 classroom block with an office and store was at finishes level and another 2 classroom block was also at finishes level. The remaining works on the 2 blocks were internal and external rendering, splash aprons; verandah finishes works, painting and putting the ramps.

This project was however, reported to be behind schedule as the project completion date was 30th June 2012.

**Kinoni Primary School:**

Kinoni Primary School is found in Nsagasa village LCI, Kicuucu Parish, Kisomoro Sub County, Bunyagabu County in Kabarole district. H.E the President pledged UShs 110,060,000/= to support this school. The funds were for construction of 6 classrooms, provision of furniture, lighting system and a water harvesting tank. MoES prioritized fulfillment of this pledge in its work plan of FY 2011/12.

Findings indicated that the school received Ug.Shs 110,000,000/= through Kabarole district Local Government. The district contracted SMB Procurement limited at a contract sum of 106,600,000/= to undertake the civil works. Works commenced on 28th May 2012 and was expected to be completed within 4 months. By the time of monitoring[72], a two classroom block with an office and store and another two classroom block were both at finishes level. The remaining works included fixing the shutters, floor screeding, splash apron, painting and veranda works. In all the school got 4 classrooms instead of six.

**Nakyessanja Primary School;**

Nakyessanja Primary School is located in Kawanda LC1, Kawanda Parish, Nabweru Sub County in Wakiso district. MoES first prioritized to rehabilitate this school during FY 2010/11. During that financial year the Ministry was to disburse Ug. Shs 70,000,000/= for that purpose. However, the school did not receive these funds and no rehabilitation was done. MoES rolled over rehabilitation of this school during FY 2011/12. Findings revealed[73] that no funds were remitted to this school during FY 2011/12 for construction of the Presidential Pledge. Therefore no rehabilitation was done to this school as of September 2012.

MoES should explain why this school did not receive funds its rehabilitation despite the fact that funds were provided by government/MFPED as per MoES' work plan.

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[71] This school was monitored on 17th September 2012

[72] This school was contracted on 17th September 2012

[73] This school was monitored on 4th September 2012

**Secondary Schools Constructed under Presidential Pledges:**

**Bihanga Community Secondary school:**

Bihanga Community Secondary school is located in Nyakaziba LC1, Nyakaziba Parish, Bihanga Sub County in Buhweju district. This is one of the secondary schools under the Presidential Pledge that MoES prioritized to be fulfilled during FY 2008/09. At that time, the school was under Bushenyi district. The school received funds for construction of a multi-purpose science laboratory for Chemistry and Physics, two blocks of two classrooms each and an administration block with a staff room. These structures were constructed and completed under the supervision of Bushenyi district.

However, the head teacher observed that the quality of civil works that was done on the above mentioned facilities was poor. He noted that water sips up through the walls and the floors, and the floors had cracked. He noted that repairs have been done on these new structures several times but the problem still persists.

During FY 2011/12 MoES planned to pay Ug. Shs 214,926,000/= as clearance for outstanding Bills/Debts on FY 2008/09 Presidential Pledges for civil works that were undertaken at this institution. Findings indicated that MoES **did not** disburse any funds to this school as clearance of outstanding bills/debts.

**Kikagate Secondary School:**

Kikagata Secondary School is found in Nyarubungo village LC1, Kikagate Town Board, Kikagate Sub County in Isingiro district. On 30th October 2009, H.E. made a pledge to construct a modern secondary school in this place. MoES prioritized to fulfill this pledge during FY 2010/11 and FY 2011/12. This project was estimated to cost of Ug. Shs 284,000,000/=.

Findings indicated that the school received a total of Ug. Shs 260,027,230/= (91.5%) out of the expected Ug. Shs 284,000,000/=. The disbursement of funds to this institution was spread a period of 2 financial years.[74] The way the funds were disbursed to the school delayed the implementation of the project.

The funds were for construction of an administration block, a 6 classroom block, a multi-purpose science block, a 5 stance VIP pit latrine, a 2 stance VIP pit latrine and provision of a 10,000 liter water harvesting tank.

The school administration decided to start construction of the facilities as money became available. The first installment of Ug.Shs 59,000,000/= was used to put up a 3 classroom block. M/s Keen contractors Limited was awarded a contract to undertake the construction at a contract sum of Ug. Shs 74,000,000/=. This classroom block was completed in December 2011 and is in use. However it is not officially handed over.

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[74] First installment of 16,629,346 (08.11.2010), 2nd installment of 18,228,300/= (23.12.2010), 3rd installment of 116,620,520/= (30.01.2011), 4th installment of 7,982,100/= (08.06.2011), 5th installment of 53,126,242/= (03.10.2011), 6th installment of 50,415,092 (08.12.2011), 7th installment of 44,801,614/= (03.05,2012) and 8th installment of 52,224,016/= (05.07.2012).

Findings further showed that M/s Keen contractors was contracted to put a multi purpose science laboratory, 2 blocks of 5 stance VIP pit latrines and a 2 classroom block at a contract sum of Ug. Shs 273,601,500/=. At the time of monitoring[75] the multi-purpose science block was at finishes level. The only remaining works were fixing fire extinguishers, fixing the Bunsen burners and door locks, painting and supplying furniture. The 2 blocks of 5 stance VIP pit latrines were completed.

Works had not started on the 2 classroom block because of inadequacy of funds.

**Semiliki high School:**

Semiliki high School is found in Ezahura LC1, Bupomboli Parish, Harugali Sub County in Bundibugyo district. H.E the President made a Pledge to construct three hostel blocks in this school. This is one of the schools that MoES prioritized to fulfill their pledges in FY 2010/11. The approved budget for the civil works was Ug. Shs 196,000,000/=. MoES planned to disburse these funds to the school over two financial years i.e. (Ug Shs70 million in FY 2010/11 and Ug. Shs 126 million in FY 2011/12)

*A completed dormitory block at Semiliki High under the Presidential Pledge*

Findings showed that the school received a total of UShs 144,332,244/= (73%) in the two financial years[76]. That is, in FY 2010/11 the school received a total of UShs 59,927.600/= in two installments and in financial year 2011/12 a total of UShs 87,404,644/=. This left a shortfall of Ug. Shs 51,667,756/= of what was pledged.

By the time of monitoring, only one out of the three dormitory blocks for girls was completed. It was at finishes level. The structure was done by Kadpam Construction Company limited. The remaining civil works were installation of water harvesting system and construction of toilets. The second dormitory block was at the excavation level while the third dormitory block had not been started.

This project is behind schedule. MoES should provide all the funds as pledged to have this project completed.

**Rwebisengo/Kamuhigi Secondary School:**

Rwebisengo Secondary School is also called Kamuhigi Senior Secondary school. It is found in Majumba village LC1, Majumba parish, Rwebisengo Sub County in Ntoroko district. H.E the President made a Pledge to construct three hostels in this school. This is one of the schools that

[75] This school was monitored on 12th September 2012

[76] The school was monitored on 19th September 2012

MoES prioritized to fulfill their pledges in FY 2010/11. The approved budget for the civil works was Ug. Shs 196,000,000/=. MoES planned to disburse these funds to the school over two financial years i.e. (Ug Shs 70 million in FY 2010/11 and Ug Shs 126 million in FY 2011/12).

At the the time of monitoring, the school had only received Ug Shs 148 million (75.5%).[77] Construction of the hostels had not started and according to the head teacher all funds were still on the school account.

It was noted that the school advertised twice for the works and only one bidder responded. It was reported that MoES advised the school to use the force on account modality and to reduce the scope of works to 2 hostels to fit in the available funds. This activity was therefore behind schedule.

**St Mary`s Simbya Secondary School:**

St Mary`s Simbya Secondary School is found in Bundikatemba LC1, Mirambi parish, Mirambi Sub County, Bwamba County in Bundibugyo district. H.E the President made a Pledge to construct three hostel blocks in this school. The approved budget for the civil works was Ug.Shs 196,000,000/=. MoES planned to disburse these funds to the school over two financial years i.e. (Ug.Shs 70 million in FY 2010/11 and Ug Shs 126 million in FY 2011/12).

Findings indicated that the school received a total of UShs 144,332,244/= (73%) in the two financial years. That is, in FY 2010/11 the school received a total of UShs 59,927.600/= in two installments and in FY 2011/12 the school received a total of UShs 87,404,644/=.

Findings indicated that [78] only one dormitory, out of the three dormitories, was constructed. At the time of monitoring the civil works were at finishes level. The civil works were undertaken by SABANGO Limited. A 5-stance VIP lined pit latrine was complete. The pit latrine was constructed by Mandavi Construction Company limited.

Findings therefore show that implementation of this pledge was behind schedule.

**BTVET institutions Constructed under Presidential Pledge**

**Lutunku Community Polytechnic:**

Lutunku Community Polytechnic is located in Lutunku LC1, Kawanda Parish, Lugusuulu Sub County, Mawogola County in Sembabule district. To fulfill the Presidential Pledge MoES planned to disburse these funds to the school over three financial years i.e. (Ug. Shs 193,000,000/= in FY 2010/11 and Ug. Shs193,000,000 in FY 2011/12 and Ug. Shs 50,000,000/=

[77] The school was monitored on 18th September 2012

[78] The school was monitored on 19th September 2012

in 2012/13). The funds were for construction of an administration block, two dormitories, three workshops, two blocks of five stance VIP latrines and a water harvesting system.

Findings show that during FY 2010/11 only Ug.Shs 97,364,981/= was remitted to the school instead of Ug.Shs 193,000,000/=. [79] The following FY 2011/12 only Ug.Shs 95,635,020/= was remitted instead of the expected Ug. Shs 193,000,000/=[80]. That means that over the 2 financial years the institution received just half (50%) of the expected funds i.e Ug. Shs 193,000,000/= instead of the expected Ug. Shs. 386,000,000/=.

Findings indicated that out of the Ug. Shs 193,000,000/= (50%) so far received[81], a dining hall with a kitchen were constructed at a contract sum of Ug. Shs 94.013,497/=. These were completed. An admin distraction block was also completed. The block has offices for the head instructor, deputy head instructor, secretary and bursar. Furniture for the block was also supplied. A four unit staff house was also completed. The administration block and a four unit staff house were constructed by Cape contractors limited at a contract sum of Ug. Shs 98, 907,205/=.

It was observed however, that there was a change in the scope of works implemented by the institution. While a dining hall and a kitchen as well as a 4 unit staff house were constructed, these were not part of the original scope of works. It was not clear whether this change from the original scope of works was sanctioned by MoES.

Beneficiaries are satisfied with the works done by the contractor.

MoES should expedite disbursement of the remaining balances of the Presidential Pledge to enable construction of the remaining falicilities.



***A dining hall, a kitchen and a staff house constructed at Lutunku CP***

[79] These funds were received in 2 installments of Ug.Shs 56,718,918/= (credited on 6th April 2011) and Ug Shs 40,646,600/= (credited on 31st May 2011)

[80] These funds were received in 3 installments of Ug.Shs 23,908,755/= (credited on 08th september 2011) and Ug Shs 23,908,755/= (credited on 15th November 2011), Ug.Shs 23,908,755 (credited on 15th February 2012), and Ug.shs 23,908,755 (credited on 21.05,2012).

[81] The school was monitored on 10th September 2012

**PIBID:**

Presidential Initiative on Banana Industrial Development (PIBID) is a pilot project for Government of Uganda found at Nyaruzinga in Bushenyi district. H.E pledged Ug.Shs 500,000,000/= for construction of a hostel at this institution. MoES prioritized fulfillment of this pledge during FY 2009/10. Findings indicated that MoES disbursed Ug.Shs 476 million to the institution for construction of the hostel towards the end of FY 2010/11 and the funds were received. However, up now there is no hostel constructed under this presidential pledge.

**Kisomoro Technical School:**

Kisomoro Technical School is a new Technical School his Technical school is located in Busiita village LC1, Kicuucu Parish, Kisomoro Sub County in Kabarole district. To fulfill the Presidential Pledge, MoES planned to disburse these funds to the school over three financial years i.e. (Ug. Shs 130,259,000/= in FY 2010/11 and Ug. Shs 215,741,000/= in FY 2011/12 and Ug. Shs 300,000,000/= in 2012/13). The funds were for construction of an administration block, classrooms and workshops, two blocks of five stance VIP latrines and a water harvesting system.

***A 2 classroom block, a twin workshop, an MV workshop at roofing level, an administration block a 5-stance and a 2-stance VIP pit latrines constructed at Kisomoro Technical School under the Presidential Pledges***

Mukafra Construction Limited was contracted by the district to undertake the aforementioned project. Civil works commenced in the year 2010. By the time of the monitoring visit[82] civil works were at the following stages:

1. A 2 classroom block was complete.

[82] This T/S was monitored on 17th September 2012

2. A twin workshop for CJ and BCP was also complete
3. An administration block was at finishes level.
4. AMotor Vehicle workshop was at roofing level.
5. Two blocks of 5 stance VIP lined pit latrines were at finishes level. Remaining works included fixing shutters and painting.

It was reported that civil works were expected to be completed around September 2012.

**Conclusion**

There are cases of institutions that did not receive funds for construction of Presidential Pledges. (E.g.Nakyessanja P/S). Construction was going on in a number of institutions however; construction of almost all secondary schools visited under Presidential Pledges for FY 2011/12 was behind schedule. Very few institutions received the full pledges as pledged by H.E. the President. Most institutions visited received between 50% - 90% of the pledges. Lutunku C.P for instance received only 50% of the Presidential Pledge after 2 financial years. Pledges also took long to be received by the beneficiary institutions as they are remitted through their mother districts as SFG which further delays implementation. There are also cases such as that of PIBID that received funds for construction of a hostel and did not implement.

**Recommendations:**

- There is need for the Auditor General to undertake a forensic audit for constructions under the Presidential Pledges since FY 2008/09 up to date to establish whether there has been value for money under the sub-sector.
- Sending of funds for construction of Presidential Pledges through districts as SFG further contributes to delays in implementation of these pledges. MoES should therefore send these funds directly to the beneficiary institutions just like they do with activities under project 0943.

## 3.3 *ENERGY*

### 3.3.1 Introduction

Energy is a major prerequisite to Uganda's transformation. It is vital for both economic growth and environmental conservation.[83]

**Mandate and Sector Priorities**

The mandate of the Ministry of Energy and Mineral Development (MEMD) 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".

The priorities of the sector include;

i. Increase electricity generation capacity and expansion of the transmission networks

ii. Increase access to modern energy services through rural electrification and renewable energy development

iii. Promote and monitor petroleum exploration and development in order to achieve local production; and

iv. Promote mineral investment through acquisition of geo-scientific data, capacity building and attraction of mining companies to undertake detailed exploration programs and mining.

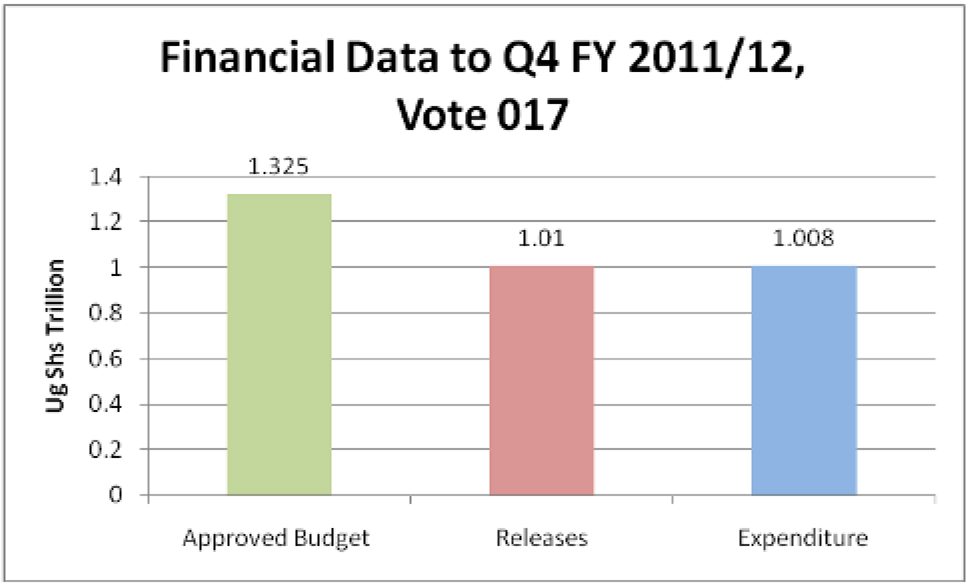
The total approved budget for the Energy and Mineral Development Sector (inclusive of donor project funding and excluding taxes and arrears) for FY 2011/12 is Ug Shs 1.325 trillion[84] as compared to Ug Shs 391 billion for FY 2010/11. The increase in budget is largely attributed to the prioritization of Karuma hydropower project which was expected to start during FY 2011/12. Karuma hydropower project took 62.5% of the energy sector budget.[85] (The construction of Karuma HEP is still at the procurement of the contract stage).

**Figure 3.3.1 Budget Performance, Vote 017**

[83] MFPED *Background to the Budget 2012/13* (Kampala 2012)

[84] MFPED *IFMS Releases 2011/12* (Kampala 2012)

[85] MFPED *Approved Estimates 2011/12* (Kampala2012)




*Source: IFMS data FY 2011/12*

As shown in Figure 3.3.1, of the Ug Shs 1.325 trillion approved budget, 76.2% was released. Of the released funds, 99.8 was expended which indicates very good absorptive capacity by the Ministry of Energy and Mineral Development.

**Scope of the report**

The report reviews progress achieved in energy sector development projects in FY 2011/12. The report aims to ascertain whether financial expenditure is commensurate with observed physical performance for development projects under Vote Functions 0301 (Energy Planning, Management and Infrastructural Development), 0302 (Large hydropower infrastructure) and 0303 (Petroleum Exploration, Development). It also aims to establish whether planned outputs as outlined in the MEMD annual work plan for FY 2011/12 have been achieved.

**Table 3.3.1 Summary of Annual performance based on monitoring activities**

| **Outputs Monitored** | **Planned achievements by MEMD** | **Actual Achievements observed** | **Locations** |
|---|---|---|---|
| **Vote Function 0301** | | | |
| Project 0325 Energy for Rural Transformation (ERT11) | | | |
| Output 030104: Increased Rural Electrification | Selected grid extensions implemented | Construction of Lots 1-2-3 (Soroti-Katakwi-Amuria); Ayer-Kamudini-Bobi; and Ibanda-Kazo-Rushere in advanced stages (Q2; Q4) | Soroti, Katakwi, Amuria, Lira, Gulu, Ibanda |
| Output | Provide renewable packages to | Installation of solar | Mubende, Luwero |

| Outputs Monitored | Planned achievements by MEMD | Actual Achievements observed | Locations |
|---|---|---|---|
| 030153: Cross Sector transfers for ERT (other Components) | schools, health centers and water supply points | energy packages was done in selected health centers of Mubende (Q2) and Luwero (Q3) | |
| **Project 0331 Rural Electrification** | | | |
| 030103: Renewable Energy Promotion | GoU's equity investment into West Nile Rural Electrification Company (WENRECO) for the Completion of construction of Nyagak | Construction of Nyagak completed (Q3, Q4). The plant is supplying power to Nebbi and Paidha. Arua is not supplied yet due to some faults on the transmission line. | Zombo district |
| | Rehabilitation of Maziba Mini hydro under KfW funding in progress | Rehabilitation of Maziba Mini hydro not yet started (Q4) | Kabale district |
| | Buseruka (9MW) commissioned | Buseruka (9MW) close to completion (Q3, Q4) | Hoima district |
| 030104: Increased Rural Electrification | Completion of construction of power schemes | Twenty two schemes were visited in Q2, Q3 and Q4. Most of the transmission lines were completed and commissioned. Lines constructed by OMEGA Construction Limited had issues of incomplete stringing of poles; poor way leaves clearance[86] | Namutumba, Kamuli, Nakasongola; Mbale; Manafwa, Hoima, Ibanda, Kamwenge, Kabaale, Kayunga, Kyankwanzi, Bushenyi, Lira |
| **Project 1023: Promotion of Renewable Energy and Energy Efficiency** | | | |
| 030103: Renewable Energy | Reduced fuel wood consumption through dissemination of 50,000 Energy Saving Household stoves and | Energy saving household stoves disseminated in the | Kabale |

[86] A way leave is a right of way over somebody else's property, for which payment/compensation is usually made. The property owner gives a service provider (for example electricity) a right for their pole, line to pass through or over their property.

| Outputs Monitored | Planned achievements by MEMD | Actual Achievements observed | Locations |
|---|---|---|---|
| Promotion | 130 Energy Saving Institutional Stoves | district of Kabale (Q2)<br><br>4 institutional stoves disseminated in Paidha Model Primary School and Uganda College of Commerce (UCC) Pakwach (Q3)<br><br>Beneficiaries are satisfied with the installation | Paidha and Pakwach |
| | Promotion of renewable energy systems through dissemination of 200 solar Photovoltaics (PVs) | Solar systems disseminated in selected health centers in the districts of Oyam and Moyo. (Q2, Q3) | Oyam, Moyo |
| Vote Function 0303: Petroleum Exploration, Development and Production | | | |
| **Programme 04: Petroleum Exploration and Production Department** | | | |
| 030304: Monitoring Upstream petroleum activities | Monitor drilling of exploration wells in Exploration Area (EA) 4B and EA5. Monitor drilling of appraisal wells in EA1, EA2 and EA3A<br><br>Monitor the acquisition of more seismic data in EA1, EA2, EA4B and EA5. | Monitoring was done in EA1 and EA2. ( Q4)<br>To date, 69 exploration and appraisal wells have been drilled of which 64 wells have encountered oil and or gas in the subsurface.<br><br>The reserves are currently estimated to be 3.5 billion barrels of oil in place.[87] | Hoima, Buliisa, Nyoya and Packwach |
| **Project 1184: Construction of Oil Refinery** | | | |
| 030380: Oil refinery Construction | Land acquired for the refinery and supporting infrastructure<br>Resettlement Action Plan (RAP) for | 29,000km$^2$ of land has been acquired<br>Display of names of | Hoima |

[87] Interaction with PEPD officials.

| Outputs Monitored | Planned achievements by MEMD | Actual Achievements observed | Locations |
|---|---|---|---|
| | the Oil Refinery Project Completed<br><br>Baseline Environmental Survey for the Oil refinery project undertaken | locals to be compensated and the land size of the refinery is being done at the district, Sub counties and villages.<br>The Chief Government Valuer is in the process of establishing the value of the land. | |

*Source: IFMS 2012; MEMD Ministerial Policy Statement 2011; Fieldwork observations*

**Methodology**

Potential outputs for monitoring are identified using the Ministerial Policy Statement, quarterly work plans; detailed project contracts and progress documents that are obtained from various sources including MEMD, ERT coordination Unit, Rural Electrification Agency (REA) and Uganda Electricity Transmission Company Limited (UETCL) offices.

Financial data is sourced from the Integrated Financial Management System (IFMS) and project profiles in the Public Investment Plan (PIP) for donor components. Financial analysis includes release performance and absorptive capacity of GoU expenditures for projects and planned outputs.

During field visits, information is collected through interviews with project managers on site, technical officials and beneficiaries. Observations from the monitoring visits are compared with the progress reports of the different projects.

**Limitations**

- The energy sector has got several projects with each project covering many components that attract large amounts of money that need to be monitored. However, the time allocated for carrying out monitoring is limited (21 days); this only enables the team to monitor selected sites.

- Capital development activities undertaken within the energy sector are often financed by donors or private sector investors. Therefore, release and expenditure data is not visible on the IFMS accounting system. Therefore, analysis of planned activities versus actual expenditure is difficult. Donors and private firms may be unable or unwilling to provide detailed financial information.

- Where projects are not implemented by government, there may be reluctance for action when challenges and recommendations are identified.

### 3.3.2 Energy Planning, Management and Infrastructure Development

The total approved budget for Vote Function 0301, both GoU and donor (excluding taxes, arrears and non tax revenue) in FY 2011/12 was Ug Shs 449.88 billion. The Vote Function 0301 received the second largest share at 35.4% of the total energy Sector budget[88]; the largest being vote function 0302/ project 1183- Karuma Hydroelectricity Power Project.

Its strategic objectives include: a) review and put in place modern policies and legislations that offer a conducive business environment; b) increase the energy mix in power generation, promote and co-invest in the development of new power generation and transmission projects; c) acquire and provide necessary information and data to attract and facilitate private sector participation and capital inflow; d) promote and implement rural electrification through grid extension, development of decentralized power supply systems and use of renewable energy resources; e) carry out specialized and general training of manpower and strengthening capacity of institutions responsible for managing and safeguarding the energy and mineral resources; f) carry out energy audits and consumer awareness campaigns for energy efficiency; g) promote and regulate atomic energy for power generation and other peaceful applications, h) carry out feasibility studies of infrastructure development studies; and monitor progress in the implementation of projects in the energy sector[89].

The vote function is also responsible for promoting increased investments in power generation; renewable energy development; rural electrification; improve energy access; promote energy efficient technologies; and to promote private sector participation in the energy sector.

**a) Project 0325: Energy for Rural Transformation**

In November 2001, the World Bank approved the Energy for Rural Transformation (ERT) program as a three-phase Adaptable Program Loan (APL). The purpose of the ERT program is to develop Uganda's energy and Information/Communication Technologies (ICT) sectors, so that they make a significant contribution to bringing about rural transformation. These sectors facilitate a significant improvement in the productivity of enterprises as well as the quality of life of households (ERT 11 Project manual). The project is currently in its second phase (ERT 11).

There are three project components;

[88] MFPED *IFMS data 2012(Kampala 2012)*

[89] MFPED Public Investment Plan FY 2010/11-12/13 (Kampala 2010)

**Component 1: Rural Energy Infrastructure**. This includes: rural electrification (grid extension and independent grids); renewable energy power generation; solar PV systems excluding health, education, water and agriculture sectors; energy efficiency (electricity and other energy).

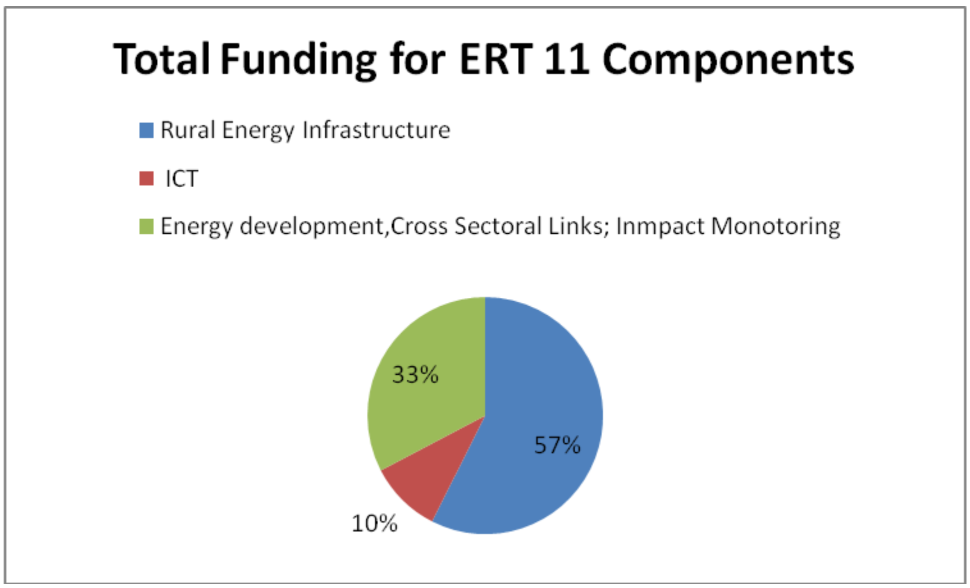
• **Component 2: Information Communications Technologies** focuses on extending access to ICT services.

• **Component 3: Energy Development, Cross Sectoral Links, Impact Monitoring** in

health, education, water, agriculture and local government sectors. Support for the Project Coordinating Unit, located in MEMD is also included in this component. Northern Uganda is the new focus in ERT 11

In Q4 of FY 2011/12 monitoring, focus was on Rural Energy Infrastructure particularly the grid extensions subcomponent implemented by REA. The REA sub-component takes the biggest share (57%) of the ERT funds as seen below.

**Figure 3.3.2: Proportion of ERT11 Funding**




*Source: ERT 11 World Bank Project Appraisal Document 2009*

REA is responsible for subcomponents which cover grid extensions, independent grids, Solar PV systems, support of renewable energy power generation projects, and capacity building.

Approved GoU budget for project 0325 for FY 2011/12 was approximately Ug Shs 2.2 billion[90], while donor budget for the financial year was Ug Shs 42.7 billion[91]. GoU budget for this project represents approximately 0.47% of the total GoU expenditure for the vote function and only close to 0.2% of all GoU expenditure in the energy sector during FY 2011/12[92].

During FY 2011/12, the team monitored the following outputs under ERT 11.

I. **Output 030153: Cross Sector transfers for ERT (other Components):** ***Solar panel installations in the health centers of Mubende[93] and Luwero[94] respectively (Q2, Q3)***

II. **Output 030104: Increased Rural Electrification:** ***Installation of grid extensions (Q2[95], Q4)***

**Financial Performance**

As shown in figure 3.3.3 and 3.3.4 by the end of FY 2011/12, approximately 100% of the amount released had been expended, indicating high absorptive capacity.

Figure 3.3.3

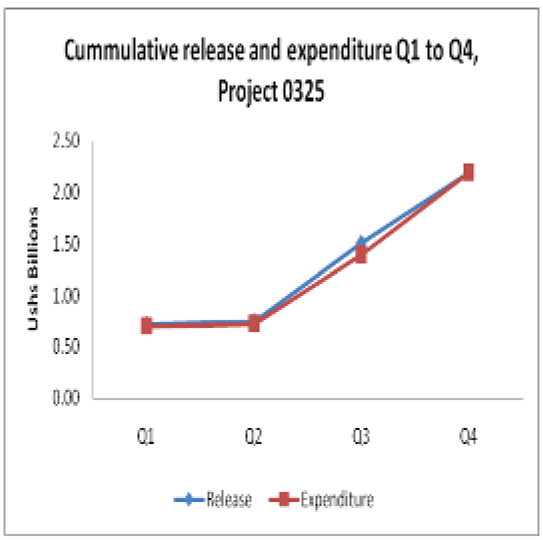
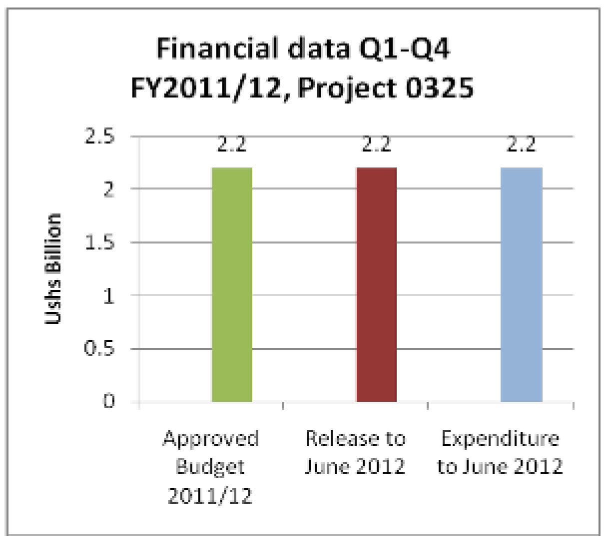



Figure 3.3.4

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[90] MFPED *IFMS data 2012* (Kampala 2012)

[91] MFPED Public Investment Plan FY 2010/11-2012/13

[92] GoU expenditure on project 0325 as a proportion of GoU expenditure on vote 017. Biggest percentage of expenditure is on project 1183 (Karuma Hydropower Project)

[93] MFPED *Budget Monitoring Report October-December 2011*(Kampala 2012)

[94] MFPED *Budget Monitoring Report January-March 2012* (Kampala 2012)

[95] MFPED *Budget Monitoring Report October-December 2011*(Kampala 2012)

Source: *MFPED IFMS data 2012*

**Physical Performance**

Table 3.3.2 outlines the planned activities under output 030104 (Increased Rural Electrification) from Q1to Q4 of FY2011/12 as outlined in the ERT 11 quarterly report

**Table 3.3.2: Planned Activities by MEMD versus physical performance**

| MEMD Planned outputs to Q4 | Physical performance as observed by team |
|---|---|
| Construction of Lots 1-2-3 (Soroti-Katakwi-Amuria; Ayer-Kamdini-Bobi; Ibanda-Kazo-Rushere) ongoing and was expected to be complete in September 2012 | Construction ongoing in advanced stages. On average total works are 76% complete. |
| Construction of Lots 4-5 has commenced while Lots 6 up to 9 were to start in August 2012 and completed in June 2013 | Project was not monitored |
| Connection through Global Partnership on Output Based Aid (GPOBA) subsidies projected to start August 2012. The GPOBA grant agreement was signed in June 2012 | Connection not yet started. |

*Source; Field work observations; meeting with MEMD officials*

During Q4 of FY 2011/12 monitoring, the team reviewed progress of Lots 1-2-3 (Soroti-Katakwi-Amuria; Ayer-Kamdini-Bobi; and Ibanda-Kazo-Rushere) which the team visited in Q2. Actual performance is detailed in table 3.3.3 below

**Table 3.3.3: Physical performance of REA Grid Extension (Lot 1-2-3)**

| Approved Cost of Works | Planned Outputs | Observed Physical Performance |
|---|---|---|
| **Lot 1: Ibanda-Kazo-Rushere** | | |
| USD:3.95 million<br>Funded by World Bank<br>Expenditure to date is approximately USD 2 million | Contractor: A2Z maintenance and Engineering Services<br>Consultant: Power Network<br>Scope of work includes<br>construction of; HV: 135Kms; LV: 80Kms<br>Pole erection | The transmission line starts at Ibanda and covers part of Kiruhura district<br>Works commenced in August 2011 and the contractor was expected to complete by November 2012.<br>Works were approximately 80% complete. Almost all the poles were erected and dressed. By the time of the visit, they were stringing poles. The remaining work was installation of transformers and charging the line. The project is expected to complete on time.<br>In total, the transmission line passes through 47 |

| Approved Cost of Works | Planned Outputs | Observed Physical Performance |
|---|---|---|
| | Dressing of poles[96]<br>Stringing[97]<br>Installing transformers and respective switches<br><br>(30x25 KVA transformers)<br>(13x50 KVA transformers)<br>(3x100 KVA transformers)<br>(1x200 KVA transformer)<br><br>Charging the line<br><br>Start date: June, 2011<br><br>End date: December 2012 | trading centers. It is therefore likely that there will be demand for connections.<br>Land compensation and monitoring is being done by REA. The line is supervised by Power Network, the consultant |
| **Lot 2: Soroti-Katakwi-Amuria** | | |
| USD 2.49 million<br>Funded by World Bank | Contractor: A2Z Maintenance and Engineering Services<br>Consultant: Power Network<br>Scope of work includes<br><br>construction of; HV: 105Kms; LV: 90Kms<br><br>Pole erection<br><br>Dressing of poles<br>Stringing<br>Installing transformers and respective switches<br><br>(8x25 KVA transformers) | The line starts from Opuyo service station. The route of the line is as follows;<br>Apuyo-Wera (32Kms)<br>Wera-Amuria (30Kms)<br>Were-Katakwi (30Kms)<br><br>Works commenced in June 2011 and the contractor expects to complete in December 2012.<br><br>Pole erection is 100% complete. Dressing of poles and stringing works are approximately 65% complete. The project is expected to complete on time.<br><br>The line passes through 2 schools and a hospital, clinics and government offices in Amuria; 2 schools on the Opoyo-Lira line and 3 schools on Vura- |

[96] This includes insulators and stable wires

[97] Installing conductors and earthing

| Approved Cost of Works | Planned Outputs | Observed Physical Performance |
|---|---|---|
| | (9x50 KVA transformers)<br>(2x200 KVA transformers)<br><br>Start date : June, 2011<br>End date: December 2012 | Katakwi line. Some institutions include Vura Technical School, Ajota Primary School, Vura Sub county. It is therefore likely that there will be demand for power. |
| **Lot 3:Ayer-Kamdini-Bobi** | | |
| USD 30.3 million<br>Funded by World Bank | Contractor: A2Z Maintenance and Engineering Services<br>Consultant: Power Network<br>Scope of work includes<br><br>Construction of; HV: 102Kms; LV: 65Kms<br><br>Pole erection<br><br>Dressing of poles<br>Stringing<br>Installing transformers and respective switches<br>(14x25 KVA transformers)<br>(8x50 KVA transformers)<br>(5x100 KVA transformers)<br>(2x200 KVA transformers)<br>(1x315 KVA transformers)<br><br>Start date: June, 2011<br>End date: December 2012 | The line starts from Ayer trading centre in Lira and ends at Bobi Poly Technical Institute in Gulu district.<br>Work commenced in June 2011 and the contractor expects to complete by end of October. Approximately 85% of total works is complete.<br>Work is according to schedule.<br>The line covers several trading centers (Ayer TC, Aboke TC, Alyat TC, Adyeda TC, Arudi TC in Kole district and others in Oyam and Gulu; schools and institutions<br>Works are being monitored by REA on a monthly basis. |

*Source: Field Findings*

Ibanda-Kazo-Rushere line

*Rwemikoma Trading Centre*

*End Point of Ibanda-Kazo-Rushere line*

Soroti-Katakwi-Amuria line


*Line passing through Angole Ps, Amuria district*

*Komolo swamp occupying 2.6Kms*

Ayer-Kamdini-Bobi line

*Line passing through Atapala Trading Centre*

*Ginnery that is likely to connect to power*

**Challenges**

On the Ibanda-Kazo-Rushere line; the local people were refusing to allow the contractor to erect poles in their compounds unless REA compensates them. According to the contractor, the local people were informed by REA that compensation already paid was for tree clearance and destruction of crops where the line was going to pass, but not for pole erection. It is likely that the local community did not understand that the RAP package included erection of poles where the contractor deems it fit. On the Ayer-Kamdini-Bobi line, the locals in Atapala TC were resistant when the contractors started tree cutting as they had not yet been compensated for pole erection.

Majority of the locals do not appreciate the importance of power. As a result, they feel it's a bother for REA to destroy their property and to have poles erected on their land. In areas where the ERT project and Rural Electrification programs are being implemented, the locals view these projects as useless to them.

On the Ibanda-Kazo-Rushere line, the neighboring people where the line is not passing feel left out and therefore discontent with the project.

On the Ibanda-Kazo-Rushere line, about 4 to 5 people reported to contractors that they had given money to casual workers to connect them to power. There is need for REA to sensitize people about the proper channels of power connection. Contractors reported that workers on the line are temporal, can have their contracts terminated and may leave the area with locals money when the project is complete.

On the Sototi-Katakwi-Amuria line, the swampy area is big and has slowed down project implementation. Komolo swamp is about 2.6Kms.

b) **Project 0331: Rural Electrification**

The overall objectives of the programme are; improve the rural quality of life and facilitate significant rural non-farm income by accelerating main grid rural electrification with a tentative target of contributing to increasing rural electricity access from about 1% in 2000 to 10% ten years later. [98] The programme is targeting district headquarters, production areas to support agricultural modernization, connection of renewable energy generation projects to the main grid, socially desirable areas like schools, health centers, water supply facilities and trading centers which provide services to the rural population.

The project started in 2000 and is expected to complete in 2015[99]. GoU approved budget for project 0331 for FY 2011/12 was Ug Shs19.06 billion. This represents 1.85% of all GoU expenditure in the energy sector[100]. Much of the expenditure under 0331 is implemented by REA which also receives off-budget support for its schemes from various donors.

Outputs monitored during FY 2011/12 under Rural Electrification include;

i. Output 030103: Renewable Energy Promotion
ii. Output 030104 : Increased Rural Electrification

**Financial performance**

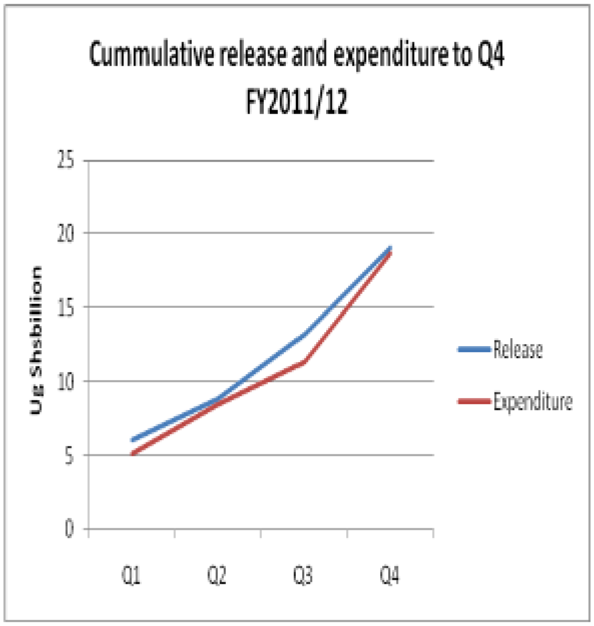
Figure 3.3.5 and 3.3.6 summarize the financial performance of Rural Electrification to Q4 FY 2011/12. For project 0331 FY 2011/12, approximately 100% of the approved funds were released to Q4 FY 2011/12. Of the released funds, 98% were absorbed over the course of the financial year

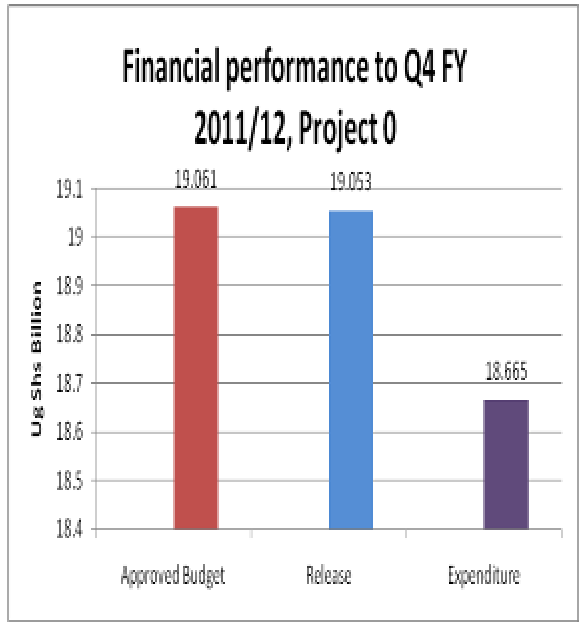
**Fig 3.3.5** **Fig 3.3.6**

[98] MEMD *Ministerial policy Statement FY 2011/12* (Kampala 2011)

[99] Ibid

[100] GoU expenditure on 0331 as proportion of GOU expenditure on vote 017






*Source: IFMS data 2012*

Output 030103 "Renewable Energy Promotion" received17.5% and output 030104 "Increased Rural Electrification" received 58.7% on project 0331 by the end of FY 2011/12[101]

**Physical Performance**

**Output 030103: Renewable Energy Promotion (Q3, Q4)**

There are a number of renewable energy projects that have been completed bringing the total to 68.5MW to the national grid[102]. Those that were reported to be in the final stages of development included; Buseruka (9MW), Nyagak (3.5MW) and Maziba (1MW) which were planned to be commissioned in the first half of FY 2011/12.

Table 3.3.4 outlines the planned activities under output 030103 for FY 2011/12 as outlined in the quarterly work plan. The physical performance observed during Q4 monitoring is summarized against planned activities. Overall, physical performance was fair.

**Table 3.3.4: Summary of Physical Performance of Output 030103: Renewable Energy Promotion**

| 2011/12 work plan planned outputs | Physical performance observed at Q4 FY 2011/12 |
|---|---|
| GoU equity investment into WENRECO for the completion of construction of Nyagak under KfW funding | Nyagak complete, commissioned and supplying power to Paidha and Nebbi. There were technical issues with transmission network in Arua that hindered the district from |

[101] MFPED *IFMS data* (Kampala 2012)

[102] MEMD *Ministerial Policy Statement 2011/12* (Kampala 2012)

| | |
|---|---|
| | having power |
| Rehabilitation of Maziba Mini hydro under KfW funding in progress. | Rehabilitation not yet taken off. |
| Buseruka (9MW) commissioned | Buseruka in advanced stages of completion |

*Source: MEMD quarterly work plan FY 2011/12; discussions with MEMD officials; Field findings.*

**Table 3.3.5: Physical Performance of Hydro Power Plants**

| Approved cost of works | Planned Works | Physical performance FY 2011/12 |
|---|---|---|
| **Nyagak hydro-electric Plant** | | |
| Initially approved cost for civil works was USD 6.7 million dollars but due to the additional rock, cost was revised to USD 8.2 million<br>Cost of electromechanical works ; Euros 1.4 million (approximately USD 2.06 million)[103]<br>Total Cost of works; USD 10.26 million | Completion of 3.5 MW capacity hydroelectric plant<br>(2x1.75 MW turbines)<br>Start date for previous contract was October 2006. The new contract started in October 2010.<br>Primary Contractor: WENRECO<br>Civil works- Spencon Services Ltd<br>Electro-Mechanical works- VS Hydro | Works at Nyagak commenced in October 2006 but there were delays attributed to unanticipated rock which eventually led to financial difficulties on the part of the primary contractor, WENRECO. As a result works were completely halted on site by 2009.<br>WENRECO secured a new financial package with funding from KfW and GoU works resumed on site in October 2010.<br>Expected completion date was 31st July, 2011 but got an extension for November 2011. In January 2012, it was realized that the headrace was leaking so another extension up to August 2012 was requested for.<br>The plant was completed on 31st July 2012 and started generating power on 2nd August 2012.<br>Power has been taken to Nebbi district and Paidha town. Arua district had not yet received power due to some faults on the transmission line.<br>The contractors were in the |

[103] Calculated at a base price of 1 Euro=Ug Shs 3,350; I USD=Ug Shs 2,275 (19th October 2012)

| Approved cost of works | Planned Works | Physical performance FY 2011/12 |
|---|---|---|
| | | process of handing over to WENRECO. |
| **Buseruka Hydropower Plant** | | |
| Contract Amount USD 39 million<br>Funders are ADB and PTA bank. | Buseruka (9MW) commissioned<br>(3x3MW turbines)<br>Primary Contractor- Hydromax Limited<br>Civil Works - Dott Services Limited<br>Electromechanical Works- Flovel Energy (PVT) Limited | The project started in October 2008. Expected completion date was moved from June 2012 to September 2012 (although this appeared unrealistic as there was a lot of civil works still going on.)<br>Progress as reported by contractor on site:<br>Dam/ weir - 90%<br>Power channel - 100%<br>Distilling basin -98%<br>Fore bay -100%<br>Penstock lane -98%<br>Anchor blocks -95%<br>Power house -98%<br>Tail race -98%<br>Overall - 95%<br><br>Expected commissioning date was 28th September but this was not likely to be achieved |

*Source: Field Findings*

*Dam construction at Nyagak HPP Complete and 2x1.75MW turbines at Nyagak HPP*

*Ongoing construction works and alignment of penstocks at Buseruka*

## Challenges

Unanticipated hard rock encountered at Nyagak and Buseruka (Mini Hydro Power Plants), which partly led to cost and time overruns. The heavy rains also slowed down the completion of both plants. Nyagak MHPP in particular over delayed. It was initially scheduled to be complete by June 2009 and has always been behind schedule during previous monitoring visits.

The installation capacity of Nyagak Hydropower plant is 3.5MW. Only 1.4MW is being used for Nebbi, Paidha and Arua which leave 1.9MW unutilized. Some of the balance could be used to power Pakwach, their closest district which is not connected to the grid.

Other reasons that led to delays on the part of Buseruka include;

- Late arrival of the foundry machine (Pipe bending machine). There is only one machine in the country, and it is located in Lugazi, Buikwe district that could not bend penstocks of more than 32mm thickness and therefore another machine had to be imported.
- Delays in funds releasing process from ADB and PTA.

- Hima cement factory, which was supplying cement to the power plant, broke down from January to April 2012. This put the civil works to a standstill.
- Limited skilled labour. Some of the workers who had been trained have subsequently left the company. Consequently, this has bogged down the construction process.

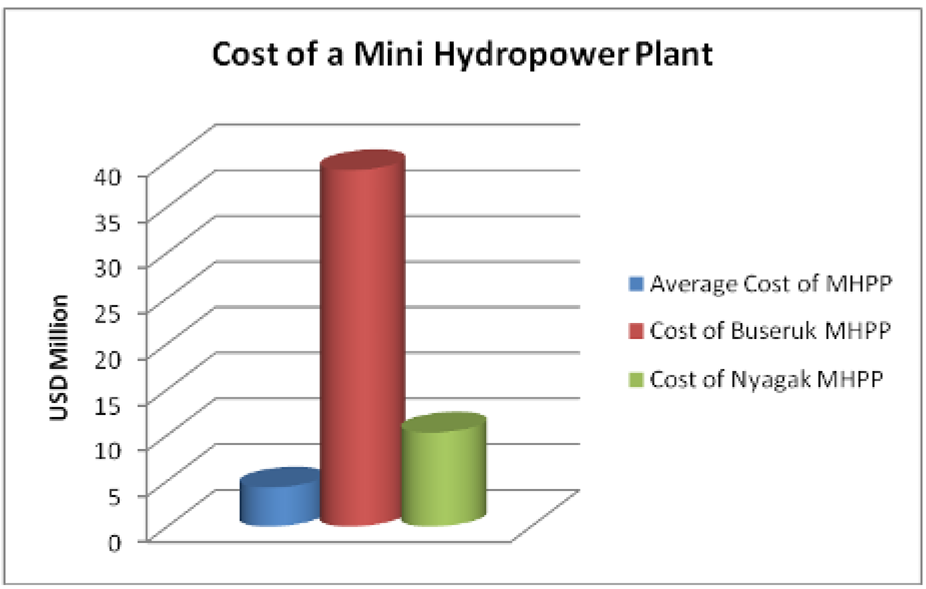
**Operational Efficiency of Small Hydroelectric Plants**

**Box 3.3.1**

Operational Efficiency refers to delivery at the lowest possible unit cost. The costs for the small mini hydro ranges between USD 3.5 million to USD 5 million[104]

As shown in the figure 3.3.7 below, the total Cost of works for Nyagak Mini Hydropower Plant was USD 10.26 million and the cost of works for Buseruka MHPP was USD 39 million. Given that both plants operate at a cost which is far greater than the average cost (that is UDS 3.5 to 5 million), this indicates poor operational efficiency.

**Fig 3.3.7**




*Cost of Mini Hydro Plants extracted from MPS 2011/12*

**Output 030104: Increased Rural Electrification Component**

The Ministerial Policy Statement reported completion of about 50 power lines by the end of FY 2011/12[105]. A sample of 18 lines was selected[106] in FY 2011/12 (refer to Q2 and Q3 monitoring

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[104] MEMD *Ministerial Policy Statement 2011/12* (Kampala 2012)

[105] MEMD *Ministerial Policy Statement* (Kampala 2011)[87]

[106] BMAU sample was small due to limited time and finances available for monitoring work.

reports). In Q4, the team reviewed progress on 8 power lines. Lines visited were in the districts of; Hoima, Kyankwanzi, Ibanda, Kamwenge, Buikwe, Mukono and Kayunga. Two of them were at completion stage, 5 were complete and commissioned; while 1 (Migrera-Nyakitoma) line was complete but not yet commissioned.

**Table 3.3.6: Power lines under Rural Electrification project**

| Approved Cost of works | Planned outputs | Observed Physical Performance |
|---|---|---|
| **Buseruka small hydropower plant interconnector to Hoima (Hoima district)** | | |
| Ug Shs 4.9 billion.<br>Expenditure to date is about half of the contract amount.<br><br>GoU funded | Completion and commissioning of Buseruka small hydropower plant interconnector to Hoima<br>Scope of work<br>Construct 33KV line in about 8 trading centers<br>46km- HV power line<br>10km- LV power line<br><br>At the substation, the contractor is expected to install a circuit breaker; metering unit with a line isolator. At every transformer, there must be isolation facilities.<br><br>Number of transformers<br>(1x200KVA transformer)<br>(1x100KVA transformer)<br>(1x50KVA transformer)<br>(1x25KVA transformer)<br><br>Start date 11th May 2011<br>Completion date: January 2012<br><br>Contractor: Utility Engineering Services | Works commenced in May 2011 and construction still ongoing (Off target)<br>According to the contractor, works are 90% complete. Erection of poles and stringing is almost complete.<br>With the recent discovery of oil, petroleum exploration activities are ongoing in Hoima. As a result, the population in Hoima is growing and occupants are starting up businesses. It is therefore likely that the demand for power will be very high.<br>The project was supposed to take 9 months but there were delays. The contractor expected to complete by the end of October 2012.<br>(Find challenges as discussed in Key policy issues) |
| Bujwaha-Bulyango and Migyera-Nyakitoma<br>Bujwaha-Bulyango Ug Shs 509,402,365 | **Bujwaha- Bulyango**<br>Construction of works complete<br>HV- 14 Kms<br>LV- 9 Kms<br>(2x 50 KVA transformers) | The project started in June 2010 and was commissioned in March 2012. The line is now under operation by UMEME<br>Works were not completed according to schedule<br>There were about 20 domestic customers |

| Approved Cost of works | Planned outputs | Observed Physical Performance |
|---|---|---|
| GoU Funded | (1x 315 KVA transformer)<br>Works commenced in May 2010 and intended completion date was February 2011.<br>Contractor: Omega Construction | and 1 commercial customer connected to power.<br>In total, the amount that a customer pays for power includes;<br>Security deposit- Ug Shs 100,000; Capital contribution for the pole- Ug Shs 326,000. For no pole, security- Ug Shs 100,000; Capital contribution – Ug Shs 98,000.<br><br>According to UMEME official;<br>The line stopped when some people were untapped<br>Fewer transformers were installed leaving some trading centers untapped<br>Some poles were erected without connecting them to the grid. To him, it would have been important to only erect a pole which was going to be energized. |
| Total Cost Ug Shs 1,221,403,265 | **Migyera-Nyakitoma**<br>Construction of works complete<br><br>HV - 26.5 km<br>LV – 10 km<br><br>(2x50KVA transformers)<br>(2x100KVA transformers)<br><br>Contractor: Omega Construction Limited | Works commenced in January 2011 and was expected to complete in February 2012. This deadline was then extended to March 2012. The power line was complete and awaiting commissioning<br><br>UMEME informed the monitoring team that the UMEME monitoring team established that the line had been energized without UMEME giving them a notice to shut down. This prompted UMEME to disconnect power from the line<br><br>UMEME is waiting for a communication from REA that the line is complete then they can inspect the line.<br><br>According to a communication from REA to one of the UMEME officers, the contractor had failed to correct snags identified during pre-commissioning. REA has on several occasions advised UMEME to open jumpers at Migyera and isolate the entire line until commissioning is done.<br><br>UMEME has received several applications |

| Approved Cost of works | Planned outputs | Observed Physical Performance |
|---|---|---|
| | | from domestic users and some companies that would like to start tapping power from the line. There is a fear that people supposed to receive power from the Migrera-Nyakitoma line might start rioting if it takes long to be energized. |
| Kakumiro-Birembo-Nalweyo; Bukwiri-Kyankwanzi, Kayunga-Busana<br>Ushs 9.481 billion (GoU funded) | **Bukwiri-Kyankwanzi**<br>Construction works complete and commissioned<br>HV- 37.3Kms<br>LV- 9.7Kms<br><br>1x25 KVA(transformer)<br>2x50 KVA(transformers)<br>1x100 KVA(transformer) | Works commenced in August 2010 and the intended completion date was November 2011.<br>Works are complete and commissioned.<br>The team noted a problem with the line.<br>At the beginning of the line, the wires are low and hanging. This does not allow vehicles with bulky load, carrying mattresses, or tobacco to pass well. In addition, the road is going to be an "oil road" to Hoima with many loaded trucks passing the line. |
| | **Kayunga - Busana**<br>Construction works complete and commissioned<br>HV- 23.4Kms<br>LV- 16.361Kms<br><br>3x 50 KVA(transformers)<br>2x 200 KVA (transformers)<br><br>Start date: August 2010<br>End date: November 2011 | The line is a tee-off and taps power from the main line at Kayunga-Bbale<br>Works are complete, commissioned and handed over to UMEME.<br>The transmission line is serving 5 trading centers |
| Ibanda-Kabujogera-Kamwenge and Muhanga-Kamwezi<br>Contract Amount: Ug Shs 8.541 billion<br>GoU Funded | **Ibanda-Kabujogera-Kamwenge**<br>Works are complete, awaiting commissioning.<br>HV – 86.1Kms<br>LV- 50Kms<br>17x50 KVA (transformers)<br><br>Contractor: Meridian Sales and Services Limited<br><br>Start date: August 2010 | The line starts at Kagongo in Ibanda and runs up to Kamwenge.<br>Works were in advanced stages of completion (96% complete).<br>The power line was supposed to be complete by February 2012 but there were delays caused by late procurement of materials as REA was not paying the contractor on time, and the adverse weather conditions. The other critical reason was the delay by UMEME to grant contractors a power shutdown to enable interconnection on the existing network |

| Approved Cost of works | Planned outputs | Observed Physical Performance |
|---|---|---|
| | End Date: November 2011 | |
| Mayanja-Kalenge-Nyanja; Kapeka-Wakinoni; Wakisi-Dekabusa; Kikubamutwe-Nankwanga; Kisoga-Kiyola-Katete<br>Contract Amount: Ug Shs. 5.094 billion | **Kikubamutwe-Nankwanga**<br>Works complete and commissioned<br>HV- 0.08km<br>LV- 2.149kms<br>(1x50KVA transformers) | The line starts at Nankwanga village<br>The project started in October 2010 and intended completion was October 2011.<br>The project was completed and commissioned in January 2012.<br>Five households had been connected to the grid by the time of monitoring. |
| | **Wakisi-Dekabusa**<br>Works complete and commissioned<br>HV- 2.441Kms<br>LV-4.624Kms<br>2x50KVA (transformers) | Works were completed, commissioned and handed over to UMEME |

*Source: Field findings*

*315KVATransformer on the Bujwaha-Bulyango line and Bukwiri-Kyankwanzi line*

*Trading center likely to connect to power on Ibanda-Kabujogera-Kamwenge line*

**Challenges**

**Buseruka Interconnection Line**

The community was not clearly sensitized about procedures of compensation on the way leaves. The community thinks they must be compensated before destruction. They do not allow the contractor to cut any tree before they are compensated. The land owners filled compensation forms but they are not aware that the valuer is different.

REA has done the surveys about 3 times but they had to relocate the line from the "mvule" trees because the owner could not allow a line to pass through the forest without government compensating him.

**Bukwiri-Kyankwanzi line**

The lines are located in remote areas where most people do not know about power and its use. The lines are energized but people do not know. In other instances, people are "waiting" for government to connect them. They think its government to pay for initial connection costs like; Security deposit and capital contribution. They are just waiting for power and then pay. In that case, very few connections have been made. Also, due to issues of affordability, there are about 40 connections on the whole line. One of the transformers has only 2 people. This leads to energy loss.

The first transformer is a distance of about 20Kms to the next and yet there is a highly populated area with a health centre, school and administrative structures (for example St. Balikudembe HC11, St. Kizito Primary School). The nearest transformer to this area is 50KVA with no existing LV network.  In such an area, there is need for a transformer of at least 100KVA and installation of more poles on the line.

The biggest percentage of wiring on the line is single phase. Only Lubiri Trading Center (TC) has got a 3 phase.  This over loads the transformer; so to re-enforce the system, there are more costs involved. UMEME suggests that it is best to have 3 phase wiring to take care of any unexpected demands.

The transformer Nyankwanzi HC111 has got a 3 phase transformer but the wiring is single phase. According to UMEME, it is misuse of resources. UMEME wondered whether it's the budget that limited the contractor from doing proper installations or the contractor did not know what they were supposed to do.

### 3.3.3: Petroleum Exploration, Development and Production

Total development budget for Vote Function 0303 was Ug Shs 34.041 billion. This represents about 2.5% of total energy sector budget. Despite the small proportion of GoU expenditure received, petroleum exploration and development has the potential to be critically important to the future of Uganda's economic development. The vote function monitors all petroleum explorations in the country for the exploitation of petroleum resources in an economically and environmentally friendly manner.[107]

The key objectives of the vote function include;

- To promote and monitor petroleum exploration, development, production and value addition by the private sector for local consumption and export
- To carry out general and specialized manpower training, retention of national expertise and strengthening capacity of institutions responsible for the oil and gas sector.
- To review and put in place modern policies and legislation that offer a conducive business environment
- Develop a communication strategy for the oil and gas sector
- Ensure national participation in oil and activities
- Develop regional initiatives for oil and gas development
- Ensure that oil and gas activities are undertaken in a manner that conserves the environment and biodiversity.

It is estimated that the discoveries made to date can support production of over 100,000 barrels of oil per day (BOPD) for 25 years and are therefore sufficient to implement large scale refining in the country[108] The oil reserves are currently estimated to be 3.5 billion barrel.[109]

BMAU Q4 monitoring provides an update on;

i. Output 030303: Promotion of a country's petroleum potential and licensing
ii. Output 030304: Monitoring Upstream petroleum activities
iii. Project 1184: Construction of Oil Refinery

**Physical Performance**

Table 3.3.4 updates physical performance on the oil and gas sector as observed during Q4 monitoring.

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[107] MFPED *Public Investment Plan FY2010/11-2012/13 (Kampala 2010)*

[108] MEMD *Ministerial Policy Statement FY 2011/12* (Kampala 2011)

[109] Figure not yet officially quoted. Interview with Commissioner Refinery

**Table 3.3.7: Physical Performance of oil and gas sector**

| Planned outputs FY 2011/12 | Physical Performance Q4 2011/12 |
|---|---|
| Output 030301: **Promotion of the country's petroleum potential and licensing** | Licensing has been done in Block A, 1A (Pakwach area, North of R.Nile); block B, and C.<br>A block was originally run by Heritage Oil and had made discoveries in the area. Total, the French oil company is currently doing appraisal in the area and carrying out further exploration in areas not discovered.<br><br>Block B is Bulisa area where Tullow is carrying out drilling operations. The company was carrying out drilling operations in Waraga 11 exploration area during the monitoring visit.<br><br>Dominion drilled in Block 4B (Lake Edward area but did not discover oil<br>Block C is run by CNOOC, a Chinese company but not so much activity is going on. Exploration was carried out in Ntoroko district but there was no oil. The company is now carrying out restoration of the environment. |
| 030304: **Monitoring Upstream petroleum activities** | **Kaiso- Tonya region**<br>This region has got a number of oil wells that have been drilled since exploration started in 2006. They are either discoveries[110] or appraisal wells[111]; The total number of discoveries are 4 (Nzizi, Mputa, Waraga, Ngasa). The total number of appraisal wells is 8 (Mputa 2, 3, 4, 5; Ngasa 2; Waraga 2; Nzizi 2; and Nzizi 3). All these wells have encountered oil save Nzizi 2 which has gas.<br>During FY 2011/12, only Waraga 2 was drilled in the Kaiso- Tonya region.<br><br>**Bulisa Region**<br>The areas that have been drilled include; Kasamene 1,2,3,3A; Kigogole 1,2,3,4,5,6; Ngege 1,2,3,4,5,6,7; Nsoga 1,2,3,4; Wairindi 1; Ngara 1 and Awaka 1. All the wells encountered oil save Awaka 1 which was dry.<br>During the monitoring visit, Nsoga 4 was being drilled<br><br>Pakwach Basin<br>The areas that have been drilled in this area include; Jobi East 1,2,2A,2B,3,4,5; Jobi 1,2,3,4; Ri 1; Guny 1<br>12 wells were successful and only 1 well was dry.<br>During the monitoring visit, Total was carrying out testing in Jobi 4 to establish the thickness and quantity of the reservoir.<br>Other activities that Total was carrying out in the area include;<br>Seismic surveys in Lyic and Raa in Murchison Falls National Park. Seismic an activity that provides an underground map of the layers of the rock that are |

[110] A discovery well refers to a well that is drilled first

[111] Drilling of additional wells to establish the extent of the resource deposit

| Planned outputs FY 2011/12 | Physical Performance Q4 2011/12 |
|---|---|
| | below the surface. From this map, potential hydrocarbon bearing areas are identified and a well site provisionally selected to drill.<br>Interfacing with the public in terms of sensitization of the local people about Total activities and compensation of local people for their property destroyed during seismic surveys[112]. Using the Global Positioning System (GPS) technology and paying those affected 15% over their compensation has left every compensated farmer satisfied. |
| 030305: **Develop and implement a communication strategy for oil and gas in the country** | PEPD is conducting talk shows to inform the public about what is happening in the oil and gas sector |

***Source: Field Findings***

*Drilling operations at Waraga II, suspended appraisal well at Mputa V and Containerized Crude oil at Kasemene 1 Oil well*

[112] To a ... gy is used to provi ... y pay the rightful person an estimate of the crops damaged plus 15% of the compensation for purposes of having a good relationship with the local communities.

**Corporate Social Responsibility from Tullow Oil**

**Box 3.3.2**

Tullow Oil also has a comprehensive Corporate Social Responsibility (CSR) initiative covering education, health, infrastructure, environment and enterprise development. The team visited Kaiso P/S, Buliisa HC 4, and Buliisa District Community Resource Centre *but as a whole, Tullow Oil, under its CSR has so far constructed two health centers (Sebagoro and Kyehoro) and two primary Schools (Kyehoro and Kaiso) in Hoima; and Buliisa health centre 1V and Buliisa Community Hall in Buliisa district.*

Construction of new facilities for Kaiso P/S started in 2010. It is a legacy project that Tullow Oil took over from Heritage. The project is almost complete. Remaining works include paving of the compound and erection of the fence. The school has accommodation facilities as well. The school is currently enrolling about 400 pupils. It is likely that this number will increase with the construction of new facilities. Total cost of construction is USD 0.836 million.

Construction of Buliisa HC1Vwas started in 2011 and completed in June 2012. It was a Public Private Partnership. Tullow constructed 6 nurses and 2 doctors' houses, general ward, maternity ward, outpatient department and theatre. It is likely that it will serve as a district hospital as it has the necessary facilities. Total cost was about USD 1.2 million. It is not yet operational as government has not yet recruited staff.

Buliisa Community Resource Centre started in 2010. The scope included; providing the structure; internet services, both wireless and cable infrastructure. Civil works and internet cable installation is complete. Remaining works include installation of computers for community use.

*Tullow CSR: New facilities for Kaiso P/S   and  Tullow CSR: Buliisa HC1V*

**Challenges**

Tullow had delays mobilizing the rig from Kanwataba. They were supposed to use road transport but the road was not in good condition and the rig is heavy. So water transport was used which is slow and yet hiring a rig is very expensive[113].

**Project 1184: Construction of Oil Refinery**

Oil cannot be produced in commercial volumes until there are customers to purchase it, pipelines to transport it and facilities to refine it. Government therefore took a decision to build an oil refinery as part of its strategy for the development of the oil and gas industry.[114]

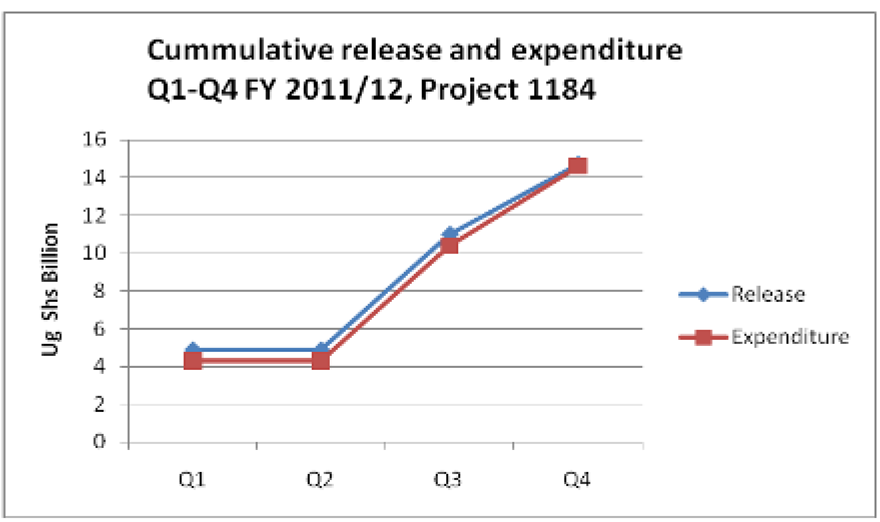
The objectives of the project are;

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

**Financial Performance**

As shown in figure 3.3.7, approximately 100% of GoU approved budget had been released by the end of FY 2011/12, and of the released funds, about 99.6% had been absorbed.

**Figure 3.3.7:**




[113] A rig is paid on a daily basis (between USD 150,000- USD 200,000)

[114] MFPED *Background to the Budget (Kampala 2012)*

**Physical performance**

**Table 3.3.7: Performance of project 1184; Construction of Oil Refinery**

| MEMD planned outputs for 2011/12 | Physical performance as observed by monitoring team. |
|---|---|
| Land acquired for the refinery and supporting infrastructure | Land of about 29sq kms (5,000 acres) was acquired in Kabaale sub county, Hoima. |
| Resettlement Action Plan (RAP) for the oil refinery project completed | RAP maps are displayed at the district, sub counties and villages to establish if there are any mistakes. The Central Government Valuer was visiting these areas. The title was going to be in the names of Uganda Land Commission |
| Baseline Environmental Survey for the oil refinery Project undertaken | A baseline environment survey was carried out to establish how the virgin environment was before.<br><br>Other studies were being carried out to establish;<br>• How to get the crude oil<br>• Pipeline study for products from the refinery in terms of accessing the market that they envisage<br>• Logistic study to understand the route |

*Source: Interaction with PEPD officials*

### 3.3.4: Key Policy Issues and Recommendations

1. **Land compensation issues continue to cause delays in project implementation.** On the Ibanda-Kazo-Rushere line; the local people were refusing the contractor to erect poles in their compounds unless REA compensates them. According to the contractor, the local people were informed by REA that compensation of affected people was for tree clearance and destruction of their crops where the line was going to pass, but not for pole erection. It is likely that the local community did not understand that the RAP package included erection of poles where the contractor deems it fit. On the Ayer-Kamdini-Bobi line, the locals in Atapala TC were resistant when the contractors started tree cutting as they had not been compensated for pole erection. Under the Buseruka Interconnection Project, the community believes they must be paid before destruction of their property. They have prevented the contractor from cutting any tree before they are compensated.

**Recommendation**

**REA should intensify its sensitization efforts to the population in affected areas about government policy on compensation and procedures of compensation before project**

**commencement. This enables timely project execution by contractors and maintains relationships with the local community.**

**There is also need for REA to compensate the project affected persons in time.**

2. **Majority of the locals do not appreciate the importance of power**. As a result, they feel it's a bother for REA to destroy their property and to have poles erected on their land. In areas where the ERT project and Rural Electrification programs are being implemented, the locals view these projects as useless to them (Ibanda-Kazo-Rushere). On the Bukwiri-Kyankwanzi network, the UMEME official noted that some people on the line do not know about power and its use.

**Recommendation**

There is need for REA in partnership with UMEME to sensitize local people about the importance of the power. This will enable the community cooperate with the contractor in executing their work.

3. **The locals are not aware about proper channels of power connection.** About 4 to 5 people reported to contractors that they had given money to workers to give them power. Contractors reported that workers on the line are temporal, can have their contracts terminated and may leave the area with locals money when the project is complete.

**Recommendation**

REA in partnership with UMEME should sensitize local people about the proper channels of power connection

4. **Power connections are unaffordable.** On most of the power lines visited, people are "waiting" for government to connect them. They think government will pay for initial connection costs like; security deposit and capital contribution while their part is to pay for the electricity alone. Due to this, few connections have been made. On the Bukwiri-Kyankwanzi line, there are about 40 connections due to issues of affordability. One of the transformers has only 2 people connected.

**Recommendation**

Government should cover the initial wiring costs and only have the customer pay the bills

5. **Unanticipated hard rock discovered at Nyagak and Buseruka MHPP, which partly led to cost and time overruns.**

**Recommendation:**

There is need for government to carry out proper geological investigations before handing projects over to contractors

6. **Under utilization of power generated at Nyagak MHPP, yet many areas are not accessing power in the greater West Nile region.** The installation capacity of the power Nyagak Hydropower plant is 3.5MW. Only 1.4MW is being used for Nebbi, Paidha and Arua leaving a balance of 1.9MW unutilized and yet Pakwach and other areas in the greater West Nile region are not accessing power.

**Recommendation**

There is need for REA to put in place transmission infrastructure to connect to Pakwach district and other areas which are in total "darkness".

7. **Low levels of coordination among government institutions and other relevant service providers**. Delays on the Buseruka Interconnection project were partly due to low levels of coordination between REA and UNRA. The team noted that the contracted company for the construction of the line had completed erection of the poles in some sections of the line route. Afterwards, UNRA informed them that the line under construction was in the road reserve. The relocation led to further delays

**Recommendation**

Before any new line is constructed in any area, REA and other service providers like UNRA, Water, and Communications should work as a team as they all go through the way leaves procedures.

8. **Inadequate capital for project execution by local contractors**. Most of the local contractors like Utility Services Limited have technical expertise but with financial constraints. This is partly one of the reasons for delays.

**Recommendation**

To encourage more small firms to enter the market, REA should work hand in hand with the bankers of the contracting firms, to use their contract document as their security to enable them complete the project on time.

## 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, monitoring and evaluation of the overall health sector performance[115]. 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 114); Uganda Heart Institute (vote 115); 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' development 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, as well as general hospitals and health centre's (levels II, III and IV)[116].

In addition to the general hospitals which are managed at the district level, there are 13 Regional Referral Hospitals[117] (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[118].

The total estimated budget for FY 2012/13 is Ug Shs 845 billion for the health sector (inclusive of donor funding, after tax and arrears adjustments). This represents almost a 6% nominal increase on FY 2011/12, where the total approved budget for the sector was Ug Shs 799 billion.

Of the Ug Shs 799 billion total approved budget for FY 2011/12, 28% was 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[119].

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[115] See *Health Sector Strategic and Investment Plan 2010/11-2014/15;* page 3

[116] Ibid

[117] Naguru is an additional RRH which will receive funding from FY 2012/13

[118] See *Health Sector Strategic and Investment Plan 2010/11-2014/15;* page 3

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

**Scope of the report**

This report reviews progress achieved in health sector development projects at end of FY 2011/12. Monitoring captured development funds released to the votes in FY 2011/12 and Q1 FY 2012/13. The vast majority of hospitals and districts were at the procurement stages for FY 2012/13 activities and physical progress has not yet begun. Challenges noted include issues relating to PHC development and recurrent funds. Table 3.4.1 summarises the projects monitored by BMAU during FY 2011/12.

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

| Vote | Project | Locations |
|---|---|---|
| **Q1 FY 2011/12** | | |
| *No monitoring activities during this quarter.* | | |
| **Q2 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 | Apac, Busia, Kabale, Kabarole, Kamewenge, Kyenjojo, Lira,Mbale, Ntungamo |
| **Q3 FY 2011/12** | | |
| 114: Uganda Cancer Institute | 1120: Uganda Cancer Institute Project | Kampala |
| 115: Uganda Heart Institute | 1121: Uganda Heart Institute Project | Kampala |
| 163 - 175: Regional Referral Hospitals | 1004: Rehabilitation Regional Referral Hospitals | Masaka, Gulu, Arua, Jinja |

| | | |
|---|---|---|
| 501 – 850: Local Governments | 0422: Primary Health Care Development Grant | Adjumani, Arua, Gomba, Gulu, Iganga, Jinja, Kamuli, Masaka, Namutumba, Nebbi, Oyam, Sembabule, Yumbe |
| **Q4 FY 2011/12** | | |
| 014: Ministry of Health | 0216: District Infrastructure Support Programme | Kapchorwa, Masafu |
| 163 - 175: Regional Referral Hospitals | 1004: Rehabilitation Regional Referral Hospitals | Gulu, Lira, Mbarara |
| 501 – 850: Local Governments | 0422: Primary Health Care Development Grant | Adjumani, Amuru, Apac, Busia, Dokolo, Gulu, Ibanda, Isingiro, Kamuli, Kole, Lira (district and municipality), Mbale, Mbarara (district and municipality), Namutumba, Nwoya, Oyam, Sembabule |

**Methodology**

In line with the output based budget structure, this report aims to verify whether planned outputs in the health sector annual work plan have been achieved.

The report considers financial and physical performance for each of the development projects monitored at end of FY 2011/12. Financial performance looks at the absorptive capacity by local government and hospitals of GoU funds for the projects and specific outputs considered. The GoU release performance for capital development funds to each vote was also reviewed. Financial data is sourced from MoFPED Integrated Financial Management System (IFMS) and field observations from local governments and hospitals.

Physical performance is the extent to which annual work plan outputs have been achieved on the ground. Annual work plans are provided in *Performance Form A* for central government projects and in *Performance Form B* for local government projects. To verify physical performance, information is collected during field visits through 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 PHC development expenditure as possible is monitored during the course of the financial year. Districts are selected so that as many regions of Uganda as possible are sampled throughout the year. During Q4 of FY 2011/12 seventeen districts, two municipalities, two general hospitals and three regional referral hospitals were monitored. All sites apart from the following had been monitored at least once already in FY 2011/12: Amuru, Nwoya, Dokolo, Kole, Ibanda, Isingiro, Mbarara (district and municipality) and Lira municipality.

**Limitations**

- Financial constraints mean that not all outputs in the health sector can be monitored during the financial year. Districts are sampled to ensure regional representation.
- On a number of 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 necessary information.

- The BMAU team had a limited amount of time in each district to monitor the PHC development and PRDP grants. As many activities were monitored at each district/municipality as possible however where several activities were being implemented at various health centres in a district, at least two sites were visited, and when time allowed more were monitored.

### 3.4.2 Vote 014: The Ministry of Health

Total approved budget for the Ministry of Health (vote 014) for FY 2011/12 was Ug Shs 207.7 billion[120]. This represents a nominal funding increase of around Ug Shs 100 billion from FY 2010/11. The mission of the Ministry of Health 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"[121].

**Vote Function: 0802 Health Systems Development**

BMAU monitoring activities during FY 2011/12 focused on the Health Systems Development vote function. Health Systems Development is the largest vote function under vote 014. The vote function budget for FY 2011/12 was Ug Shs 120.6 billion[122]. This represents a funding increase of over Ug Shs 90 million from FY 2010/11. This increase can be explained mainly by the additional donor funds allocated for the Health Systems Strengthening project (1123) and the Rehabilitation and Equipping of Health Facilities in the Central Region project (1186). The Health Systems Development vote function represents approximately 58% of the entire vote

[120] Draft estimates of revenue and expenditure FY 2012/13; figure includes on-budget donor support and after tax and arrears adjustments

[121] Ministerial Policy Statement FY 2011/12

[122] after taxes and arrears including donor

expenditure (after taxes and arrears). The strategic objective of vote function 0802 is to enhance the functioning of health facilities by improving the infrastructure and strengthening the leadership and management in several areas including procurement[123]. The District Infrastructure Support Programme (0216) under the Health Systems Development vote function (0802) was monitored and findings are detailed below.

**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[124]. Implementation of the District Infrastructure Support Programme is directly done by the MoH. For FY 2011/12 renovation work under the District Infrastructure Support Programme was scheduled in the following hospitals: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo[125].

The team monitored progress of hospital renovation works under the Districts Infrastructure Support Programme in the following hospitals in Q2 of FY2011/12: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo. Both Masafu and Kapchorwa were again monitored in Q4 of FY 2011/12. The progress of the renovation work at each hospital monitored is detailed below in table 3.4.2.

### Financial Performance

Total approved budget for project 0216 in FY 2011/12 was Ug Shs 4.1 billion[126]. All of this is GoU development expenditure. This represents about 3% of all development expenditure under vote function 0802.

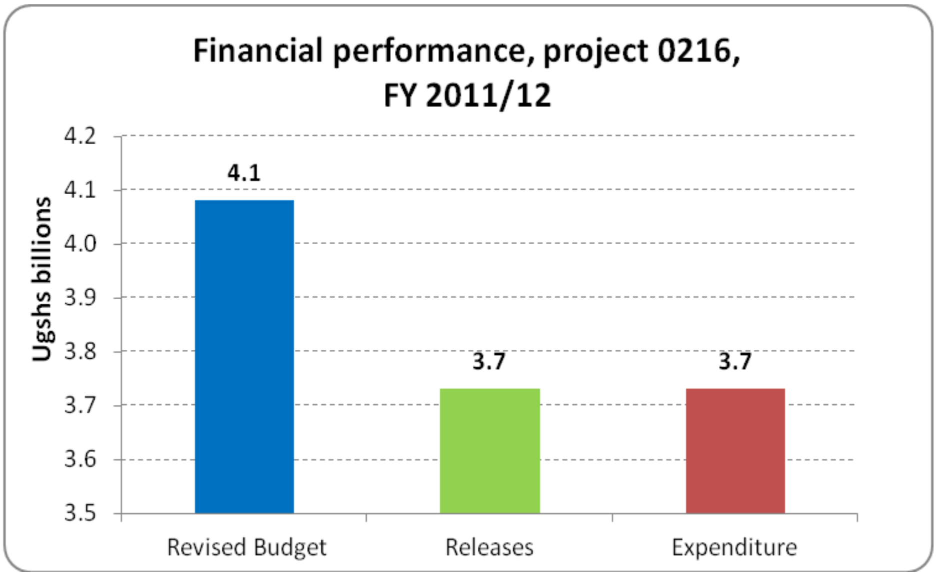
[123] The Public Investment Plan 2012/13-2014/15; page 420

[124] The Public Investment Plan 2012/13-2014/15; page 417

[125] Ministerial Policy Statement FY 2011/12; page 35

[126] before taxes and arrears and including donor

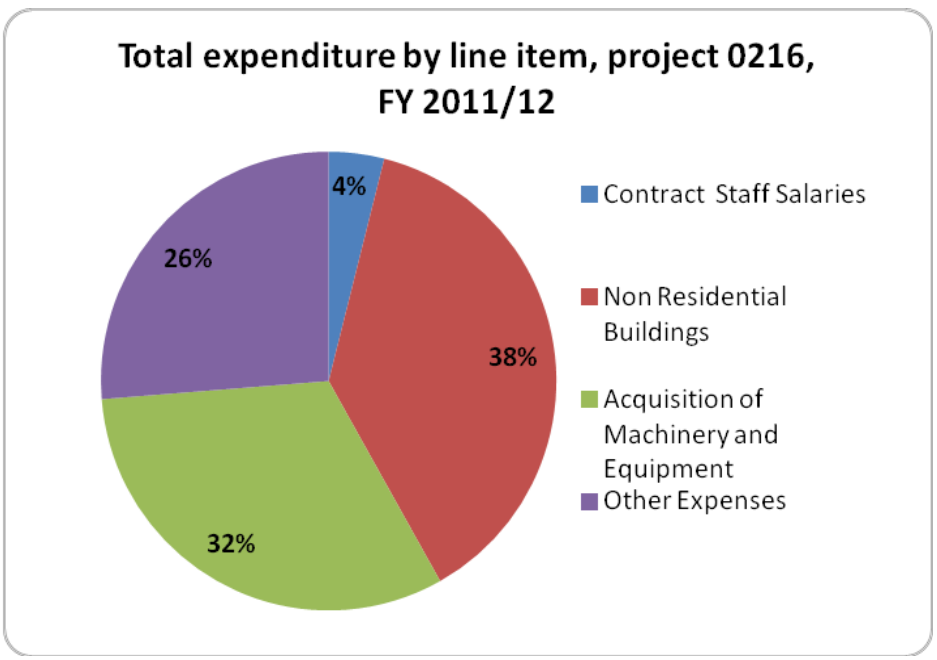
**Figure 3.4.1**




*Source: MoFPED, IFMS data*

Figure 3.4.1 shows the financial performance of project 0216 to the end of FY 2011/12. Expenditure performance is good with 100% of the released funds expended by the end of the financial year. Over 90% of funds to the project have been released by the MoFPED.

**Figure 3.4.2**




*Source: MoFPED, IFMS data*

Figure 3.4.2 shows the composition of expenditure on line items for project 0216 at the end of FY 2011/12 excluding gross taxes.

As depicted, the bulk of the expenditure went on buildings and the procurement of machinery and equipment.

**Physical Performance**

The MoH planned to complete rehabilitation works under project 0216 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 and Q4 of FY2011/12. The team visited all six of sites where activities were planned for FY 2011/12: Apac, Rushere, Nebbi, Masafu, Kapchorwa and Itojo.

Kapchorwa and Masafu hospitals were monitored in Q2 and then again in Q4 of FY 2011/12. At Masafu paving work outside the OPD, the theatre construction and extension of walkways were completed to a good standard although some slight defects have appeared in the paving. At Kapchorwa all activities under project 0216 had been completed to a good standard by Q4 of FY 2011/12. All other sites were monitored once in Q2 of FY 2011/12 and details are given in table 3.4.2. For challenges relating to all six hospitals see section 3.4 of the BMAU Q2 of FY 2011/12 monitoring report.

**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 for all hospitals and in Q4 FY 2011/12 for Kapchrowa and Masafu hospitals |
|---|---|---|
| 08 02 80<br>Hospital construction/ rehabilitation | Apac: Planned work in the paediatric 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 paediatric 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. Building work was contracted to Pancon Engineering Limited |

| | | |
|---|---|---|
| | | Construction of the X-ray unit was completed.<br><br>Extension of the male and female wards was completed.<br><br>Paving of the courtyard was complete<br>Construction of the generator building was complete. |
| | 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 |
| | 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 | Building works were contracted to Pancon Engineering Limited. All activities have been completed and work appears to be of a good standard; except for the paving outside the OPD where there are some minor defects. |

*Source: Ministerial Policy Statement FY 2011/12 – Annex 1 and field observations.*

### 3.4.3 Votes 163 – 175: Regional Referral Hospitals

**Background**

The total approved budget for votes 163 – 175 for FY 2011/12 was approximately Ug Shs 53 billion, which is approximately 6.6% of the total health sector budget. The total annual approved budget for Regional Referral Hospitals (RRHs) ranges from Ug Shs 2.1 billion (Moroto RRH) to Ug Shs 5.9 billion (Mbale RRH)[127]. 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 Hospitals under project 1004 at each hospital monitored. 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[128].

[127] After tax and arrears adjustments

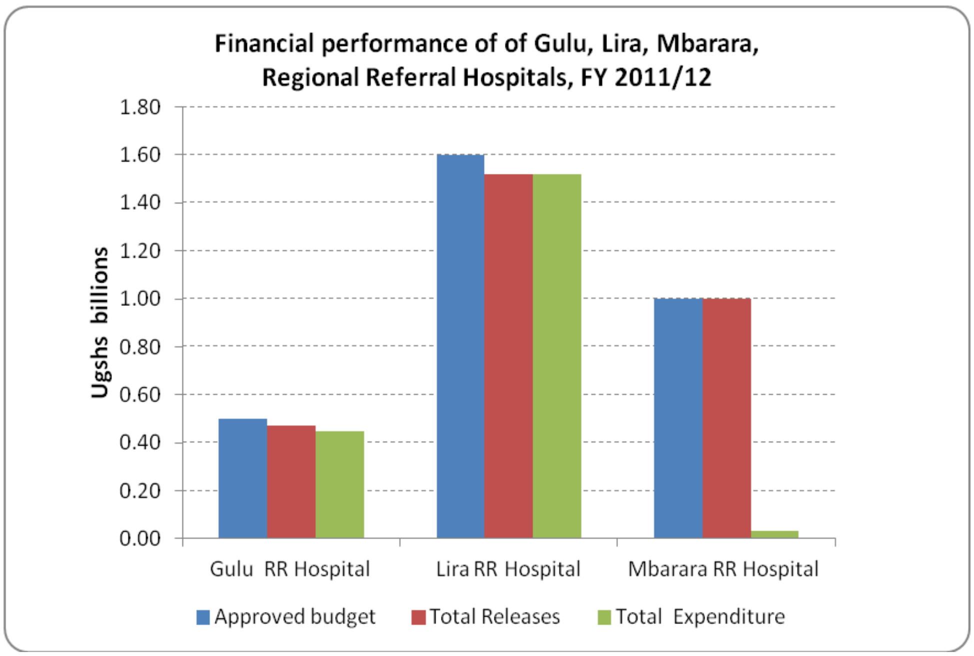
[128] Objectives sourced from MoH Ministerial Policy Statement FY 2010/11.

**Financial Performance**

The annual approved budgets for capital development works ranged from Ug Shs 3.37 billion at Fort Portal hospital to Ug Shs 0.15 billion at Mubende and Moroto hospitals. All three regional referral hospitals monitored in Q4 received over 94% of their approved budget over the financial year. Figure 3.4.3 summarises the financial performance by the GoU for the three regional referral hospitals monitored during Q4 FY 2011/12.

Expenditure performance was good in Lira (100%) and Gulu (95%), in that at least 95% of available funds were spent. Mbarara's expenditure performance was poor as only 3% of funds received were spent in FY 2011/12 although they were all committed to be spent.

**Figure 3.4.3**




*Source: MoFPED, IFMS; field work observations*

Table 3.4.3 shows the dates that each hospital reported they had received the capital development funds in their bank account for each quarter of the financial year. Ideally, funds should be released by Central Government at the start of each quarter (so in July, October, January and April).

In Q1, Q2 and Q3 of FY 2011/12 funds were received in a timely manner before the end of first month of the quarter with the exception being Lira where Q3 funds were received early in the second month. Gulu and Mbarara received Q4 funds half way through the quarter and Lira received its funds earlier, just before the end of the first month.

Funds for Gulu and Mbarara in Q1 of FY 2012/13 were received in August, which is the second month of the quarter. Mbarara received capital development funds in two payments although the reasons for this are unclear. Lira was not able to establish if the funds had reached the account, as the IFMS system was not accessible.

**Table 3.4.3**

| | FY 2011/12 | | | | FY 2012/13 |
|---|---|---|---|---|---|
| | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** |
| Gulu | 28/07/2011 | 31/10/2011 | 07/02/2012 | 11/05/2012 | 10/08/2012 |
| Lira | 28/07/2011 | 28/10/2011 | 01/03/2012 | 30/04/2012 | See note * |
| Mbarara | 28/07/2011 | 31/10/2011 | 07/02/2012 | 11/05/2012 | 10/08/2012<br>24/08/2012 |

* Note: IFMS systems were inaccessible and it is not known if funds have reached the hospital account

**Physical Performance**

At each of the Regional Referral Hospitals visited, the team considered the physical performance of planned outputs as outlined in the *Performance Form A* annual work plans. The findings are detailed below.

**a) <u>Mbarara Regional Referral Hospital</u>**

Three major capital development activities were planned for FY 2011/12. These were a) construction of staff houses, b) construction of drainage system and c) procurement of an administrative vehicle. The staff house project has not commenced and had been rolled forward as a project for FY 2012/13 due to power supply issues causing a location change for the house. For the drainage project, the contractor has stated that the work was completed however the engineer contracted by the hospital disputes this and claims that work was incomplete. Part payment had been made for the project. Lastly, the hospital had a letter of credit and was to pay for the vehicle with unspent FY 2011/12 funds.

Physical and financial performance for the hospital is poor. Physical and financial progress observed during Q4 monitoring is detailed in table 3.4.4.

**Table 3.4.4 Physical performance of outputs monitored at Mbarara Regional Referral Hospital**

| Output monitored | Annual work plan planned outputs | Financial performance (% of contract amount paid) | Physical performance Q4 FY 2011/12 |
|---|---|---|---|
| 085673: Roads, Streets and Highways | Construction of a drainage system | 35% | Contractor claims that work had been completed but this had been disputed by the engineer working at the hospital who believes the work was incomplete |
| 085675: Purchase of motor vehicles and other transport equipment | Purchase of a vehicle | 0% | Waiting for delivery vehicle |
| 085681: Staff houses construction and rehabilitation | Construction of staff house | N/A | Rolled forward to FY 2012/13 |

*Source: Regional Referral Hospitals Annual Work Plans FY 2011/12; field work observations*

*Mbarara Regional Referral Hospital: drainage channel disputed for completion*

**Challenges:**

- Time consuming administrative activities such as audits being carried out on an almost a daily basis by the Inspector General for Government and the Office of the Auditor General. There is an acute lack of administrative staff which means that the Hospital Director carries a disproportionate amount of the workload when attending to all the investigations and this takes away time from his day-to-day activities necessary for running the hospital.
- Lack of staff; many staff members are on a probationary period (e.g. internal auditor, accountant, personnel officer) and are learning the official procedures putting further pressure on the remaining staff to ensure that activities are being carried out in the correct manner.
- Budget cuts; of almost Ug Shs 600 million for FY 2012/13 which will mean the hospital will struggle to run the old and new hospital blocks. Recurrent costs need to be paid and already there has been a letter sent to the hospital stating that the water supply would be disconnected if the bill was not paid.

### b) Gulu Regional Referral Hospital

The main projects for FY 2011/12 were a) the renovation of the OPD, b) the purchase of assorted medical equipment and c) the construction of the placenta pit. However the construction of the placenta pit was subsequently funded by African Medical and Research Foundation (AMREF) which meant funds earmarked for this project were directed to the renovation of the antenatal unit. The OPD is 70% completed and all medical equipment had been received and payments made.

Other capital development activities planned for FY 2011/12 include: renovation of the administrative block and store; the installation of a water submersive pump; the installation of inverters; renovation of the antenatal unit.. Physical and financial progress observed during Q4 monitoring is detailed in table 3.4.5.

**Table 3.4.5 Physical performance of outputs monitored at Gulu Regional Referral Hospital**

| Output monitored | Annual work plan planned outputs | Financial performance (% of contract amount paid) | Physical performance Q4 FY 2011/12 |
|---|---|---|---|
| 085672: Government Buildings and Administrative Infrastructure | Complete renovation of the administrative block and store | 45% | 50% completed; re-roofing had been completed and the remaining renovation works were ongoing. |

| | | | |
|---|---|---|---|
| | Construction of placenta pit<br><br>Installation of submersive pump | N/A<br><br>100% | Funding from AMREF was received for this project, so these funds were instead used for the refurbishment of the placenta pit.<br><br>100% complete |
| 085677: Purchase of Specialized Machinery & Equipment | Purchase of assorted medical equipment<br><br>Supply and installation of power inverters | 100%<br><br>100% | Assorted equipment procured e.g. autoclave, washing machine, operating lights, oxygen concentrators etc. Autoclave and washing machines were in use.<br><br>100% complete; now each building has a power invertors. |
| 085683: OPD and other ward construction and rehabilitation | Renovation of OPD<br><br>Renovation of antenatal unit | 45%<br><br>100% | 70% completed; construction of functioning toilets, expansion of veranda and walkway from the OPD to the hospital; new water supply connection and new ceilings.<br><br>100% complete; installation of new windows, paint work and renovation of pit latrine. |

*Source: Regional Referral Hospitals Annual Work Plans FY 2011/12; field work observations*

Overall physical and financial performance is good however some challenges were noted.

**Challenges:**

- The medical ward building cannot be put into use until the sanitation system is in place. Construction of the system has been continually delayed owing to a land dispute between the hospital and residents of the adjoining land. Progress of the project will depend on the outcome of a court hearing on the land dispute. It is not clear as to when such a decision will be taken by the court since it had been postponed several times.
- Mismanagement of funds; there was a mismanagement of funds in FY 2009/10 which has had a knock on effect resulting in several incomplete projects which have since been rolled forward from one financial year to the next. This has resulted into no funds for new capital development projects. Investigations regarding this mismanagement are still ongoing and have consumed a lot of time for the Hospital Director and other senior staff.
- Abandonment of site by contractors; contractors constructing the administrative block and store have abandoned the site due to a lack of funds to pay them. The value of the contract stands at around Ug Shs 900million but only around Ug Shs100million has been paid and the administrative block is almost complete. The issue has now been resolved and the contract to complete the project advertised.
- Lack of land; the hospital is lacking the adequate space to be able to treat its growing patient load. There are currently negotiations taking place with the district to see if the police barracks adjacent to the hospital can be used and the police relocated. In addition the hospital is also working with the land board to identify the legal boundaries of the hospitals land.
- Acute lack of funds; due to the fraud that took place at the hospital capital development funds have been limited but this should be eased by the Ug Shs 2 billion which is budgeted for the hospital for FY 2012/13.

***Gulu Regional Referral Hospital: renovation of OPD (top left); renovated antenatal unit (top right); autoclave machine (bottom right); solar batteries (bottom left)***

### c) Lira Regional Referral Hospital

Over Ug Shs 1 billion has been allocated for the construction of the intensive care unit since FY 2010/11. The project is still ongoing and there are some civil works to be completed. In FY 2012/13 the hospital will spend around two thirds of the capital development budget on equipping the unit.

Other capital development activities planned for FY 2011/12 included the installation of the oxygen supply to the intensive care unit and equipping of the information communication centre.

Overall physical and financial progress for the hospital is good. Physical and financial progress observed in Q4 monitoring is detailed in table 3.4.6 below.

**Table 3.4.6 Physical performance of outputs monitored at Lira Regional Referral Hospital**

| Output monitored | Annual work plan planned outputs | Financial performance (% of contract amount paid) | Physical performance Q4 FY 2011/12 |
|---|---|---|---|
| 085672 Government Buildings and Administrative Infrastructure | Complete construction of theatre and intensive care unit<br><br>Installation of oxygen supply to intensive care unit/theatre | 77%<br><br>100% | Major work is completed but the wiring, installation of operating lights, CCTV camera. Civil works began in FY2010/11 and is still ongoing<br><br>Installation complete |
| 085673: Roads, streets and highways | Paving for the intensive care unit | 100% | Paving of the external compound are still outstanding |
| 085676: Purchase of office and ICT equipment, including | Equipping information communication centre | 100% | Shelving system for patient files was installed |

| | | | |
|---|---|---|---|
| software | | | |
| 085677: Purchase of Specialized Machinery & Equipment | Purchase of theatre and intensive care unit equipment<br><br>Purchase of medical equipment and workshop machinery<br><br>Purchase incinerator | N/A<br><br>100%<br><br>N/A | Project has been rolled forward to FY 2012/1. Budgeted Ug Shs 870 million for the equipping of the intensive care unit in FY2012/13.<br><br>All equipment had been procured as planned and some were installed. The oxygen supply system in the intensive care unit was in the process of being installed.<br><br>Project will be rolled forward to FY 2012/13. Budgeted Ug Shs 330 million. |

*Source: Regional Referral Hospitals Annual Work Plans FY 2011/12; and field work observations*

**Challenges:**

- Recurrent non-wage funds are insufficient; the large patient load means that buildings and equipment need to be maintained on a frequent basis however the funds received are inadequate. Often water and power bills are not paid.
- Lack of staff in the surrounding health units; results in a greater patient load for the hospital as patients prefer to come to the RRH than visit one of the severely unstaffed health units.
- Regular power cuts; there is a vital need for power for some units (e.g. the oxygen supply in the intensive care unit) to remain constant but during the power cuts these are also impacted. A suggested solution is the provision of power invertors for the hospital to keep essential units and equipment (e.g. fridges where vaccines are stored) working.

***Lira Regional Referral Hospital: Intensive Care Unit (left); storage shelves for medical records (centre); renovation of female ward (right)***

### 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 (PHC) grant system.

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 budget for health sector transfers to districts and municipal councils for FY 2011/12 was Ug Shs 226.3 billion[129], representing approximately 28% of the health sector budget. Of this, Ug Shs 201.9 billion[130] was allocated to PHC development grants.

The objective of PHC development grants (project 0422) is to improve the quality and quantity of health infrastructure in all districts and municipalities 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. Figure 3.4.4 below shows the PHC development grant budget allocation by central government to local districts (and the municipality) visited by BMAU in Q4 and the amounts reported to be received at the time of the monitoring visit.

[129] Total including external financing

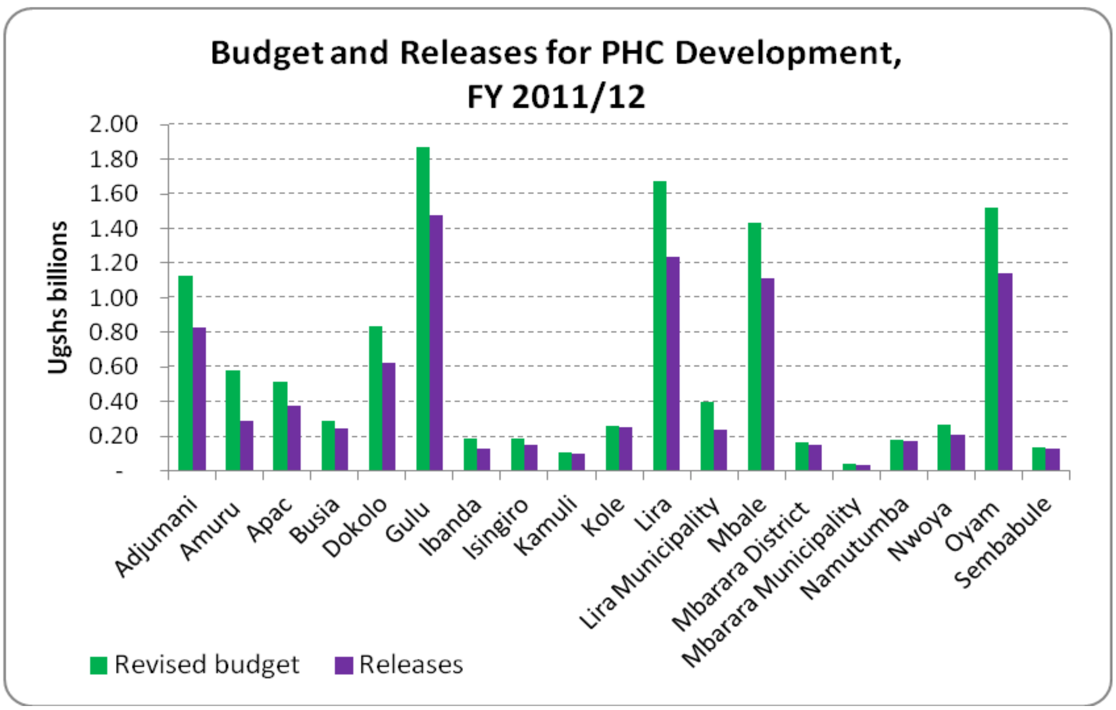
[130] Total including external financing

During Q4 FY 2011/12, BMAU monitored progress on project 0422 in the following districts: Adjumani, Amuru, Apac, Busia, Dokolo, Gulu, Ibanda, Isingiro, Kamuli, Kole, Lira, Mbale, Mbarara, Namutumba, Nwoya, Oyam, Sembabule in addition Lira Municipality and Mbarara Municipality were monitored.

**Financial Performance**

The approved budgets for PHC development grants in the seventeen districts and two municipalities monitored ranged from Ug Shs 1.124 billion in Gulu to Ug Shs 39 million in Mbarara Municipality. Northern and eastern districts of Adjumanai, Amuru, Dokolo, Gulu, Kole, Lira, Mbale, Nwoya and Oyam receive an additional component to their PHC development grant under the Peace, Recovery and Development Programme (PRDP), which is why their budgets are generally higher than the other districts monitored.

**Figure 3.4.4**




*Source: MoFPED, IFMS and field findings*

Figure 3.4.4 shows capital development funds released to all districts/municipalities monitored during Q4. Releases varied from 50% in Amuru to 96% in Kole district. However no district or municipality monitored received 100% of the revised budget which is problematic for planning and implementation purposes. Amuru received only half of its PHC development funds as money for Q3 and Q4 did not reach the districts health account. Funds are believed to have reached the General account but had not been transferred to the health account; the matter was being dealt with by the district health officer (DHO) and chief administrative officer (CAO).

Usually funds for PHC development and PRDP are received into the districts health account in one lump sum payment. Ideally, funds should be available towards the start of the quarter to allow sufficient time for absorption (in July, October, January and April). The date that capital development funds from GoU were received in the district health accounts from the general fund are shown in table 3.4.7.

Q1 funds, for most districts arrived around the middle of August. In Q2 the majority of districts received funds in the middle of November. Five districts received funds in early November and Gulu received fund at the end of the month. Q3 funds were received towards the middle of February however Gulu and Isingiro received funds in March and Amuru never received Q3 funds.

Only Namutumba received a release in early April, the first month of Q4. Three of the nineteen districts and municipalities (: Kole, Lira, Nwoya) received releases in early May. The remainder, apart from Mbale, Amuru, and Lira Municipality, received funds in the middle of May. Mbale received funds in June while Amuru and Lira Municipality received no Q4 funds. It is difficult for districts to absorb funds before the end of the financial year if the health account is only credited late in Q4 e.g. 27th June for Mbale.

**Table: 3.4.7 Release dates for selected districts, PHC development grant**

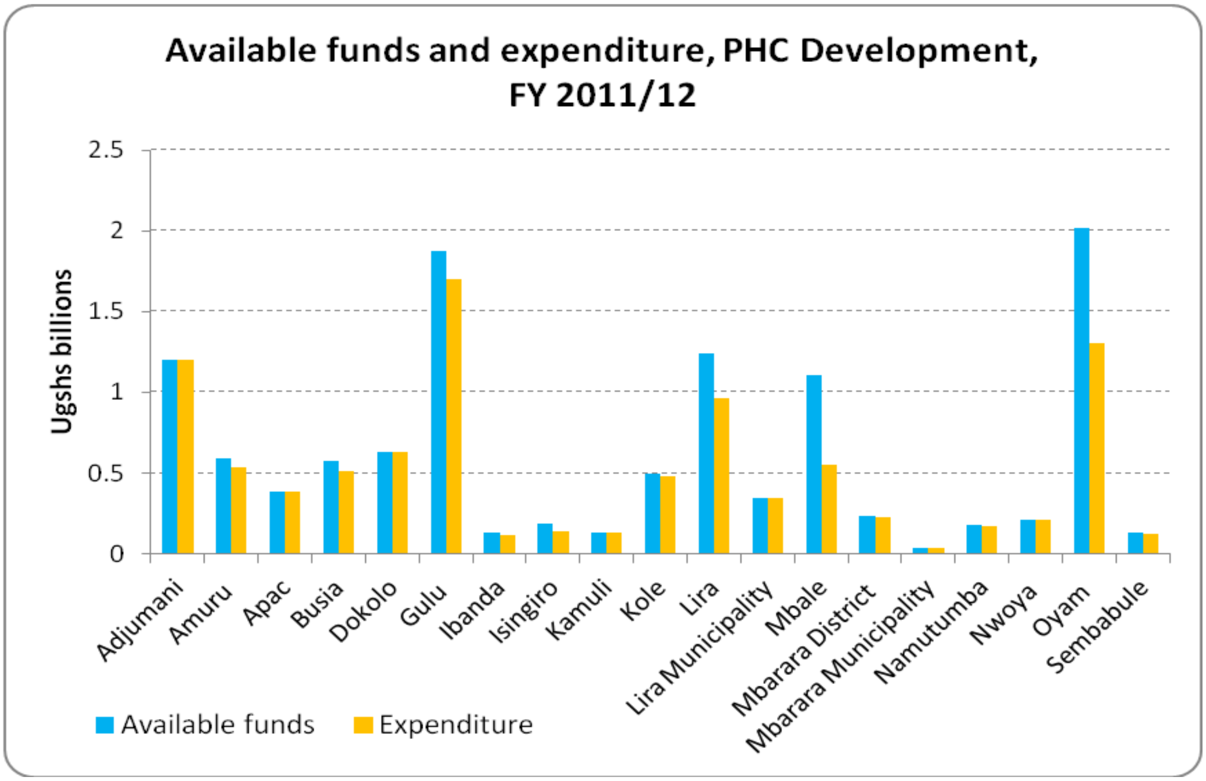
| | FY 2011/12 | | | | FY 2012/13 |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 |
| **Adjumani** | 17/08/2011 | 10/11/2011 | 10/02/2012 | 18/05/2012 | 18/08/2012 |
| **Amuru** | Unknown | Unknown | None | None | 22/08/2012 |
| **Apac** | 08/08/2011 | 02/11/2011 | 10/02/2012 | 16/05/2012 | 14/08/2012 |
| **Busia** | 11/08/11 | 03/11/11 | 10/02/12 | 17/05/12 | None yet |
| **Dokolo** | 15/08/2011 | 08/11/2011 | 15/02/2012 | 15/05/2012 | 14/08/2012 |
| **Gulu** | 15/09/2011 | 30/11/2011 | 22/03/2012 | 24/05/2012 | 28/08/2012 |
| **Ibanda** | 09/08/2011 | 02/11/2011 | 09/02/2012 | 11/05/2012 | None yet |
| **Isingiro** | 18/08/2011 | 10/11/2011 | 13/03/2012 | 30/05/2012 | 15/08/2012 |
| **Kamuli** | 09/08/2011 | 10/11/2011 | 13/02/2012 | 15/05/2012 | 14/08/2012 |

| | | | | | |
|---|---|---|---|---|---|
| **Kole** | 06/09/2011 | 15/11/2011 | 08/02/2012 | 04/05/2012 | 20/08/2012 |
| **Lira** | 02/09/2011 | 01/11/2011 | 03/02/2012 | 01/05/2012 | None yet |
| **Mbale** | 10/08/2011 | 09/11/2011 | 10/02/2012 | 05/06/2012<br>27/06/2012 | 28/08/2012 |
| **Mbarara** | 11/08/2011 | 09/11/2011 | 15/02/2012 | 28/05/2012 | None yet |
| **Namutumba** | 04/08/2011 | 10/11/2011 | 01/02/2012 | 06/04/2012 | None yet |
| **Nwoya** | 10/08/2011 | 15/11/2011 | 07/02/2012 | 02/05/2012 | 07/08/2012 |
| **Oyam** | 23/08/2011 | 18/11/2011 | 23/02/2012 | 23/05/2012 | 13/08/2012 |
| **Sembabule** | 08/08/2011 | 11/11/2011 | 13/02/2012 | 17/05/2012 | 24/08/2012 |
| **Lira Municipality** | 05/08/2011 | 04/11/2011 | 14/02/2012 | None | 16/08/2012 |
| **Mbarara Municipality** | 16/08/2011 | 09/11/2011 | 17/02/2012 | 24/05/2012 | 20/08/2012 |

*Source: field work observations*

Figure 3.4.5 shows the proportion of available funds expended by each district sampled in Q4. Available funds are defined as the total releases received during FY 2011/12 plus any funds that were rolled over from FY 2010/11. Total expenditure is all payments made during the financial year (including those made on activities from previous financial years).

**Figure 3.4.5**




*Source: MoFPED, IFMS and field findings.*

As shown in figure 3.4.5, financial performance varied. The best performers were: Adjumani, Apac, Dokolo, Kamuli, Lira Municapality and Nwoya who expended 100% of available funds. Seven other districts and municipalities expended over 90% of available funds. The worst performers were Oyam (65%) and Mbale (50%) who expended the lowest proportion of the available funds.

**Physical Performance**

During the monitoring visits data was collected on financial and physical progress on all of the planned activities in the *Performance Form B* annual work plans for the financial year. The key findings are detailed below. Full details of the technical specifications of all schemes including photographs of health centres visited and names of contractors, costs of projects and payments shall be availed on request.

Each district or municipality was scored on physical and financial performance using the following criteria:

**Figure 3.4.6 Criteria for analysis of financial and physical performance of PHC development**

| | **Physical performance (given the funds available)** | **Financial performance (% of received funds expended)** |
|---|---|---|
| Good | Most work plan targets were met | 80 – 100% |
| Fair | Some work plan targets met | 60 – 80% |
| Poor | Few work plan targets met | Less than 60% |

*Source: BMAU*

**a) Adjumani District**

| **Financial performance: Good** | **Physical performance: Fair** |
|---|---|

During FY 2011/12 Adjumani district planned to implement capital development projects at fifteen sites. Of these, the following four projects were monitored in Q4 of FY 2011/12: construction of OPD and pit latrine at Magburu; an OPD at Nyumanzi HCII; staff houses (for middle level managers and doctors) at Adjumani Hospital; and staff houses at Mungula HCIV. Physical performance was fair. Progress at the sites visited is summarised below.

- Adjumani Hospital: construction of the doctors' houses is almost complete; remaining work includes some tiling and the completion of plumbing. Construction of the middle level managers is also almost complete however there are some cracks on the floors; while remaining work includes the fitting of the sink and kitchen units.
- Magburu: the OPD had been completed and appears to be of a good standard; work is still ongoing on the external compound outside the building i.e. levelling the ground and planting grass. The pit latrine was also completed and appears to be of a good standard.
- Nyumanzi: the OPD has been completed and had been opened for use the week prior to the monitoring visit. The work appeared to be of a good standard however after handover some cracks appeared in the floor and ceiling of the labour suite. The cracks have appeared within the liability period (six months) so the contractors should return to rectify any defects before retention money is paid.
- Mungula: the staff houses are incomplete and work was reported by officials on site to have stopped at the end of FY 2011/12. Remaining work includes, installing panes in the windows and doors, painting and wiring.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 1.198 million. At the end of the financial year there were no unspent balances since expenditure performance was 100%.

**Challenges:**

a) Shortfall in funds received in FY 2011/12 in relation to the approved budget. The shortfall was reported to be Ug Shs 293 million. Often the shortfall in funds occurs in Q3 and Q4. This results in several incomplete projects at the end of the financial year and projects are then rolled forward into the next financial year.

b) Wages received by contractors to work in South Sudan are often higher than that received in Uganda. Hence many contactors who would be working in the district move to other countries, leaving a shortage of available contractors to complete the projects.

c) Difficulties in retaining staff as many are leaving the district to move to South Sudan where wages are higher. The current staffing level in the health sector stands at 64% (health workers and support staff); and there are some cadres which are acutely lacking e.g. medical officers, mid-wives and radiographers.

d) Most of the districts capital development projects cost Ug Shs 50 million or more. For these projects, permission must first be granted from the Solicitor General however a response can take around 4 to 6 weeks which means that the implementation of the projects are delayed.

e) If funds are not available to start a project the OBT reporting tool does not have an option for 'funds not received' rather the 'not started' option must be checked which means that the district looks like it is not performing. A knock on effect from this is that when Government (e.g. Office for the Prime Minister) monitor the districts progress it looks as if there are 'ghost' projects i.e. projects which have been planned by the district but not started.

f) Lack of transport in the district e.g. motorcycles. This restricts the ability of the district to supervise health facilities and provide outreach services to the community.

g) Lack of career growth opportunities within local government means that staff is moving to central government for promotions. This has led to a loss of staff that are much needed by the district. At Adjumani Hospital about three quarters of registered nurses have upgraded to nursing officers but if opportunities are not present within the district they are likely to leave.



*Adjumani district PHC development: Left to right: OPD Magburu HCII (left); OPD Nyumanzi HCII (centre); Doctors houses Adjumani Hospital (right)*

**b) <u>Amuru District</u>**

| Financial performance: Good | Physical performance: Fair |
|---|---|

During FY 2011/12 Amuru district planned to implement five capital development projects. These were: the construction of a staff house and pit latrine at Bibia HCIII, Guruguru HCIII, Otong HCIII, Pawel HCIII and Olwal HCIII's; and construction of the drug store at the district headquarters. During Q4 monitoring the BMAU team visited three of the activities. Physical performance was fair. Progress at the sites visited is summarised below.

- Olwal: the superstructure was completed and roofed and plastering work was ongoing. The building required the installation of doors, windows and needed painting. The pit latrine was almost completed and required installation of doors and required painting.
- Guruguru: the staff house and pit latrine were both completed and appeared to be to a good standard.
- Drugs store at the district headquarters: the superstructure of the drugs store is completed and roofed. Work remaining included plastering, fitting of doors and windows, electrical wiring, plumbing and painting.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 523 million. These figures imply that a total of Ug Shs 51 million was unspent by the end of the financial year. Expenditure performance was therefore 91%.

**Challenges:**

- Budget cuts have meant that PRDP funding has fallen for the district from around Ug Shs 1.1 billion in FY 2009/10 to around Ug Shs 380 million in FY 2012/13. This decrease has meant that much needed capital development projects cannot be carried out by the district.
- All projects except one from FY 2011/12 were rolled forward from the previous financial year. The majority of projects were not completed as they were started late in the financial year due to the long procurement process.
- The shortfall in funds received compared to the approved budget means that the district is unable to make accurate plans about capital development spending for the year.
- Lack of banking institutions in the district means that contractors have to travel to Gulu to withdraw funds, as payments to them are made by cheque. This causes delays in the procurement of materials and payment of wages as additional time must be given for travel to a bank.
- Most material for construction is not available in the district and is transported from other regions. The poor road network in the district makes some sites inaccessible. As a result, there are delays in the transportation of materials to the sites causing delays in the completion of projects.
- Capital development funds appeared to reach the general fund in Q3 and Q4 FY 2011/12 however these were not transferred to the health account. On 25th June, the DHO wrote to the CAO, asking for the remaining funds to be transferred. At the time of the monitoring visit documents had been taken by the Inspector General for Governments office for scrutiny.
- Staffing levels stood at around 68% (including support staff) in February 2012, however with the opening of eleven new health centres in March/April 2012, the overall staffing levels are likely to fall – estimated to be at 45%. Staffs have been taken from established health centres for the newly opened centres thereby exacerbating the issue of understaffing in health facilities.
- The PHC wage fund from GoU was Ug Shs 1.2billion which was higher than the expected Ug Shs 900million. The district requested for additional staff to be recruited however this was not permitted, although the district has the funds, at the time of the request there was a recruitment freeze.
- The drugs supplied are often insufficient and some are out of stock by the third or fourth week (the delivery cycle by the NMS is once every 8 weeks). Part of the issue is that that the quantity of drugs delivered, for certain medicines are based on the 2002 population projections which occurred when many people from the district had moved away, due to the war. Now many of those who had been displaced have returned leading to insufficient supply.
- There is one functioning ambulance in the district which is not adequate for patient referrals between facilities.
- Land dispute between the local government and community members at Amuru HCII has meant that the facility has not been operational, as police have had to occupy the site while a resolution is reached.

### c) Apac District

| Financial performance: Good | Physical performance: Fair |
| --- | --- |

During FY 2011/12 Apac district planned to implement five capital development projects as well as complete three projects rolled forward from previous financial years. The four projects which began in FY 2011/12 were: the construction of staff houses in Chawente health centre III, Aduku health centre IV and Imono health centre III and the construction of OPDs at Wansolo health centre II and Akali health centre II.

The activities rolled forward into FY 2011/12 were: the completion of the OPD at Aduku health centre IV, the completion of staff houses and OPD at Aninolal health centre II and the construction of staff houses at Apoi health centre HCIII. During Q4 monitoring the team visited three activities which began in FY 2011/12. Physical performance was fair. Progress at the sites visited is summarised below.

- Chawente; the staff houses were completed to a fair standard however there are some internal cracks on the floor.
- Aduku: the construction of the OPD which began in FY 2010/11 was completed at the time of the visit but not yet in use. There were some window panes missing and some cracks in the veranda. The staff houses and pit latrines which were projects for FY 2011/12 have been completed and work appears to be of a good standard.
- Imono: there is still some work outstanding for the staff houses. The structure has been walled and roofed but the installation of doors/windows as well as plastering, painting and wiring are still to be completed.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 387 million. There were no unspent funds at the end of the financial year.

**Challenges:**

- Delayed releases of funds that cause delays in the progress of projects. Both delays in receipt of funds from central government to the district and also from the district general account to the health account.
- Insufficient funds for monitoring and supervision of projects. This can lead to substandard construction work being carried out.
- Poor road network in the district means that materials for construction are difficult to transport. For example during construction work at Imono HCIII work was delayed by about three months due mainly to poor road conditions.

d) **Busia District**

| Financial performance: Good | Physical performance: Fair |
| --- | --- |

During FY 2011/12 Busia district planned to implement six capital development projects as well as complete several projects rolled forward from FY 2010/11. The four projects which began in FY 2011/12 were: construction of staff houses at Mbeheneyi health centre III, Busitema health centre III, Buwembe health centre II and Lumino health centre III and a medical waste pit at Lunyo health centre III and a placenta pit at Mundindi health centre II.

The projects rolled forward from FY 2010/11 included the construction of an OPD at Buyengo health centre II, construction of the district drug store, extension of maternity rooms at Habuleke HCII, Buwembe HCII, and Sikuda HCII; completion of staff house latrine and OPDs at Kubo and Butangasi HCII.

During Q4 monitoring the team visited four of the six activities which began in FY 2011/12. Physical performance was fair. Progress at the sites visited is summarised below.

- Lumino: two staff houses are complete and appear to be to a good standard.
- Mbehenyi: the walling and roof has been completed for the staff house. Work remaining includes fitting window panes and some internal doors. The pit latrines are incomplete and require doors to be fitted.
- Buwembe: the staff houses are incomplete and have been walled and roofed. Work remaining includes plastering, installation of doors and windows, ceiling board and plumbing for the bathroom. The project will be carried forward into FY 2012/13.
- Busitema: staff houses have been completed to a good standard apart from the poor quality door locks, window fixtures and internal doors. Due to some minor defects work has not yet been handed over.

Total expenditure reported by the district health office was Ug Shs 508 million. This implies that a total of Ug Shs 65 million was unspent by the end of the financial year giving an expenditure performance of 89%.

**Challenges:**

- Staff shortages are the major challenge. The current staffing level in the district is about 39% (excluding municipalities) which is much lower than the overall government target of 65%. There was a recruitment freeze in the health sector (unless to replace outgoing staff) which exacerbated the issue. A related challenge is the lack of staff housing which deters health workers from working in the district, as their only option would be to rent accommodation away from the health units and commute at their own expense. The lack of promotional opportunities at the district level means that often staff opt for further studies (while still remaining on the wage bill) or move for better paid jobs within central government.

**e) Dokolo District**

| Financial performance: Good | Physical performance: Poor |
| --- | --- |

During FY 2011/12 Dokolo district planned to implement three capital development projects as well as complete eight projects rolled forward from FY 2010/11. The three projects which began in FY 2011/12 were: extension of electricity at the health office, the procurement of an ambulance and office furniture.

Some of the activities rolled forward into FY 2011/12 included: the completion of the maternity ward at Adok health centre II, the completion of twin staff houses at Bardyang health centre II and the maternity ward at Atabu health centre II.

During Q4 monitoring the team visited four of the activities which were all projects rolled forward from FY 2010/11. Physical performance was poor. Of the four sites visited, only one site was completed and the others still had work outstanding. Progress at the sites visited is summarised below.

- Dokolo: builders renovating the OPD were working on the roof and beams had been fitted. Work outstanding included installation of doors and windows, completion of the flooring, plastering of the walls and painting.
- Atabu: the construction of the maternity ward was almost completed however there were some work outstanding e.g. fitting electrical sockets, wiring and plumbing. There were large cracks on the floor.
- Adok: the superstructure and roof of the maternity ward was complete and work remaining included ceiling board, plastering, painting, flooring, electrical wiring and plumbing.
- Bardyang: work was completed on the twin staff house at the time of the visit however the building had not been handed over due to some cracks in the veranda. All other work appeared to be to a good standard.

Financial performance was good. The district health office reported that there was no unspent balances at the end of FY 2011/12 hence all funds released, Ug Shs 627 million, were expended.

**Challenges:**

- Budget cuts have meant that PRDP funding has fallen for the district from around Ug Shs 980 million in FY2010/11 to Ug Shs 830 million in FY 2011/12. This decrease in the budget has meant that much needed capital development projects cannot be carried out. The inadequate capital development budget was further exacerbated by a shortfall in funds released which totalled approximately Ug Shs 206 million over the course of FY 2011/12.
- Another major issue was drug stock outs. Deliveries of drugs have been broadly within the timescales (i.e. once every 8 weeks) however the quantities are too small to meet demand and supplies often run out.
- There was lack of heath workers. At the time of the visit, around 74% of health worker positions were filled. The preference would be to use the workload indicator staffing norms (WISN) which take into account factors such as OPD utilisation rather than the current staffing norms used which do not take important factors such as this into account.

*Dokolo district PHC development: renovation of OPD at Dokolo HCIV; maternity ward at Atubu HCII; large cracks in floor of the maternity ward at Atubu HCII*

**f) <u>Gulu District</u>**

| Financial performance: Good | Physical performance: Good |
|---|---|

During FY 2011/12 Gulu district planned to implement seventeen capital development projects. The projects monitored in Q4 were: the construction of the general ward at Patiko HCIII; an OPD at Awach HCIV; a staff house and pit latrine at Angaya HCIII and Bobi HCIII; and an administrative block at the DHO’s office. Physical performance was good. Progress at the sites visited is summarised below.

- Patiko: the general ward has been completed and appeared to be to a good standard except for cracks on the floor. The general ward had opened on the day of the monitoring visit.
- Awach: the OPD's superstructure and roofing had been completed. Remaining work included plastering, installation of doors and windows, painting, plumbing and wiring.
- Angaya: the staff house has been completed and appeared to be to a good standard however there are some cracks visible on the veranda. The pit latrine was also complete.
- Bobi: the staff house and pit latrines have been completed and work appears to be to a good standard.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 1.699 billion. A total of Ug Shs 178 million was unspent by the end of the financial year. Expenditure performance was therefore 90%.

**Challenges:**

- Funds for development are insufficient as there is a real need in the district to rehabilitate the health facilities which were damaged during the war. Post-war population have returned to the district and this has placed additional pressure on facilities hence the need for investment.
- There is a lack of staff within the health sector especially for certain cadres such as doctors and midwives. The staffing levels are currently around 65%. Retention of staff is a challenge especially in remote areas. Absenteeism is an issue with around 5-7% of staff absent from post.
- Some facilities within the district have been upgraded but there is still the need to invest in the infrastructure to allow them to provide the level of service required e.g. Lalogi HCII has been upgraded to a HCIV however there is the need for a maternity ward, additional staff houses and a water supply system.
- There is a need for improved security measures such as the construction of fences around health facilities. This should deter thefts such as those that occurred in Binya HCII where bicycles went missing.
- The PHC recurrent non-wage funds are inadequate to run the health facilities. There is not enough money to provide outreach services and often there is a lack of funds to maintain and fuel ambulances.

### g) <u>Ibanda District</u>

| Financial performance: Good | Physical performance: Good |
|---|---|

During FY 2011/12 Ibanda district planned to implement eight capital development projects. These were: the completion the DHOs office; construction of staff house and pit latrine at Ruhoko health centre IV; a staff house at Birongo health centre II; a pit latrine at Nyamarebe health centre II; a senior staff house at Kanywambongo health centre III; Nyamirima health centre II and completion of maternity ward at Irimya health centre III. During Q4 monitoring the team visited three of the activities. Physical performance was good. Progress at the sites visited is summarised below.

- Irimya: the maternity ward had been completed and appeared to be to a good standard.
- DHO's office: work to construct the office was completed and appeared to be to a good standard.
- Kanywambongo: the construction of staff houses was almost complete. Remaining work included the fitting of window panes, internal doors and wiring.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 118 million. A total of Ug Shs 9 million was unspent by the end of the financial year. Expenditure performance was therefore 93%.

**Challenges:**

- Lack of staff in health facilities e.g. shortage of medical officers. There is only one medical officer in the district. Staffing levels in the district are at around 43% which is far lower than the districts target of 70%.
- Shortage of accommodation for staff with only around a quarter of staff being provided with accommodation.
- Inadequate and irregular supply of drugs by the National Medical Stores (NMS). The delivery of drugs to the district is not according to the schedule and when drugs are supplied the orders are not as requested by the district. There is a mismatch between demand and supply of some drugs e.g. cotrimazole (septrin) for HIV patients was undersupplied and some items like IV fluids were oversupplied.
- With the closure of the TASO, a USAID funded programme for the treatment of HIV patients, over a year ago; more patients were going for treatment at government facilities thereby increasing the patient load.

### h) Isingiro District

| Financial performance: Fair | Physical performance: Fair |
|---|---|

During FY 2011/12 Isingiro district planned to implement capital development projects at six sites. These were: construction of operating theatre and doctors house at Rugaga health centre IV; a maternity/general ward, pit latrine and placenta pit at Rushasha health centre III; an OPD, pit latrine and provision of a water tank at Kikokwa and Kaberebere health centre II; construction of a general ward at Kyeirumba health centre II and a staff house, kitchen, pit latrine and bath shelter at Kanywamazi health centre III. During Q4 monitoring the team visited three of the activities for FY 2011/12. Physical performance was fair. Progress at the site visited is summarised below.

- Rugaaga: both the operating theatre and doctors house were incomplete. Work on both projects halted at the end of FY 2011/12. The theatre needs flooring, painting and tiling to be completed. There are some large cracks in the walls and floors. Remaining work on the doctors house includes internal finishing's, tiling of the kitchen, and connection of the water.
- Rushasha: all projects, the maternity/general ward, pit latrines and placenta pits had all been completed to a good standard during FY 2011/12.
- Kyeirumba: the general ward was completed and work appeared to be to a good standard.

Financial performance was fair. Total expenditure reported by the district health office was Ug Shs 138 million. A total of Ug Shs 47 million was unspent by the end of the financial year. Expenditure performance was therefore only 74%.

**Challenges:**

- The DHO's office lacks staff (e.g. substantive DHO) and many of the staff in the office have multiple roles beyond their official remit. Also in most of the districts health facilities, the majority of which are in the hard to reach areas, there is an acute lack of staff. There is a shortage of medical officers, midwives, clinical officers and enrolled nurses who are very critical in the delivery of quality services to patients. Some staff members of health facilities have abandoned their posts without official leave/resignation and are working for other organisations e.g. NGO's while remaining on the districts pay roll. The issue of staff members not working at the facilities but receiving a salary from the district needs to be addressed.
- The district suffered a shortage in funds received in FY 2011/12; this was most apparent in Q3 and Q4. The shortfall in funds received means that the district was unable to implement all planned activities as payment to contractors for completed work was not possible.
- The price of construction materials has increased and often called for contract variations midway through construction to account for the new higher prices. Some contractors had abandoned sites as a result of the district failure to accept these contract variations hence projects remain incomplete.

- Most of the health facilities do not have enough staff accommodation and there are limited houses to rent in the vicinity. There was a high level of staff absenteeism attributed in part to the large distances travelled from home to the health facilities usually at the expense of the health workers themselves.

### i) Kamuli District

| Financial performance: Good | Physical performance: Poor |
| --- | --- |

During FY 2011/12 Kamuli district planned to implement three capital development projects as well pay retention and contract variation for three other projects from FY 2011/12 development funds. The three projects which began in FY 2011/12 were: construction of an OPD at Kiige health centre II, a staff house, staff kitchen and pit latrine at Namaira HCII and staff house and pit latrine at Luzinga HCII. During Q4 monitoring the team visited two of the three activities planned for FY 2011/12. Physical performance was fair. Progress at the sites visited is summarised below.

- Namaira: the kitchen and pit latrine have been completed and the engineer has approved the work carried out. The staff house was incomplete and required some finishes such as window panes.
- Luzinga: the staff house and pit latrine were completed in four months however there were large cracks in the ceiling and some in the floor that will need to be rectified.

Financial performance is good. Total expenditure reported by the district health office was Ug Shs 128 million. At the end of the financial year there were no unspent balances as all funds were spent.

**Challenges:**

- Shortfall of funds received usually in Q3 and/or Q4 means that payment cannot be made for completed work and often projects are carried forward into the following year, leaving less fund s for investment in that subsequent year. In addition the DHO feels that many of the health centres need to be upgraded due to the demand for particular services however there is a lack of funding. A suggestion made was that districts should be informed as soon as is possible of any shortfall in funding so they can adjust their activities and inform affected parties.
- Contracts were signed for projects in March 2012 which is very late in the financial year. The long procurement process means that projects are started late and often remain incomplete by the end of the financial year.

- The staffing level stands at 49% and this low level is reflected in the high workload of staff and compromised service delivery to patients.

*Kamuli district PHC development: staff house at Luzinga HCII (left); cracked ceiling in staff house at Luzinga HCII (centre); staff house at Namaira HCII (right)*

**j) <u>Kole District</u>**

| Financial performance: Good | Physical performance: Poor |
| --- | --- |

During FY 2011/12 Kole district planned to implement four capital development projects as well as complete one project rolled forward from FY 2010/11. The four projects which began in FY 2011/12 were: the expansion of the OPD and the construction of twin staff house with 2 stance pit latrine at Apalabarow health centre III, twin staff houses at Akalo health centre III and the procurement of a motor vehicle.

The activity rolled forward into FY 2011/12 was the completion of a staff house at Bala health centre III. During Q4 monitoring the team visited two of the three sites (the last activity was procurement of the vehicle so is not considered a site) as Bala health centre III was cut off due to heavy rain. Physical performance was poor. Progress at the sites visited is summarised below.

- Apalabarow: the extension of the OPD to include an additional four rooms (laboratory, drug store, counselling and dispensing room) was completed to a good standard. The building had not yet been handed over. However the construction of the staff house had stalled but the contractor had been paid all the money and left the site although work was incomplete. The bathrooms and plumbing work to the soak pit was incomplete and the workmanship and materials were of poor quality e.g. the internal doors comprised of several timber pieces attached together, the locks are of poor quality and there are cracks in the veranda.

- Akalo: the staff houses are incomplete and the structure required the fitting of doors and windows, internal and external painting, wiring and plumbing. There were some visible cracks in the veranda. The latrines were almost completed but needed doors and painting.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 475 million. A total of Ug Shs 16 million was unspent by the end of the financial year. Expenditure performance was therefore 97%.

**Challenges:**

- Long procurement process means that implementation of projects is often delayed; this is in part is due to the fact that Kole is a new district and officials are learning the processes. A long procurement process means that awards to contractors happen towards the end of the financial year. This leaves insufficient time for projects to be completed before the end of the financial year. At the end of the financial year, funds must be returned to central government and projects are delayed until authorisation to utilise funds is received.
- Some contractors do not have the capacity to carry out projects awarded to them. This again leads to incomplete or substandard work.
- Often funds released in Q4 are lower than expected. This makes planning difficult, as contracts are awarded based on the annual budget. If funds are not received then some projects have to be postponed or cancelled. Often contractors do not receive timely payment for completed work due to this funding shortfall.

### k) Lira District

**Financial performance: Fair**

**Physical performance: Fair**

During FY 2011/12 Lira district planned to implement twenty nine capital development projects under PRDP. Of these twenty nine projects, the following three were monitored in Q4: construction of staff house and latrines at Ogur HC IV and Ongica health centre III and a maternity ward at Barr health centre II. Physical performance was fair. Progress at the sites visited is summarized below

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- Ogur: all staff houses were complete but with some defects such as cracks on the floor and on the veranda. All houses were completed at different times and all were handed over.
- Ongica: the structure of the staff house is near completion, with walling completed and the structure roofed. Outstanding work includes some external plastering.

- Barr: walling for the maternity ward has been completed to roof level. Physical work has stalled pending approval of the budget for FY 2012/13 and the eventual availability of funds.

Financial performance was fair. Total expenditure reported by the district health office was Ug Shs 959 million. The unspent balance at the end of the financial year was Ug Shs 279 million. Expenditure performance was therefore 77%.

**Challenges:**

- There was a shortfall in funds received compared to the approved budget. In Q1 the district was expecting a receipt of PRDP funds of approximately Ug Shs 662 million however only around Ug Shs 404 million was received.
- Issues with the Integrated Financial Management Systems in Q3 meant that progress on projects was severely hindered as payments to contractors could not be made.

**l) <u>Lira Municipal Council</u>**

| Financial performance: Good | Physical performance: Fair |
|---|---|

During FY 2011/12 Lira Municipal Council planned to carry out as seven activities well as complete a project rolled forward from FY 2010/11. Of the seven projects implemented in FY 2011/12 the following were monitored: the construction of a general ward at Ober health centre III, and staff houses at Ogengo health centre II and Adyel health centre II. The construction of the OPD at Adyel health centre II, rolled from FY 2012/11, was also monitored. Physical performance was fair. Progress at the site visited is summarised below.

- Ogengo: the staff house and latrine was completed to a good standard and the building was handed over in March 2012.
- Ober: the General ward had been completed but to a poor standard as there are visible cracks on the floors and veranda. The building has not yet been handed over.
- Adyel: the OPD project from FY 2010/11 had been completed to a good standard. Work on the staff houses, for the FY 2011/12 project was ongoing. Work outstanding included installation of window panes, painting and the completion of the external compound. There were some visible cracks in the walls, floor and veranda.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 340 million. At the end of the financial year there were no unspent balances since all funds had been expended. .

**Challenges:**

- The main challenge for the municipality was the shortfall of funds received compared to the budget allocations. The shortfall in funds, of around Ug Shs 267 million in FY 2011/12, has meant that contractors had not been paid for completed work. The PRDP allocation for FY 2012/13 is only Ug Shs 116 million which is insufficient to pay debts from FY 2011/12 which amount to Ug Shs 174million. As a result no new projects have been planned for FY 2012/13 as funds will be used to pay for projects from FY 2011/12.
- The municipality lacks adequate transport for the delivery of outreach services especially in hard to reach areas. With the provision of motorbikes the municipality would be able to provide much needed outreach programmes to the community.

### m) Mbale District

| Financial performance: Poor | Physical performance: Fair |
|---|---|

During FY 2011/12 Mbale district planned to implement several capital development projects across thirteen health centres as well as some activities at the DHO store and Mbale municipality. There were five projects which were rolled forward from FY 2010/11. Six sites were monitored, including one rolled over project, these were: construction of maternity ward at Busiu health centre IV, Bungokho Mutoto health centre III, Naiku health centre III, Buwangwa health centre III and Namawanga health centre III and project from FY 2010/11 to install solar lights at Busano health centre III. Physical performance was fair. Progress at the sites visited during Q4 monitoring is summarised below.

- Buwangwa: the structure of the maternity ward is complete and has been plastered. There remains the fitting of window frames and wiring. There were some cracks noted in the interior ceilings and floors. The staff house project which began in FY 2010/11 was not complete and there were visible cracks in the floors. The contractor was last seen on site one year ago.
- Bungokho Mutoto: the walls have been completed for the maternity ward and the structure needs to be roofed, plastered and windows and doors fitted. The contractor had not been seen on site for three months.
- Naiku: the walls have been completed to the roofing level for the maternity ward. Work has halted since the contractors were last seen on site two months ago.
- Busiu: the construction of the maternity ward is complete and took three months. The work appears to be of a good standard. Staff were waiting for the handover of the building in the same month as the monitoring visit.
- Busano: solar lighting has been installed however there is a possible fault with the wiring as not all bulbs are working.

- Namawanga: completion of the maternity ward was rolled forward from FY 2010/11. Work is almost completed however the bathroom, guttering, sink fittings and curtain rails need to be completed.

Financial performance is poor. Total expenditure reported by the district health office was Ug Shs 551 million. A total of Ug Shs 558 million was unspent by the end of the financial year. Expenditure performance was therefore only 50%.

**Challenges:**

- Budget cuts have meant that PRDP funding has fallen from around Ug Shs 1.4 billion in FY 2011/12 to Ug Shs 602 million in FY 2012/13. There was a shortfall in funds received of almost Ug Shs 350 million for PHC development funds in FY 2011/12. This means that several projects are incomplete and will be carried forward.
- High levels of inflation in FY 2011/12 meant that contracts negotiated at the start of the year did not factor in the price of rising input costs later in the year. Hence contracts had to be renegotiated however two contractors (for health projects) took some time to agree and this delayed progress of work.
- District receives both PHC development and PRDP funds in one consolidated amount. For official reporting it can be difficult to distinguish how much is received from each funding stream.
- Many sites have been abandoned by contractors. This is mainly because the funds for capital development have been returned, at the end of the financial year, to central government and the contractors are awaiting the return of the funds to the district before resuming work to ensure they get paid.
- Absenteeism of staff is an issue. Although the recognised recourse is for the offending person (if there is no valid reason for taking time off) to be taken off the payroll after around six weeks of being absent, the process is cumbersome and so too is the process to reinstate a person. A suggestion by the DHO was a system whereby staff are monitored and paid for the hours they work.
- There are staffing shortages and this is reflected in the fact that there are no official health facility managers in the district; but instead only in-charges at health facilities. This makes service delivery to patients less efficient and makes monitoring of staff performance harder. One of the main reasons given for staff shortages and absenteeism is that wages were too low.

***Mbale District PHC development: maternity ward at Bungokho Mutoto HCIII (left); maternity ward at Naiku HCIII (centre); maternity ward at Buwanga HCIII (right)***

**n) Mbarara District**

| Financial performance: Good | Physical performance: Good |
| --- | --- |

During FY 2011/12 Mbarara district planned to implement capital development projects at six sites. These were: the construction of an OPD and pit latrine at Kyarwabuganda health centre II; a staff house at Ihunga and Kigaaga health centre II and at Ngugo health centre IV; staff houses in Rubaya health centre III and a staff house at Kicwamba health centre II. During Q4 monitoring the team visited two of the planned activities; the other projects were reported by the district official to be complete. Physical performance was good. Progress at the sites visited is summarised below.

- Kyarwabuganda: construction of the OPD and pit latrine was completed, in FY 2011/12, and appeared to be to a good standard. At the time of monitoring both structures were functional.
- Rubaya: construction of the two staff houses was completed, in FY 2011/12, and appeared to be of a good standard. At the time of monitoring the houses were occupied.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 227 million. A total of Ug Shs 6 million was unspent by the end of the financial year. Expenditure performance was therefore 97%.

**Challenges:**

- Lack of essential equipment and/or sundries in most health facilities. There is a need for essential equipment such as sterilisation kits, forceps and dressings.
- Lack of transport for health workers to deliver community based outreach programmes.
- Lack of staff in the district which compromises service delivery to the community. The current staffing level stands at 42% which is much lower than the government's target of 65%. Two of the main reasons for staff shortages are the low pay and the lack of staff accommodation.

**o) <u>Mbarara Municipal Council</u>**

| Financial performance: Good | Physical performance: Good |
|---|---|

During FY 2011/12 Mbarara Municipality planned to complete the second phase of constructing a general/maternity ward at Kakoba health centre II. This project has been ongoing since FY 2009/10. The first phase involved the construction of the superstructure up to the roof level. Physical performance was good. Progress at the site visited is detailed below.

- Kakoba: second phase of work included the internal finishes, plumbing, electrical installation and the construction of a placenta pit. Work was completed by the end of FY 2011/12 and appeared to be to a good standard.

Total expenditure reported by the district health office was Ug Shs 37 million. A total of Ug Shs 2 million was unspent by the end of the financial year. Expenditure performance was therefore 96%.

**Challenges:**

- Inadequate infrastructure in the health units. Some of the municipalities' health centre III's and IV's lack a general ward [e.g. Nyamitanga health centre III], operating theatre and/or mortuary. Also there is a lack of staff accommodation for both doctors and junior staff. All health centre II's lacked staff houses. The broadly constant budget allocation of around Ug Shs 38 million, for PHC development, does not allow for the expansion of infrastructure because the amount is too small to complete an entire project.
- Lack of medical equipment: there is a general lack of medical equipment like delivery beds, postal natal beds and other assorted equipment at Kakoba HCIII and other facilities within the municipality.

### p) Namuntumba District

| Financial performance: Good | Physical performance: Fair |
|---|---|

During FY 2011/12 Namuntumba district planned to implement two capital development projects as well as complete a project rolled forward from FY 2010/11. The projects which began in FY 2011/12 were: the partial construction of a maternity ward at Nsinze health centre IV and fencing of the perimeter at Nabisoigi health centre III. The completion of staff house at Nabisoigi was rolled forward from FY 2010/11. During Q4 monitoring the team visited both sites where activities were planned for FY 2011/12. Physical performance was fair. Progress at the sites visited is summarised below.

- Nabisoigi: the perimeter fencing of the health centre had been completed at the time of the monitoring visit.
- Nsinze: remaining work for the maternity ward includes installation of window and door panes and completion of the flooring. The contractors had not been on site for about two months (since the end of FY 2011/12).

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 170 million. A total of Ug Shs 5 million was unspent by the end of the financial year. Expenditure performance was therefore 97%.

**Challenges:**

- Allocated budget of around Ug Shs 180 million is insufficient to complete the required projects.
- Shortfall in releases means that the district is unable to complete projects within the given financial year. In Q4 of FY 2011/12 the district received a shortfall in funds of around Ug Shs 12 million.
- Staff shortages especially for key cadres such as doctors and anaesthetics. The current staffing level stands at around 56% for health workers compared to the national target of 65%.
- Due to the long procurement process, project implementation starts later in the year and will often not be completed by the end of the financial year. A further delay is at the end of the financial year when work by contractors on projects is often halted until funds are authorised for use by Permanent Secretary/Secretary to Treasury or Accountant General to finish the incomplete projects.

## q) Nwoya District

| Financial performance: Good | Physical performance: Fair |
|---|---|

During FY 2011/12 Nwoya district planned to implement three capital development projects as well as complete a project from FY 2010/11. The three projects which began in FY 2011/12 were: construction of a vaccines store at the district headquarters; a pit latrine each at Anaka Hospital and Aparanga HCII. The construction of a pit latrine at Kochgoma HCIII was rolled forward from FY 2010/11. During Q4 monitoring the team visited three sites where activities were taking place in FY 2011/12. Physical performance was fair. Progress at the sites visited is summarised below.

- Anaka Hospital: the pit latrines were completed however there were some large cracks in the walls which should be rectified by the contractor.
- Aparanga HCII: the pit latrines were completed and work appears to be to a good standard.
- District headquarters: work was completed to a good standard and took four months to complete. The store had been in use for three months at the time of the visit.

Financial performance was good. Total expenditure reported by the district health office was Ug Shs 208 million. At the end of the financial year there were no unspent balances as all funds had been spent.

**Challenges:**

- Delays in the procurement process; these are primarily due to a lack of staff. Currently there is one procurement officer for the district who cannot deal efficiently with the volume of work hence projects are often implemented late in the financial year leading to many projects being rolled forward.
- Inadequate budget allocated to health; this ongoing challenge has been exacerbated by the fact that there are new beneficiaries for the PRDP funds. Formerly the group consisted of health, education, water and roads but has been expanded to support other sectors such as the environment sector hence the funds for the health sector are reduced as the PRDP pool of funds is being divided amongst more sectors.
- Shortfall in the funds received especially in Q4. Ug Shs 17million was released instead of the budgeted Ug Shs 72 million. The result was that two projects (at Alero HCIII and Kochgoma HCIII) already awarded to contractors could not be carried out and have been rolled forward to FY 2012/13. The shortfall in funds received hinders planning by the district for the implementation of capital development projects.

- The maternity ward at Purongo HCII was meant to be completed in FY 2010/11 but remains incomplete. This project was started by Amuru district but funds were fully paid to the contractor who abandoned the site; subsequently Nwoya district was created and Purongo HCII now falls under the new district. There have been correspondences between the CAO's of Amuru and Nwoya but a resolution has yet to be reached.
- Poor infrastructure for health facilities in the district hinders service delivery to patients. Some health facilities lack a functioning OPD, staff house (Coorom HCII) or pit latrine (Todora HCII).
- There is an acute staff shortage in the district. Staffing level for the districts health sector stands at around 42% (including support staff) and this drops dramatically when looking only at health workers to16% (including only two doctors).

*Nwoya district PHC development: cold chain store at the district headquarters (left); drainable pit latrine at Aparanga HCII (right)*

**r) <u>Oyam District</u>**

| Financial performance: Fair | Physical performance: Fair |
|---|---|

During FY 2011/12 Oyam district planned to implement capital development projects at fifteen health centres and the DHO's office. The activities for FY 2011/12 were: the construction of staff houses, pit latrines and washrooms, at Abanya, Aber, Acimi, Acut, Adigo, Adyegi, Ariba, Atura, Minakulu, Zambia HCII's, Agulurude, Otwal HCIII's and Anyeke HCIV; a general ward at Anyeke HCIV; a pit latrine and supply of solar inverter at DHO's office; and pit latrines at Aloni, Acimi, Abela HCII. During Q4 monitoring the team visited four of the health centres and the DHO's office. Physical performance was fair. Progress at the sites visited is summarised below.

- Anyeke: the staff house was complete but not yet in use and work on the pit latrine was near completion with painting outstanding. Construction of the general/maternity ward was still ongoing with the superstructure completed and roofed; the adjoining pit latrines had been excavated only.
- Agulurude: three staff houses were being constructed by various contractors. None of the contractors had been onsite since May 2012. For two of the staff houses brickwork had been completed up to the roofing level. The third structure has been roofed with door and window frames installed.
- Adiga: construction of the staff house was almost complete with the superstructure and roofing complete. Work outstanding included some plastering, panes for the windows and internal finishes. Pit latrines were almost complete with outstanding work including some plastering and painting.
- Otwal: construction of the staff house was ongoing; the superstructure was completed, roofed and plastered. The remaining work included the completion of the veranda. The pit latrines were almost complete and required some plastering work and the fitting of doors.
- DHO's office: construction of pit latrine and the procurement of solar batteries were both complete.

Financial performance was fair. Total expenditure reported by the district health office was Ug Shs 1.305 billion. A total of Ug Shs 711 million was unspent by the end of the financial year. Expenditure performance was therefore 65%.

**Challenges:**

- Inadequate funding for capital development projects. Between financial years 2011/12 to 2012/13 there was a reduction in the capital development budget of just under Ug Shs 370 million; leading a shortfall in much needed investment in the districts health infrastructure. In addition, funds to the district are not earmarked as PHC or PRDP funds and given the shortfall in releases that often occurs; it is hard for the district to track for accountability purposes which projects are being used by which funding stream (i.e. PHC or PRDP funds).

- Long procurement process means that contracts are awarded late in the financial year. Often this does not give enough time for the completion of a project (within the given financial year) therefore expenditure performance (i.e. the funds expended of those received) can be poor.

- Although the current staffing level stands at around 75%, given there are only two qualified staff across 24 health facilities, there is a real need for further qualified staff to aid good service delivery to patients. Attracting qualified staff has been difficult in part because some of the health facilities e.g. Adigo is hard to reach, along a very bad road, although it is not classified as such. Meaning that staff who work in these facilities do not receive the 'hard to reach' allowance. Due to the higher salaries in South Sudan many health workers are moving there for better pay.

- Drugs supplied by the NMS to health centre II's and III's are via the push based system whereby a standard stock of drugs and sundries are delivered to each facility. However the district would prefer a pull based system (like what is occurring in health centre IV's and hospitals) whereby drugs are ordered specifically for the facility. This would require communication between the NMS and DHO/health officers to move successfully to this system.
- Unspent balances for the drugs and sundries budget with the NMS. There is a need to be more transparent, as to how much funds for drugs and sundries have been unspent by the district. Ideally there would be more regular communication between the two bodies (quarterly rather than annually) so that drugs and sundries that are needed can be delivered and the allocated funds effectively utilised.

### s) Sembabule District

| Financial performance: Good | Physical performance: Good |
|---|---|

During FY 2011/12 Sembabule district planned to implement eight capital development projects. These projects were: construction of an OPD at Kayunga HCIII, a placenta pit at Kyabi HCIII, a pit latrine at Sembabule HCIV, renovation of Makoole and Kabaale health centre II's; an OPD each at Busheka HCII and Kyabi HCIII and procurement of furniture and machinery for the health office. During Q4 monitoring the team visited three of the activities for FY 2011/12. Physical performance was good. Progress at the sites visited is summarised below.

- Busheka: renovation of the OPD was almost complete at the time of the visit. Work outstanding included some external plastering, painting and panes on the doors need to be fitted.
- Kyabi: construction of the placenta pit was completed
- Kayunga: construction of the OPD was complete and the building was in use. The work appeared to be to a good standard.
- Kabaale: maintenance work on the OPD has been completed to what appeared to be a good standard

Total expenditure reported by the district health office was Ug Shs 125 million. A total of Ug Shs 2 million was unspent by the end of the financial year. Expenditure performance was therefore 99%.

**Challenges:**

- There is a lack of transport in the district to deliver outreach programmes to the community. Currently there are two vehicles being used as ambulances however these are in a poor condition and often breakdown. There is a need for more motorcycles in the district in order to deliver much needed programmes such as immunisation to the community.
- There is an acute lack of staff in the district; current staffing levels for qualified health workers stand at around 43%. There is a major shortage of key cadres such as midwives, enrolled nurses and a laboratory technicians.
- The PHC development fund is not adequate to rehabilitate all the facilities in need as well as construct staff accommodation. Around 60% of staff in the district are provided with accommodation and this also includes those where the district is paying rent for private accommodation. The lack of accommodation means that recruitment and retention of staff is more difficult as staff are required to fund accommodation themselves as well as commute longer distances to work.
- The district does not meet the criteria set by the MoH whereby each health facility should be within a 5kms radius from the next facility. In some cases health facilities are located around 15kms away from each other; thereby reducing access by the community to health facilities. There is a need for further funds so the district can build the required health facilities to meet standards required.
- There is a lack of electricity in some health facilities especially in health centre III's and lower. This means that deliveries of babies must occur in some situations under poor lighting i.e. candles or lantern light. In some instances women are reluctant to deliver their babies in these conditions and opt to move to health centre IV's or hospitals thereby increasing pressure on these facilities.

### 3.4.5 Key Policy Issues and Recommendations

**i. Staffing shortages are acute in most health facilities; this compromises service delivery. Staffing levels are often low and in many cases the mix of professionals is not as required for the effective functioning of health facilities.**

Recent progress has been made for improving staffing in the health sector and the recruitment ban for health workers has been lifted. An additional Ug Shs 49.5 billion has been allocated to the health sector in FY 2012/13 to enhance health workers salaries, allowances and to recruit staff.

A recurrent issue is that the standardised staffing levels for health facilities set by the Ministry of Health and the Ministry for Public Service are too low and this causes high workloads for staff which compromises service delivery to patients. Staffing levels in most districts monitored are well below the national target of 65% thereby exacerbating the issue of high workloads for staff.

A lack of medical staff is, in part due to a lack of promotional opportunities in regions such as Adjumani district, which results in a high rate of attrition of staff to Central Government. In some instances the staffing levels are high e.g. in Arua Regional Referral Hospital there are around 97 per cent of positions filled; however those employed do not reflect the right mix of professionals (often there is a critical lack of doctors) needed therefore leading to an adverse impact on service delivery for patients.

**Recommendation:** The Ministry of Health, the Ministry for Public Service and health facilities should be working to meet the workload indicator staffing norms (WISN); this takes into account factors such as OPD utilisation, rather than the standardised staffing norms currently being widely used. Staffing structures at the local government level should be revised with more opportunities for promotions. This would encourage more experienced staff to stay working for the districts rather than moving to Central Government.

**ii. Provision of drugs and sundries by the National Medical Stores (NMS) is often inadequate for the needs of the local community served by the hospital's and health centres.**

The issue of inadequate provision of drugs/sundries by the National Medical Stores (NMS) is pertinent for Regional Referral Hospitals, general hospitals and health centres. The issue of inadequate drug provision is twofold. Firstly the 'push based' system for health centre II and III's is inefficient as a standard stock of drugs/sundries is delivered to all health centres regardless of catchment area or regional disease prevalence. Often this leads to drugs/sundries at lower level health facilities to run out. Secondly is the issue that for all health facilities (health centre II to IV and hospitals) drugs/sundries are not received in the expected/ordered quantities; again leading to drug stock outs.

**Recommendation:** There should be a gradual move away from the 'push based' delivery system for HC's II's and III's to a 'pull based' system whereby each facility requests the drugs/sundries appropriate for them. In the interim, the Ministry of Health and NMS should work closely with health centres and hospitals to identify which drugs/sundries are needed to reduce the frequency of drug stock outs.

There should be quarterly rather than annual meetings between the NMS and health facilities to discuss their individual drugs/sundries budget and for the NMS to inform the districts of any unspent balances so the funds can be effectively utilised. In addition to more frequent meetings, when the NMS is not able to provide the required drugs/sundries, a report detailing why this is should be submitted to the health facility and the Ministry of Health. This will help identify the underlying reason as to why the drugs/sundries are not available and the issue can be resolved.

**iii. Most districts/municipalities received a shortfall in capital development funds, compared to the allocated budget; resulting in a lack of funds to pay contractors for completed work and the cancelling/postponing of projects.**

Districts plan projects for the upcoming financial year according to the allocated budget. However often there is a shortfall in funds received from Central Government which means that projects in progress cannot be paid for; this leads to an abandonment of projects by contractors.

Also funds earmarked for new projects in the next financial year are used for the payment of projects from the previous financial year. This has implications for future capital development projects as they often have to be postponed or cancelled. Government monitoring agencies often report 'ghost' projects when districts have not started a project due to the shortage of funds received from Central Government. This is due to the reporting in the OBT where there is no option for 'funds not received' by Central Government instead the 'not started' box must be checked by the districts.

**Recommendation:** Districts require accurate budget allocation figures from Central Government at the start of the financial year. If funds released do not amount to the allocated budget during the course of the year, districts should be informed in a timely manner so they can alter their plans/inform contractors.

Most districts/municipalities receive funding which is less than the allocated budget hence there should be an option in the OBT whereby districts/municipalities can report the status of the project has not started *because* funds have not been received by Central Government rather than simply checking the 'not started' box which could be misconstrued as 'ghost' projects by monitoring agencies.

**iv. Lack of funds for non-wage recurrent expenditure, for a) the provision of adequate transport, for local districts to monitoring and supervise capital works and provide vital outreach programmes for the local communities and b) for the running costs of buildings i.e. payment of utility bills.**

Often official vehicles in local districts are in a poor state and costly to maintain, if available at all. There is a need for transport to be provided for the provision of vital outreach services in the community such as immunisation of children against preventable diseases. There is also a need for transport for officials to be able to monitor and supervise capital development projects in the district. Mbarara and Lira RRH have reported that the non-wage recurrent budget is not enough to pay utility bills.

**Recommendation:** Sufficient non-wage recurrent budgets must be allocated to health facilities by the Ministry of Health to enable them to carry out vital work such as the delivery of outreach programmes, monitoring and supervision of capital works and to pay utility bills for the facilities.

## 3.5 INDUSTRIALIZATION

### 3.51: Introduction

Industrial development is an integral and important part of the Government's overall development strategy which aims at 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[131].

**Scope and Methodology**

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 the annual monitoring focused on planned activities during FY 2011/12 undertaken by the Ministry of Finance, Planning and Economic Development (MFPED), Ministry of Trade, Industry and Cooperatives (MTIC), Uganda Investment Authority (UIA) Uganda National Bureau of Standards (UNBS), and Uganda Industrial Research Institute (UIRI).

The sampled outputs were randomly selected from the information provided in the Ministerial Policy Statements 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 all regions.

Under the MFPED, monitoring covered construction of a Banana processing plant in Bushenyi under the auspice of the Presidential Initiative on Banana Industrial Development (PIBID) and the construction of Buhweju Tea Factory, Under the MTIC, monitoring covered; Uganda Development Cooperation (UDC) and Support to Warehouse Receipt System (WRS). Under UIA, monitoring focused on development of industrial parks in Bweyogerere, Luzira, Jinja, Kasese, Mbale, Moroto and Soroti. Under the Uganda Industrial Research Institute (UIRI), monitoring covered beef processing facility in Busia and Arua Fruit Processing Plant.

Physical performance of projects and outputs was assessed through monitoring a range of indicators and linking the progress to reported expenditure where possible. The variables monitored depended on whether an output was complete or ongoing and if implementation was according to budget and schedule. 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 for projects and outputs with reference to previous monitoring reports. Data collection methods included interviews with

[131] National Industrial Policy, 2008

key informants and observations. Photographs showing progress were taken and form part of this report.

**Limitations**

Information inadequacies; for some projects, financial data and actual progress was not readily available making analysis and reporting difficult.

### 3.5.2 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 civil works contract worth Ugshs.6.4 billion. Works commenced on 9th September 2009, and were expected to be completed by July 2012 (within four years). Ms. Habitat Consultants was awarded a supervision contract of Ugshs.141 million.

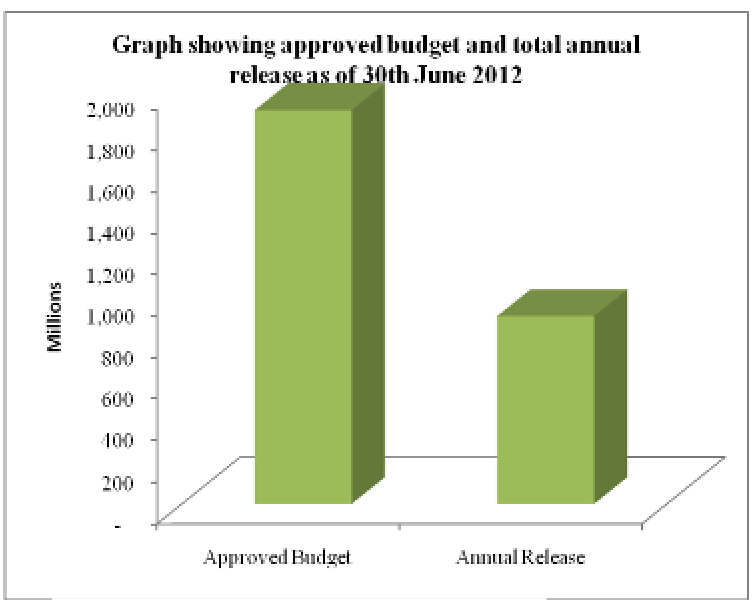
**Project Objectives**

1. Establish a tea factory for processing the green tea leaf produced by farmers from Buhweju.
2. 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 was expected to be jointly financed as follows; GoU grant of US$3.2 million, Bank loan of US$2.805 million and provision of residential building and working capital by Igara Growers Tea Factory of US$ 1.43 million. With effect from FY 2008/09, GoU undertook to disburse the grant to the project on an annual basis amounting to Ugshs.1, 6billion per year.

Figure 3.5.1




*Source: Field Findings*

The total approved budget for FY 2011/12 was Ugshs.1, 901,058,090 of which, a total of Ugshs.904, 049,500 was released by 30th June 2012, representing 47.5% of approved budget. A total of Ugshs.5, 176,353,670 was paid to the contractor representing 86% of the contract sum. Habitant Consultants, the project consultant had been paid a total of Ugsh.279, 902,000, out of which Ugshs.185, 732, 0000 was paid for designs and Ugshs.94, 170,000 paid for supervision.

**Physical Performance**

Overall physical progress was estimated at 90% with all works highlighted in government scope completed and handed over except auxillary works. Completed works included boiler house, firewood shed, administrtaion, block, generator house, motor vechicle worshop, Kitchen and fertilizer store. All machinery and equipment was delivered and fully installed; water works had been completed and collection tanks installed.

Outstanding works include; testing and completion of the batch weighing system, installation of a water distribution lines to all factory buildings and washrooms, external works including road works, embankments, compound, fencing, water works, lagoons, drainage and sanitation.

The facility was under defects liability period and the contractor had handed it over to the client in April 2012. By 11th September 2012, the contractor was attending to defects that had been identified; defects included; cracks in the floor of the main factory. The factory was partially operational and employs a total of 135 staff members on full time and temporary arrangement.

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 was Ugshs.604, 133,290. Civil works had stalled due to limited funds; however, the promoter was optimistic that completion will be achieved by end of 2013.

**Project Benefits**

**Increased production:** Between April-August 2012, a total of 4,288,385kgs of green leaf had been handled; of which a total of 960,428 Kgs of tea had been processed.

**Employment opportunities**: A Management structure is already in place with production manager, assistant production manager and senior techinicians recruited and deployed. The factory employs a total of 135 workers out of which 56 are full time. Recruitment and training of new staff was ongoing. A total of 6,537 farmers supply green leaf daily and are paid on a monthly basis. Prices are based on going market rates and farmers are entitled to advance payment.[132]

**Tree planting;** a total of 266 ha had been planted and another 40ha were to be planted by end of 2013 to facilitate uninterrupted operations of the boiler house.

**Implementation challenges**

[132] BMAU Q3 Budget Monitoring Report 2011/12

- External works variations significantly affected total project costs; additional funds totaling to Ugshs.3.3 billion is required to complete the project.
- Budget cuts; more than half of the revised approved budget was not released slowing down implementation of planned activities.
- 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. Apparently, these embankments are not only a threat to human life; they are also a threat to the existing structures.
- Environmental concern; there is no waste management system in place. Lagoons for treating factory waste were not yet in place, yet factory operations had started. Factory affluent are being released to the environment untreated. This might cause health hazards for the neighboring population.

**Conclusion**

Buhweju tea factory is partially operational and on track, a number of benefits have been registered including employment of 135 staff on full time and temporary arrangement, 6,537 farmers that supply green leaf on a daily basis and processing of 960,428 Kgs of tea out of 4,288,385kgs handled since April 2012. To further these benefits, all stakeholders including Governmet of Uganda through Ministry of Finance needs to render full support to this project by ensuring timely and adequate releases to facilitate completion of outstanding works for smooth operations of the factory.

**Recommendation**

- The Ministry of Finance should ensure timely and adequate release of funds including variation costs to facilitate completion of outstanding works for smooth operations of the factory.
- Attention should be paid on affluent disposal to avoid contamination of the community with hazardous waste.
- Efforts must be made to have anchoring walls in place to avoid curving in of buildings above the embankments.

### 3.5.3 Presidential Initiative on Banana Industrial Development (PIBID)

**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 Ugshs.23.3 billion, where as implementation of the irrigation scheme was awarded to M/s Vambeco Limited at a contract price of Ugshs.2.5 billion. The main construction of the processing plant which was originally phased into two was merged and undertaken concurrently with a revised completion date of October 2014.

**Financial Performance**

The total approved budget for FY 2011/12 was Ugshs.10.20 billion, of which Ugshs.5.707 billion was released and Ugshs.5.702 expended representing release performance of 55.8% and expenditure performance of 99.9%. Expenditures were distributed as follows: Capital development 47%, Salaries, Wages and Allowances 21.9%, Administrative costs 18.9%, and Research and Development 11.3%.

**Table 3.5.1: Showing overall financial performance for PIBID as of 30th June 2012**

| Activity | Contract amount in UgShs | Expenditure | Variance |
|---|---|---|---|
| Construction of factory (Ms Dott Services) | 23,326,246,255 | 12,954,289,196 | 10,371,957,059 |
| Supervision contract (Arch Designs) | 818,011,400 | 536,442,108 | 281,569,292 |

| | | | |
|---|---|---|---|
| Master Planning for TBI Nyaruzinga | 397,584,775 | 362,988,798 | 34,595,977 |
| Master Planning for Sanga | 385,421,925 | 296,630,509 | 88,791,416 |
| Construction of Irrigation system (Ms Vambeco) | 1,848,063,421 | 1,882,989,752 | -34,926,331 |
| Design of Water works (BEC Engineering) | 297,960,600 | 89,218,880 | 208,741,720 |
| Sub Total | 27,073,288,376 | 16,122,559,243 | 10,950,729,133 |
| **Activity** | **Contract amount in Euro** | **Expenditure** | **Variance** |
| Supply of factory equipment | 1,349,958 | 1,137,936 | 212,022 |
| Supply of Lab equipment | 1,155,660.22 | 254,732.33 | 900,927.89 |
| Sub Total | 2,505,618.22 | 1,392,668.33 | 1,112,949.89 |

*Source: PIBID and Field findings*

**Physical Performance**

***Lining of lagoons and installed biscuit and bakery lines at PIBID***

**Table3.5.2: Showing percentage physical progress of planned activities at PIBID by end of September 2012;**

| Planned Activities | Physical Progress | Remarks |
|---|---|---|
| Factory and associated works constructed | 65% | On going |
| Quality Assurance and research facilities constructed | 45% | On going |
| Raw and instant flour equipment (Drying Chambers) installed | 90% | On going |

| | | |
|---|---|---|
| Completion of survey mapping and master plan of Industrial Technology Park (ITP) and Technology Business Incubator (TBI) | 100% | Complete |
| 2 Silos installed and test run | 80% | Installations ongoing, testing not yet done |
| Installation and test running of hammer mill | 0% | Not yet installed and test run |
| Extruder delivered | 100 | Awaiting installation |
| Installation of Biscuit line equipment | 80% | On going |
| Installation of confectionery equipment | 0% | |
| In-take water works | 100% | Complete |
| Designs and tender documents for water treatment facilities | 100% | Complete |
| Construction of Lagoons | 40% | On going |
| Finalization of management plan and structure | 90% | Awaiting board approval |
| Formation of Farmer groups to aggregate into farmer associations | 25% | This was done in Bushenyi, Sheema, Rubirizi |
| Product development testing and promotion | | This was undertaken in Japan, Denver USA at the UNAA |
| Banana plantation maintained | | 24 acres maintained |

*Source: Field findings*

**Implementation challenges**

- Inadequate releases: Out of the approved Ugshs.10.2 billion budget for FY2011/12, only Ugshs.5.7 billion (55%) was released as of 30th June2012. Critical line items such as salaries and wages received zero release.
- Lack of a comprehensive post construction management plan. Without this plan, future project operations will be delayed.

**Conclusion**

Only half of the revised approved budget FY2011/12 was released leading to stalling of most of the works on site. Critical line items such as salaries and wages received zero release making operations close to impossible. The project is several months behind schedule.

**Recommendation**

- The project should be adequately funded and given the requisite degree of commitment. The MFPED should endeavor to avail funds approved for this project during this Financial Year. Additional funds to meet the contractual obligations 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 for proper implementation of remaining works.
- PIBID board should expeditiously cause to be designed a post construction management plan and structure to achieve efficient and effective operations of the processing plant and guarantee sustainability.
- MAAIF, MWE and UNRA should speed up implementation of the work plans related to PIBID to avoid further project delays. Funds borrowed from MoES account for construction of Hostel should be replenished from the project account to achieve the objective of constructing a hostel.

### 3.5.4 Uganda Investment Authority (UIA)

**Development of Industrial Parks: Vote 008, 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 2017/18[133]. This strategy was to ensure that 22 industrial parks are created across the country. The process started with setting 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.

**Financial performance**

The revised budget for FY 2011/12 was Ugshs.9.363 billion, of which, Ugshs.4.681billion was released, representing a release performance of 50%. A total of Ugshs.3, 474,838,746 had been expended on capital development activities in the following parks; Bweyogerere, KIBP, Jinja, Soroti, Mbale, Kasese, Luzira and Mbarara. Activities included; payment for acquisition of land, road works and installation of border makers, consultancy services, compensation, payment of security and utility bills among others.

**Planned activities**

The planned activities in FY 2011/12 included; operationalization of Luzira Industrial Park (70 acres), Mbarara small and medium enterprise (SME) Park (12 acres) and Bweyogerere Industrial Park (50 acres); allocation of land to deserving investors in all parks, 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.

**1. Bweyogerere Industrial Park (45 acres)**

The park is located 10Kms North East of Kampala. The land was allocated to seven investors including Bweyogerere Hospital and Uganda National Bureau of Standards (UNBS) among others. Uganda Investments Authority contracted M/s Omega Construction Limited to undertake construction of road works in Bweyogerere industrial park at contract sum of Ugshs.3, 591,396,840. This contact was supervised by M/s Gauff Consultants at a contract sum of Ugshs.338, 982,000 and later by Ministry of Works and Transport. Works commenced on 12th May 2010, however due to numerous challenges related to land acquisition and contractor weaknesses, civil works were only substantially completed by 30th March 2012.

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[133] UIA project profile-Development of Industrial Parks

Scope of works involved; Re- processing the existing pavement tracks (2kms); 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.

***A section of Bweyogere park bleeding roads, potholes, failed culverts and incomplete drainage***

**Expenditure;** a total of Ugshs.660, 811, 5677 had been expended on this park; out of which Ugshs.616,966,577 was expended on road construction and works supervision; Ugshs.29,900,000 on land acquisition and compensation; Ugshs.10,621,100 on security.

**Road works**: By 30th August 2012, major works were substantially complete with an estimated physical progress of 95%. Outstanding works included, road marking, installation of road signs, paving walkways on upper side of the Bypass link, patching of grass, and construction of access roads connecting to plots, (access roads were not part of the original bills of quantities).

Road works were still under 12 months defects liability period expected to end by March 2013. During the August 2012 monitoring visit, the following defects were identified: cracks, stripping, bleeding and potholes in the new paved surface; failed and incomplete drainage structures; erosion and heavy deterioration of shoulders.

**Water:** UNBS had extended water to her premises. Negotiations between UIA and NWSC on how best to service the park with water were reportedly at advanced stages.

**Electricity**: M/s UMEME Limited had been contacted to provide a quotation for servicing the park with power and in return asked for the power needs of the investors. By August 2012, only three of the nine investors had submitted their power requirements to UIA.

**Lease agreements**: Lease agreements for a number of investors' allocated land in this park had expired. The team was informed that these investors had requested for extension of agreements since the park had not been serviced with utilities and roads as scheduled.

**Security:** In order to secure the park, UIA had contacted Uganda Police to provide security services for the park, UIA promised to provide office space for a police post and therefore the process of procuring '*Uniports'* for security operations.

**2. Luzira Industrial Park (70 acres);**

The park is located 5Kms East of Kampala and is operational with basic infrastructure such as water, power and roads.

**Expenditure:** A total of Ugshs.157, 946,630 had been expended of which; Ugshs.59,933,308 had been spent on design of 33kv Power line; Ugshs.56,720,122 was spent on construction of the first ring road extension; Ugshs.36,493,200 spent on routine road maintenance and Ugshs.4,800,000 on 33/11 kva substation design review.

**Investments**: Fifteen Investors had been allocated land of which seven are operational while three are under construction. Operational industries include; Quality Chemicals, Graphic Systems, Blue Wave Beverages, Transpaper Uganda, MasterWood Industries, Basere (U) Ltd, and Pipeline (U) Ltd.

**Road works:** The contract for extension of park road by 200 meters was awarded to M/s Nicontra Limited and signed on 6$^{th}$ November 2011, at a contract price of Ugshs.279 million. Works had earlier been halted due inadequate designs. A geo textile study was undertaken and its recommendations adopted including use of rock fill and geo-textile materials. Works had resumed on 22$^{nd}$ June 2012. It was reported that works were at sub grade level and the project was expected to be fully completed by 30$^{th}$ September 2012. Overall physical progress was at 65%. Outstanding works included; surface dressing, base course and drainage.

It was noted that the original contractor (Ms. Spencon) had not attended to the identified defects as provided for in the contract, yet defects liability period had expired in December 2011.

**Security:** In abid to step up security in the park, and avoid vandalism of park properties, UIA had sought clearance from Solicitor General to procure 'U*niports'* for office space and accommodation to a police post. Installation of the facilities was expected to start in December 2012.

**Electricity:** UETCL had notified UIA that construction of the substation was planned for FYs 2013/14-14/15. Negotiations for way leaves between Kiwanga and Namanve were ongoing.

**3. Jinja Industrial Park (182 acres)**

Established on 182 acres along Jinja-Kamuli road, Jinja is being re-activated as a major industrial town that it once was. During the 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.

**Expenditure:** A total of Ugshs.207, 642,860 had been expended on this park; of which; Ugshs.161, 984,000 had been paid as balance for land acquisition and stamp study; Ugshs.34, 994,860 for installation of boundary markers; Ugshs.4,594,000 for Master plan and EIA studies; Ugshs.2, 590,000 for proposed leather park studies and Ugshs.3,480,000 for installation of signposts.

During the monitoring visit, it was reported that the consultant to develop a master plan and environment impact assessment had been procured (M/s PROME in association with Urban

Research). An inception report detailing their work plan, methods of data collection and budget among others had been submitted. Data collection and stakeholder consultations were on going. EIA and master plan are expected to be completed by December 2012. Installation of border markers to protect the park from encroachers had been completed.

### 4. 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 in 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.

**Expenditure:** A total of Ugshs.101, 696,653 had been spent of which; Ugshs.40, 980,939 was spent on installation of boarder markers; Ugshs.26, 454,481 on road design; Ugshs.19, 946,400 on land surveying and subdivision, Ugshs.11,789,833 on security; and Ugshs.2,525,000 on administrative expenses.

An alternative plot for Soroti Fruit Factory as requested for by KOICA had been identified and approved.

Preliminary engineering designs for roads had been submitted to UIA for review, and some roads had been re-aligned to suit the requirements of the fruit factory. Boarder markers had been completed.

### 5. 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). M/s Savimax Ltd was contracted to undertake an Environment Impact Assessment (EIA) and master plan for this park at a contract price of Ugshs.88 million. By 30th August 2012, the final master plan had been completed and approved. The EIA had been completed and submitted to NEMA for approval. Survey and subdivision of plots was awaiting approval of the EIA. Installation of border markers to protect the park from encroachers was in its final stages.

**Expenditure:** overall, A total of Ugshs.147, 997,276 had been expended on this park as outlined below; Ugshs.58, 619,001 for installation of boarder marker; Ugshs.17,560,000 on security, Ugshs.71,818,275 to M/s Savimax for EIA and master plan.

### 6. Mbale Industrial Park (619 acres)

This park is located in Mbale-Mototo along Tirinyi road. The original case filled by "squatters" on the land was decided in favor of UIA. However, the applicants had appealed the decision on compensation. A team of valuers from the office of the Chief Government Valuer were to validate the actual land values and submit a report to UIA.

The 619 acre facility therefore remained unoccupied by UIA. During the monitoring visit, it was noted that new structures and new squatters had settled on the land. It was further noted that a sizeable part of the land did not have any squatters.

**Expenditure:** During FY 20111/12, a total of Ugshs.9,274,600 had been expended on this park; of which Ugshs.3,618,000 was spent on a consultative workshop; Ugshs.2,260,000 was spent on property valuation; Ugshs.1, 975,000 spent on laying of a foundation stone; Ugshs.930, 000 Court hearing and Ugshs.491,600 spent on administrative expenses.

### 7. Mbarara SME Park

The 12 acre facility was procured in FY 2008/09 from Gatsby to cater for small scale enterprises. It is adjacent to Mbarara Municipality 280 kms southwest of Kampala. It is comprised of 5 buildings housing 41 work spaces of approximately $60m^2$ each.

**Expenditure:** During FY 2011/12, a total of Ugshs.31, 779,881 had been expended; of which 14, 101, 285 was spent on maintenance and repairs; Ugshs.11, 061,625 on security; Ugshs.3, 369,000 on administrative expenses; Ugshs.2,888,166 spent on power bills and Ugshs.359,205 on water bills. By September 2012, all tenants had signed tenancy agreements. A consultant to undertake master planning had been contracted and submitted an inception report. All investors had agreed to contribute towards utility bills.

### 8. Moroto Industrial Park

417 acres of land in Moroto for mineral beneficiation activities had been acquired at a total cost of Ugshs.623 million, of which Ugshs.567million (90% of the total sum) had been fully paid. Payment of the remaining 10% balance was to be made upon official hand over of the land. It was further reported that boundaries had been opened and the process of developing a master plan and carrying out an EIA was in progress.

### 9. Kampala Industrial and Business Park –Namanve (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:**

During the year under review, the project was partially funded by the World Bank credit worth US$ 26 million as part of project component one of the Second Private Sector Competitiveness Project (PSCP II) and Government of Uganda from Development of Industrial Parks Project. It should be noted that The World Bank terminated credit to this project and any outstanding obligations were concluded by January 2012. Expenditures were mainly on the following;

**Table 3.5.3: Showing KIBP Expenditures Funded from Project 0994**

| **Item** | **Amount** |
|---|---:|
| Earth works & office Block construction | 1,894,171,077 |
| Way leaves acquisition for power line construction | 181,307,125 |
| Internet connection | 6,322,812 |
| Security | 14,017,400 |
| Water bills | 3,959,790 |
| Power bills | 3,563,716 |
| **Total** | **2,089,324,520** |

***Source: UIA***

### Physical performance

Following the suspension of funding from The World Bank, it was reported that Government had pledged to continue supporting KIBP. KIBP staff were absorbed in the Land development Division of UIA for continuity of project execution. Collection of Non Tax Revenue (NTR) from investors (lease fees) had commenced. Use of these revenues was awaiting receipt of clearance from MFPED. A total of 32 of the 220 investors had been invoiced, of which, only 7 had fully paid 10% of the premium. The NTR collection account will be jointly monitored and reconciled on a monthly basis by UIA and MFPED.

**Encroachers**: UIA engaged Uganda Police to remove a section of sand miners, brick makers and veterans who had occupied part of the park land illegally.

**Security**: UIA had allocated land to Ministry of Internal Affairs for setting up police posts in different parts of the park and a police station for command and control.

The UIA steering committee had identified 72 priority projects to kick start KIBP. The committee identified areas for immediate funding including: roads (sub grade) for immediate opening, power and water needs of the investors. A provisional budget worth Ugshs 20 billion is required to implement the priority areas.

### Challenges

- Lack of funding: The termination of World Bank funding created a funding gap to this project.

- Insecurity in the park. Namanve offices were vandalized and a total of 20 computers, one heavy duty photo copier and survey equipments were lost. It was further noted that bushes within this park had turned into safe havens for criminals.
- Encroachers; the operation to remove illegal occupants off the park land stalled after a Parliamentary directive.

**Recommendations**

- GoU should provide adequate funding to UIA for execution of priority areas identified by the steering committee.
- The land Development Division should be beefed up with staff including civil engineers and surveyors to effectively undertake the mandate of industrial park development.

**Conclusion**

Some investors in Luzira (8 of 12), Namanve (4 of 220) and Bweyogerere (1 of 9) had started industrial operations. Land had been procured in Moroto and Jinja in addition to land procured in previous years. Most of the park activities for the year were not achieved due to poor planning, inadequate designs, low staffing levels in departments responsible for industrial park development at UIA and poor contract management leading to very limited progress against set targets.

**General recommendations**

- Lease agreements of some investors in Bweyogerere and Luzira parks have either expired or about to expire with no activity on ground. These lease holders should be informed on the next course of action and the plots should be re-allocated to investors with capacity to develop them for industrial purposes.
- UIA should remind investors to expeditiously submit their power requirements in Bweyogerere and Luzira Parks for proper planning on the side of UETCL. Power requirements of investors in other upcoming parks should be solicited well in time to avoid any delays.
- Under staffing at UIA: It was noted that a number of key staff had either left the agency or their contracts terminated without replacement. It was also noted that the few staff members were over stretched and in some cases lack key competencies to undertake some assignments. For efficient delivery of services, it is critical to urgently fill the vacant posts especially critical competencies in park development and management.
- Security: Establishment of proposed police stations/posts in all parks should expeditiously be done to mitigate insecurity and lawlessness in parks.
- UIA should ensure that investors allocated land in the parks under take regular bush clearing and commence operations to mitigate crimes and illegal occupants.
- UIA should engage the Ministry of Works to have all industrial park roads classified as national roads in order to have them maintained by a competent government agency.

- UIA should occupy part of the Mbale Park land (where there are no squatters) and if possible start servicing it to enable interested investors start business, create employment opportunities and contribute to economic development.
- UIA should seek for a court order restraining squatters from constructing new structures on the Mbale park land pending the disposal of the appeal.

### 3.5.5 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[134].

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 direct intervention aimed at providing value addition in fruit processing for promotion of industrial growth, income diversification and increasing household incomes in Teso region[135]. This region comprises the districts of; Soroti, Kumi, Bukedea, Katakwi, Amuria, Serere, Ngora and Kaberamaido and is the leading producer of citrus fruits in the country. Oranges are the most popular type of citrus grown in the region with three major improved varieties namely; Hamlin, Sweet Valencia and Washington Navel. Currently, there are approximately 2.9 million orange trees with an estimated production capacity of 576,000 tonnes a year. Out of these, only 49% (Hamlin and Valencia) can be considered for processing. The region also grows mangoes with estimated production at 170,000 tonnes. Consequently, the fruit processing facility will be expected to process oranges and mangoes, hence; orange concentrates, mango pulp and mango juice products.

[134] Laws of Uganda, chapter 326
[135] Public Investment Plan FY2011/12-13/14

A five acre piece of land was therefore allocated to this project within the Soroti Industrial Park by Uganda Investment Authority. In February 2011, GOU received a grant offer for a turnkey fruit processing facility from the Government of South Korea. This grant is to be channeled through the Korean International Cooperation Agency (KOICA). According to KOICA's technical review, the processing capacity of the proposed facility is estimated at 6.0 tonnes / hour for oranges and 2.0 tonnes / hour for mangoes, and this facility will operate for an average of 20 hours per day. The total value of the grant from the South Korean Government amounts to USD 7.4 millions as provisionally detailed below;

**Table3.5.4: Showing KOICA grant allocation by activity.**

| Item | Activity | Cost |
|---|---|---|
| 1 | Consultancy services, and construction of the facility with its primary waste water treatment plant, oil storage tank and welfare administrative office. | US$ 2,000,000 |
| 2 | Procurement, freight and installation of machinery and equipment. | US$ 4,465,000 |
| 3 | Training of the technical staff to be employed by the facility. | US$ 935,000 |

*Source: UDC*

**Expected Outcomes**

- An increase in the incomes of the fruit farmers in Teso Region; hence reduction in the poverty rates.
- Reduction in post harvest losses at the same time leading to increased fruit production and productivity;
- Value addition on agricultural produces
- Skills enhancement of the facility's workforce due to the training component associated with the KOICA Grant;
- Creation of employment opportunities at the processing facility and farm levels;
- Infrastructure development such as; roads, power, education and health facilities emerging in the Teso.

**Expected Outputs**

- Teso Tropical Fruit Growers' Cooperative Society registered;

- Acquisition and surveying of project site in the proposed Soroti Industrial Park;
- Feasibility and Environment Impact Assessment reports produced for the project;
- Geotechnical survey report produced;
- Designs and BOQs for all the project related civil works produced;
- Project site serviced with water, electricity, road network and ICT infrastructure;
- A fruit processing facility constructed in the Teso region;
- Procured and installed machinery and equipment for the fruit facility;
- Operation of the fruit processing facility commenced;

**Planned Activities**

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 B.O.Qs for civil works (roads); re-constitute farmers into productive units in the value chain and secure a grant from KOICA.

**Financial performance**

The approved budget for Soroti Fruit factory FY 2011/12 was Ugshs.5,000,000,000 of which Ugshs.2,333,238,000 (47% of approved budget) was released as of 30th June 2012 and Ugshs.1,406,743,457 expended over the same period, representing an absorption performance of 60%.

**Table3.5.5: Showing expenditures of Soroti Fruit Factory**

| Activity | Amount Paid | % of total expenditure |
|---|---|---|
| Feasibility Study by Deloitte Uganda Limited | 315,852,477 | 22.45 |
| Environment Impact Assessment Study | 47,436,000 | 3.372 |
| Addendum EIA study due to change of plot location | 9,381,000 | 0.666 |
| Water services Supply by NWSC | 548,566,625 | 38.99 |
| Electricity services supply by UEDCL | 476,782,305 | 33.89 |
| Follow up site visits and remuneration for Research Assistant | 8,725,000 | 0.620 |
| **Total** | **1,406,743,407** | **100** |

***Source: UDC***

**Physical performance**

By 30th August 2012, the following had been achieved;

- Acquired 5 acres of land for the fruit processing facility in the Soroti Industrial and Business Park in March 2010. In March 2012, an alternative piece of land acceptable to KOICA was secured within the same Park;

- Two consultants (Deloitte Uganda Ltd and Urban Research And Training Consultancy E.A Ltd (URTC) were contracted to undertake a feasibility study and an Environmental Impact Assessment (EIA) respectively, for the fruit processing facility. The final report of the feasibility study had been completed with statistical data on sweetness, acidity, pulp ratio and yield. The feasibility study report also provided for an independent management structure; personnel requirements, and working capital estimates for the facility. The final EIA report was submitted to NEMA for review;
- Mobilized and trained 200 farmers from the Teso region into one supra regional cooperative body, Teso Tropical Fruit Growers Cooperative Society. This was done to ease coordination, monitoring of fruit production and raw materials needed for the proposed fruit processing facility;
- Incorporated, a limited liability company called Soroti Fruits Limited (SOFTE) that will own and operate the facility. The nominal share capital of the company is Ugshs.10, 000,000. There are 100 ordinary shares, each costing Ugshs.100, 000. UDC owns 80 ordinary shares in SOFTE while the remaining 20 is owned by the farmer's cooperative society (Teso Tropical Fruit Growers' Cooperative Society). The Board of Directors of SOFTE shall be responsible for the affairs of the company and shall develop general policy guidelines for the running and operations of the company. Of the seven Board members, UDC shall nominate five (5) while Teso Tropical Fruit Growers' Cooperative Society shall nominate two (2).
- Uganda Electricity Distribution Company Ltd (UEDCL) and National Water and Sewerage Corporation (NWSC) had been contacted to supply electricity and install a transformer for the fruit factory, and the latter to supply water to the project site. Works were expected to commence soon with both water and electricity expected on site by early November 2012.
- A multi-institutional taskforce composed of senior officials from relevant MDA's including UIRI was instituted to monitor the project implementation and progress.
- An implementation plan for the project between KOICA and UDC had been developed and civil works are expected to commence in February 2013.

**Challenges**

- Absence of a project technical and an independent management team to spearhead project implementation.
- Identifying 10 acres of land within a 5Kms radius of the fruit factory to be used for dumping the post- process residues;
- Lack of research studies and statistical data on sweetness, acidity, pulp ratio and yield of the fruits grown in the Teso region;
- Inadequate working capital for the facility once it becomes operational.
- 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.

**Conclusion**

The involvement of KOICA has brought this project back on track with a better implementation plan. A number of activities for the year were achieved. The MTIC, MFPED and UIA should offer all necessary support to UDC to have this factory operational.

**Recommendation:**

- Uganda Investments Authority should urgently service the park with utilities to enable UDC to timely meet the conditions of the agreement with KOICA.
- UDC should engage a consultant to undertake a study on quality, high yielding varieties, and statistical data on fruit sweetness, acidity and pulp ratio in the region.
- UDC should align all her activities on the plot with the overall UIA industrial park master plan.
- GOU through MoWT and UNRA should prioritize and extend the tarmac along Soroti-Amuria road beyond the industrial park to ensure that processed foods are not contaminated and ease quality certification.
- UDC should develop a management plan for the factory to avoid any delays in operationalising the industry.

**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[136]. The key needs of the fruit farmers in the Luwero Triangle are; readily accessible markets, fair pricing for their produce, cost effective and easily accessible storage, and infrastructure and value addition. Due to lack of these requirements, Luwero Triangle was experiencing high post harvest losses during peak production seasons. It is against this background that 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 70% and the cooperative society 30% 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 Ugshs.500 million was provisioned under the department of Investment and Private Sector Development of the MFPED to facilitate the process. Ugshs.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

[136] Public Investment Plan 2011/12-2013/14

study for this project had not been conducted and the cooperative society wanted government of Uganda to contribute 100% to this venture.

During FY 2010/11, UDC was tasked to regularize 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.

The project is set to achieve the following outcomes;

**Expected Outcomes**

- Increase in the household incomes of the fruit farmers in Luwero Triangle;
- Creation of employment opportunities at the processing facility and farm levels;
- Reduction in post harvest losses leading to increased fruit production and productivity;

**Expected Outputs**

- Number of farmers with equity stakes in the proposed limited liability company that will establish and operate the fruit processing facility;
- Reports produced for the Feasibility, EIA and road designs for the project;
- BOQs for the project civil works and support infrastructure;
- Water supply flow in cubic meters to the project site;
- Power voltage supply to the project site;
- Capacity and production efficiency of machinery and equipment for: fruit juice, concentrates and pulp in metric tones; procured and installed;
- Daily production capacity of procured machinery;
- Installed raw and processed fruit storage capacity;

**Planned activities for FY 2011/12**

Conduct consultative meetings in order to harmonize interests of stakeholders in greater Luweero area; conduct a feasibility study and Environmental Impact Assessment (EIA); Sensitize fruit farmers on the shareholding in Luweero Fruit Company; Identify an investor/managing partner for the project and transfer of land title into the names of Uganda Land Commission.

**Financial Performance**

A total of Ugshs.500 million was approved FY 2011/12, of which Ugshs.253 million (51% of the approved budget) was released and only Ugshs.2.2 million was expended. UDC attributed low absorption to NUCSL unwillingness to transfer the purchased land to Uganda Land Commission in favor of UDC.

**Physical performance**

Two Memoranda of Understanding (MOU) were signed between Natural Uganda Cooperative Society Limited (NUCSL) and Ministries of; Finance, Planning and Economic Development, and Agriculture, Animal Industry and Fisheries. The first one was to undertake financing of factory establishment and the second one was to encourage production and processing of organic horticultural fruits. Ministry of Finance, Planning and Economic Development released Ugshs.115 million in furtherance of the MOU; Fruit farmers were sensitized on the need and benefits of belonging to one major cooperative society whose membership cuts across the greater Luwero. The transfer of the land title to Uganda land Commission was not achieved and the feasibility study was yet to be undertaken.

### Challenges

- Farmers in greater Luwero rejected the idea of operating under NUCSL.
- Inadequate investment capital: The co-investor who had expressed willingness to partner with NUCSL was reported to have withdrawn from the project. Farmers in the greater Luwero region also expressed inability to meet the earlier on pledged 30% of the investment, making commencement of factory construction and operations very difficult.
- NUCSL refusal to transfer project land to UDC could result into financial and additional time losses; the monitoring team was informed that NUCSL through, their lawyers, Mugerwa & Partners in a letter dated 21/06/12, indicated that the funds from MoFPED was a grant and hence non refundable.
- Expiry of MOU with all relevant ministries; Although the GOU's commitment to establish the factory still stands, the Memoranda of Understanding (MOU) signed with the respective ministries were no longer of effect having expired on February13$^{th}$ and 5$^{th}$ 2012 respectively.

### Recommendations

- UDC should work closely with the Department responsible for Cooperative in the MTIC to mobilize farmers into an acceptable wider all encompassing co-operative society that will cover the greater Luwero Triangle area.
- There is need for a new MOU which will clearly spell out clear roles and responsibilities of respective partners. The document should spell out the shareholding of a Joint Venture company that will own and manage the fruit processing facility, taking into consideration the interests of the regional farmers' co-operative society.
- 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.

### Conclusion

This project is behind schedule with very low absorption capacities, efforts should be made to recover project land from NUCSL. Alternatively, UDC could partner with NUCSL or obtain another piece of land to have this factory on ground. It should also be noted that UIRI has two similar projects in Mpigi and Arua that haven't taken off due to inadequate funds and lack of feasibility studies. UDC therefore needs to make efforts to secure a co-investor (s) or make a strategic decision to solely invest in this project and contract management.

### 3.5.6 Uganda National Bureau of Standards (UNBS)

UNBS was established as a semi autonomous body by an Act of Parliament in 1983. UNBS' mandate is provided in the same Act as: develop and promote standardization; quality assurance; laboratory testing and metrology to enhance the competitiveness of local industry to strengthen Uganda's economy and promote quality, safety and fair trade.

During FY 2010/11, the agency was expected to commence the construction of UNBS head quarters under different phases and construction of the calibration rig, however, due to inadequate funds and procurement complexities, construction of headquarters (Phase I) was forwarded to FY 2011/12.

**Financial Progress**The annual revised development budget FY 2011/12 was Ugshs.2.994 billion of which Ugshs.2.295billion (76.6% of the revised budget) was released. Expenditures covered advance payment to the contractor worth Ugshs.1, 736,040,076 and 50% of the contract sum to the consultant worth Ugshs.493, 640,479.

**Physical Progress**

**Construction of UNBS headquarters**

M/S Metallurgical Construction Company (MCC) was awarded the contract to construct phase I of UNBS headquarters (Four floored administration block) at a contract sum of Ugshs.16, 241,286,948. Civil works commenced on 25th April 2012 and expected to be completed by 9th February 2013 (within 12 months). Arch Forum was contracted to supervise this project at a contract sum of Ugshs.987, 280,955. By 24th September 2012, civil works were ongoing and progress was estimated at 40%. Works were two months behind schedule and this was attributed to delays in testing of materials onsite.

***Construction of UNBS headquarters and artistic impression of the building***

**Implementation Challenges;**

**Inadequate funds leading to** under scoping of the project; phase one of the contract involves construction of a shell building less of finishes like plastering, installation of windows and doors, floor works and external works among others. With an annual funding of Ugshs 2.5 billion, construction of Block A will be achieved in seven years.

**Calibration Rig**


***Calibration of fuel tank and a copy of results at UNBS Bweyogerere rig***

Calibration is the process of ascertaining the accuracy of measurements. In order to conform to set standards of fuel tanks, UNBS undertook to set up a calibration rig. M/s Pioneer Construction Ltd was contracted to undertake this project at a contract price of Ugshs.569, 353,975. Scope of works involved; construction of sub structure, walling and frame, roof construction and finishes, window and door installations, internal finishes, mechanical installations, construction of septic tank and sock pit, water supply, treatment of tanks, steel structure and parking. The project which commenced in January 2011 was handed over on 30th June 2011. UNBS started calibration operations in April 2012. It was reported that two trucks can be calibrated daily. It was noted that there was no provision for treatment of waste water before it is released into the eco-system.

**Conclusion:** Phase 1 of this construction will not yield much as internal (finishes) and external works will not be undertaken, as such; the shell structure will not provide the much needed accommodation in the short run. Due to price variations, execution of the contract in phases may cause cost overruns. MFPED and UNBS should secure alternative sources of financing to facilitate completion of this phase to avoid redundancy of financial resources already committed to this project.

### 3.5.7 Uganda Industrial Research Institute (UIRI), Vote 110

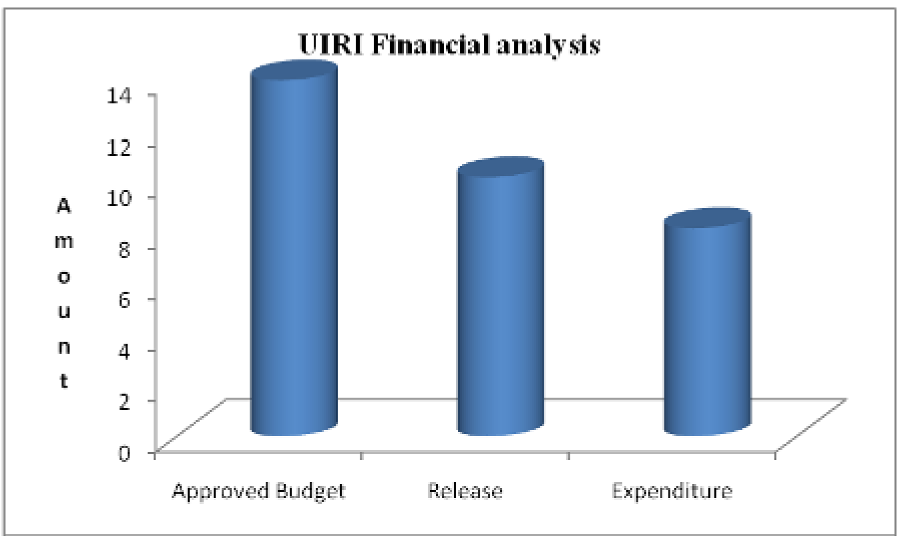
UIRI's core objectives are to: Undertake applied research for the development of optimal production processes for Uganda's nascent industry; develop and acquire appropriate technology, in order to create a strong, effective and competitive industrial sector; act as a bridge between academia, government 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[137].

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[138].

**Financing**

The total approved GoU budget for the Uganda Industrial Research Institute (UIRI) for FY2011/12 was Ugshs.13.943 billion, of which Ugshs.10.168 billion (72.9%) was released and Ugshs.8.166 billion (80.3% of the release) had been expended by 30th June 2012[139].

**Figure 3.5.2**




*Source: UIRI quarter four progress report.*

[137] UIRI: Ministerial Policy Statement FY2011/12
[138] Ministerial Policy Statement: Ministry of Trade, Industry and Cooperatives: UIRI Vote 110

[139] UIRI Quarter four Performance report

**Physical performance**

Two projects under value addition were monitored in the final quarter on top of six visited in previous quarters; they include: Construction of Arua fruit processing factory and operationalisation of Busia Meat Processing plant.

**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 Plan Build Technical Services signed a contract at a contract sum of Ugshs.685 million to establish the factory within a period of seven months. UIRI was to procure equipment for the plant at a cost of Ugshs.465 million.

**Table3.5.6 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 | Plan build Technical Services |
| Contract Price | Ugshs. 685,000,000 |
| Project Duration | Seven Months |
| Start Date | 28th October 2010 |
| End Date | 30th May 2011 |
| Revised End date | 4th October 2011 |
| Actual Completion Date | 2nd February 2012 |

| | |
|---|---|
| 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**

The facility was substantially complete and handed over to UIRI, in February 2012. The structure was under defects liability period ending 12th September 2012. A number of defects had been indentified however; the contractor had not attended to them as of end of August 2012. Defects included; leakages in the cold room, poorly installed; gutters, strips, splash aprons, drainage covers, leaking roof, cracked wall tiles in the processing area and water reservoir frames.

Outstanding works included; power connection involving installation of a 33Kva transformer and connection to grid, external works; fence and paving of the parking area as well as gravelling the 100meters from the main road. It was reported that negotiations with WENRECO to extend a 33kva line to the factory were at advanced stage.

Key factory machinery had been procured and delivered to UIRI offices in Kampala awaiting power connection to have them installed and tested. The proprietor was yet to hire a consultant to undertake an environmental impact assessment to meet environmental requirements.

Physical progress was estimated at 90%. The incubatee reported that the management structure was already in place and staff for key production positions had been interviewed. The facility is expected to directly employ 15 people on commencement and approximately 37 people in the long run. '*Nile Natural Juice*' trademark had been adopted and labels for pineapple, orange, mango and passion flavors approved. The monitoring team was informed that, production is expected to commence in December 2012 upon availability of required funds.

***Inside and outside of the Fruit JuicePprocessing unit for Nile Natural Food Products funded by UIRI***

**Challenges**

- 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.
- Inadequate and unstable power supply in Arua: The district is still largely served by small thermal plants which supply electricity for less than 12 hours a day. The power line from WANRECO had not been completed although the company had provided a quotation of Ugshs.51 million to have a 33Kva transformer onsite. This may further prolong commencement of factory operations.
- Inadequate funding: UIRI's budget outturn marginally performed, the approved certificate was not paid by the end of the financial year. The contractor was cash constrained to meet the outstanding obligations.

**Conclusion**

There was substantive progress of works on this project however, inadequate finances affected timely completion and handover. The facility requires a minimum of Ugshs.100 million to complete all outstanding structural and electrical installations. Much as there was good progress in terms of outputs, there was no feasibility study done before investing funds in this project.

**Recommendations**

- Additional funds should be provisioned to complete this project.
- The incubatee and UIRI should plan for an alternative power source including a generator and solar system for lighting and supply to low voltage appliances.
- Research and extension services: This project is premised on general data on fruit production in the area, there is need for a feasibility study and engage other stakeholders such as NAADs and NARO to ensure that high yield fruit varieties are grown in the region.
- UIRI and the incubatee should make arrangements to have storage facilities and offices on site.
- The contractor should be compelled to attend to all defects indentified to facility formal handover of the project.
- UIRI in conjunction with the incubatee should develop a clear business plan to ensure sustainability of the project and avoid problems associated with inadequate capital and capacity to run the project.

**ii) Busia Meat Processing Plant**

During FY 2009/10, UIRI undertook to support one of the incubatees with renovation of structure and supply of equipment for meat processing in Busia. A total of Ugshs.59 million was expended in renovation of structure to meet basic processing requirements; an additional Ugshs.30, 548,600 was spent on procurement of meat and IT equipment as well as training of operators. According to UIRI's Ministerial Policy Statement 2010/11, this facility was reported to be fully operational and functional and was processing over 100Kg of meat daily.

During the December 2011 monitoring, it was reported that the facility had suspended operations due to lack of 11kva power. A return visit made in September 2012 revealed that the facility was still non functional and closed. It was concluded that resources invested in this plant had no tangible results, no impact and possibly lost.

UIRI should always appraise projects and assess capacity of incubates before investing public funds in unviable ventures and uncommitted incubates.


***Closed Busia Meat processing facility***

**Over all challenges and recommendations**

- Inadequate funds to undertake all planned activities. A number of research and development projects had stalled while others had not taken off. These included Arua fruit and meat factories, Nabusake fruit processing plant among others. The agency needs adequate and timely releases to fulfill its mandate.
- UIRI reportedly receives hundreds of applicants for the limited incubate space. The agency should expand its services and a facility to accommodate more incubates.

**Ministry of Trade, Industry and Cooperatives**

**3.5.8 Project 1203: Support to Warehouse Receipt System**

**Background**

Uganda's grain sector experiences post harvest losses of 20% to 40%. The statistics from UBOS, over the years, show that Uganda produces between 700,000 – 800,000 metric tones (MT) of grains and pulses. However due to a long drought spell that lead to poor harvests over the years, the country has faced food shortages and increased food prices.

Lack of adequate storage capacity, currently at 33,900 MT, to hold food reserves, is one of the main reasons of price fluctuations even when bumper harvests are realized. This can partly be addressed through a price discovery mechanism, collateralized financing which would be supported by a vibrant commodity exchange using the Warehouse Receipt system (WRS)[140].

**A warehouse receipt** is a document of title that shows you the quality and quantity of a commodity that is stored in a licensed ware house. In Uganda, the ware house receipt is an electronic document. Section 6 of the Warehouse Receipt System Act, 2006 empowers Uganda Commodity Exchange (UCE) to perform warehouse regulatory functions stipulated in the same act and warehouse receipt system regulations, 2007[141].

**Objective(s)**

The main objective of the project is to increase storage capacity, value addition and develop a sustainable marketing system of agricultural commodities that will contribute to income enhancement of the small holder farmers.

Specifically the project will:

- Improve the quality and capacity of agricultural storage facilities
- Promote the Warehouse Receipt System (WRS)
- Promote the trading of standardized and value added agricultural commodities in Uganda, and
- Support the regulatory function of Uganda Commodity Exchange (UCE).

**The project comprises of 3 major activities, that is;**

1) Ten (10) warehouses, with a storage capacity of 50,000 MT, were planned to be constructed and equipped in the districts of Kibaale, Arua, Kamwenge, Nakaseke, Isingiro, Adjumani, Kamuli, Mubende, Mbale and Kiboga. Selection of these areas was based on production figures obtained from the Uganda Bureau of Statistics.

2) Five (5) warehouses, with a capacity of 10,000MT, were to be refurbished and equipped to supplement those to be constructed. These are located in Tororo, Soroti, Masaka, Mityana and Hoima.

3) 180 cooperative stores refurbished and equipped to enable the bulking of commodities, promote collective marketing and value addition. The feeder stores were envisaged to improve post harvest handling at farmer level. Startup kits for standards observance such as moisture meters, weighing scales, shellers, sampling spears, sorters, and others were to be procured and supplied to the feeder stores to ensure quality standards of the commodities.

**Financial Performance**

The estimated US$31 million project currently funded by GoU under the Ministry of Trade, Industry and Cooperatives (MTIC) was soliciting for co-financing of the project from

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[140] Ministry of Finance, PED: Public Investment Plan FY2011/2012-2013/14

[141] Warehouse Receipt System Act, 2006

development partners. It is housed in the Department of Cooperatives Development. Part of the fund was to cater for strengthening of Uganda Commodity Exchange. The five year project began operations in July 2011 and is expected to end by 30 June 2016. Over the medium term, Ugshs.6.6 billion was projected to be available to the project from GoU.

Findings indicated that by 30th June 2012, a total approved budget FY 2011/12 was Ugshs.2.1 billion, of which Ugshs.1.344 billion (64% of approved budget) had been released and Ugshs.1.048 billion expended representing an absorption rate of 86.5%. Out of the above release, UCE received Ugshs.332 million of which Ugshs 135 million was spent on payment of January-June 2012 salary arrears, Ugshs 20,250,300 on warehouse activities, Ugshs 25 million on vehicle maintenance, Ugshs 11.7 million on telephone expenses and Ugshs 129 million on rent arrears to NSSF. More than 648 million was diverted to activities outside the project work plan without approval.

**Physical Progress**

**Table3.5.7: Showing percentage physical progress under WRS project under MTIC**

| **Activity** | **Progress** | **Remarks** |
|---|---|---|
| 10 warehouses constructed and equipped to increase storage capacity to 50 | 0% | Procurement of land was ongoing. Solicitation of land in various parts of the country was advertised and bids received in quarter two. MTIC had engaged the Ministry of Lands (Chief Government Valuer) to provide a valuation report. The MTIC was awaiting submission of the report so as to inform the next course of action[142] |
| 5 warehouses refurbished and equipped to further increase storage capacity to 10 | 0% | None of the warehouses was refurbished under this project. The reported refurbished warehouses were funded by European Union funds (2007-2011) including Jinja, Masindi, Kasese, Gulu, Tororo, Kapchorwa, Soroti and Mbarara |
| 180 cooperative stores refurbished and equipped to give a storage capacity of 18,000 MT | 0% | No store was refurbished |
| Increased quantity of agricultural commodities stored by farmers, | 0% | No warehouses constructed (zero progress) |
| 22,000 cooperative members trained in WRS, entrepreneurship skills, cooperative business management and governance, and collective marketing | 30% | UCE had trained ware house managers, graders, storekeepers and supervisors in Nyakatonzi, Jinja, Soroti and Gulu. |

*Source: Field findings*

[142] BMAU Quarter three monitoring report FY 2011/12

The monitoring team visited four refurbished warehouses funded by the delegation of European Union and World Food Programme between FY 2008/09 and FY 2011/12 to establish performance; these included; Nyakatonzi and Elshadai warehouses in Kasese, Agroways in Jinja, and KACOFA in Kapchorwa.

**i) Nyakatonzi Growers Co-Operative Union**

Nyakatonzi Growers Co-operative Union Ltd (NGCU) formed since 1957. It is farmer owned cooperative enterprise consisting of membership from primary co-operative societies. Primary co-operative societies are organizations of farmers based in their respective localities/villages. Currently there are 63 primary co-operative societies affiliated to NGCU with an average membership of 250 farmers. NGCU membership is distributed in the districts of Kasese, Bushenyi, Kamwenge, Kabarole and Kanungu. NGCU warehouse has storage capacity of 1,000 MT of grain and began operations in 2009.

NGCU is involved in a number of activities; including; processing and marketing of farmer's produce mainly cotton and recently maize, beans, soya bean, sunflower and rice; availing and distribution of farm inputs like pesticides, herbicides, fertilizers, seed and spray pumps; improving and multiplication of seed for planting particularly maize, soya bean, beans and rice; agriculture extension services/technology transfer to raise productivity; milling edible oil of sunflower and cotton seed; tractor hire services; co-operative/member/farmers' education; provision of credit for production and warehousing services under the framework of Warehouse Receipt System for grading and bulking farmers produce. Maize is graded according to East African Community (EAC) grade 1 and 2.

**Benefits of the warehouse;**

- Provision of storage services to the members and general public.
- Provision and sale of high quality produce translating into better prices and better livelihoods. On the open market, a kilogram of maize was costing between Ugshs.200 - 450; As of August 2012, a kilo of cleaned and graded maize at Nyakatonzi was costing Ugshs. 700 and 900 for EAC 2 and EAC 1 respectively.
- Crop diversification. This warehouse is licensed to handle a number of crops namely; maize; beans, soybean, and rice giving farmers variety and choice of crops to be planted and marketed.
- Improved post harvest handling hence reduction of on farm losses.
- Provision of employment; facility employs five permanent staff, 18 temporary staff and over 15,000 farmers who indirectly benefit from the warehouse.
- Profitable land use with interchanging of crops (maize, soya beans and cotton).

*Cleaning and packaging machines, and graded pulses at Nyakatonzi Warehouse, Kasese*

The warehouse received the following support from UCE, under the delegation of European Union funding; staff training, grading equipment, hedge and parking canopies for loading and off loading of trucks, and a computerized system for warehouse receipt system. Continuous training under the Support to Warehouse Receipt System project was reportedly ongoing.

**Challenges**

- Lack of appreciation for warehouse receipting system; farmers were reported to prefer cash/direct payments as compared to storage of graded produce with better future prices. It was further reported that a number of farmers and buyers do not appreciate the value addition made by warehouses.
- Under utilization of the warehouse; It was reported that the highest grain stock handled by this warehouse since 2009 was 764 MT in 2011, 550 MT was handled in 2010, 340 MT in 2009, and 350 MT as of mid 2012 yet the capacity is 1,000MT.
- Unpredictable weather conditions and expensive irrigation system leading to provision of low quality agricultural products, low production and low volumes.
- Price fluctuations of agricultural products; agricultural products are seasonal and hence liable to seasonal changes in availability and price.
- High operational costs: The warehouse was running a generator for all processing operations due to lack of a power line and transformer.
- Limited market for graded produce: It was reported that the major consumer of graded produce was World Food Programme (WFP) who could not consume all graded grains from the six licensed warehouses across the country.

**Recommendations**

- NGCU should introduce simple irrigation technologies to mitigate effects of unfavorable weather conditions. Government should consider extension of Mubuku Irrigation Scheme (currently under rehabilitation) to Nyakatonzi for increased production on the existing 400 hectares owned by the cooperative union.
- The district's production department together with the cooperative union should sensitize farmers on the benefits of selling cleaned and graded grains and pulses through the warehouse receipting system. In addition government should encourage more banks to participate in the commodity market by acknowledging ware house receipts as collateral for loans.
- The Government of Uganda through the MTIC should regulate the export of unprocessed and ungraded grains and pulses for farmers to benefit from better prices of graded produce.

### ii) Elshaday General Trading Limited

Elshaday General Trading Limited is located in Kasese Town in Kasese District. It was established in 2007 and engages in processing, warehousing, import and export, general trading and transaction business. The total area of the warehouse is 1.837 Ha (4.5 acres), with a capacity of more than 6000metric tones of grain. This company is working closely with USAID-LEAD and UCE among other stakeholders to ensure optimal utilization of the facility.

***Quality and moisture testing equipment at Elshaday Warehouse***

The warehouse reported to have received the following support from UCE with funding from the Delegation of European Union: staff training, weighing, grading and sorting equipment; and structural renovation of the warehouse.

**Challenges;**

- Lack of automated equipment to fasten the processing and drying of grain. The company did not have a drier and had resorted to sun drying thus compromising the quality of grain. The process of sun drying is not only tedious but time consuming.
- Poor post harvest handling among most of the farmers resulting into losses. Acceptable grain moisture content was reported to be approximately 3.5% however; farmers were reported to deliver grain with moisture content of up to 17.5%.

- Inadequate market to absorb farmer's produce; It was reported that grain for the previous two seasons was still in stock.
- Changes in market demand; Production of other crops like beans, rice, cotton, coffee among others had scaled down production and demand for maize in the region.

**iii) AgroWays (U) Ltd-Jinja**

AgroWays (U) Ltd was started in 2005 with the vision of providing high quality corn products and grain warehousing in Uganda. The warehouse has capacity of 6000MT of grain and currently deals with 150 farmer groups. Each farmer group consists of an average of 60 farmers and each group has potential of delivering 48 MT per season.

It was registered, licensed and certified by Uganda Commodity Exchange (UCE) in 2008 to handle maize, paddy rice and beans. The grain is handled and stored for depositors at an average fee of Ugshs 72 per kg (this fee covers; offloading, reloading, drying and cleaning, bagging, insurance, storage and fumigation).

The warehouse reported to having received the following support from UCE: A conditional grant of Ugshs.23 million to facilitate construction of canopy sheds, separation of production from storage, gravelling of parking aprons, training of graders, samplers and supervisors, a computer based warehouse receipt system and mobilization of 120 farmer groups in the catchment area.

The company was also purchasing maize from farmer groups, add value to it by sorting, cleaning, grading and milling before selling to WFP, local millers, factories, schools and traders from Uganda, Kenya and Southern Sudan. The warehouse employs fifteen permanent staff and between 150-200 casual workers.



*Part of the 841Metric tonnes of maize, trash from sorted grain and trucks awaiting off loading*

**Challenges**

- Lack of storage facilities: Management was overwhelmed by farmers produce and rented additional space for storage purposes. Much of the stock was found to be stored in the compound and the rest was still loaded on trucks. It was reported that during peak seasons, a truck can remain parked in the yard for two days.

- Lack of working capital; in 2010, Management applied for a commercial loan from Stanbic Bank amounting to Euro 390,812 to expand storage, dryers, pre-cleaner, modern conveyor system. The loan conditions required the company to raise 30% of the amount and 60% of the loan was payable in one year. The company purchased a pre-cleaner with a dryer of 125MT capacity per hour. This loan was affected by inflation, high interest and exchange rate loses living the company with very limited working capital. The manager further reported that banks were not ready to loan them funds under the Agricultural Credit Facility (ACF).
- Limited access to credit; farmers had stored their produce with hope of accessing credit from banks using the warehouse receipts, however, banks were offering loans at very high interest rates in addition to high loan processing fees, monitoring and bank charges among others. It was reported that banks made it very difficult for farmers holding warehouse receipts as collateral for credit. Only six farmers borrowed between July - December 2011 and a total of eighteen borrowers since the system started in 2010. None of the borrowers made a return borrowing.
- Inadequate sensitization about warehouse receipt system: Most of the depositors preferred direct cash payments to receipts even in situations where buyers offered very low prices.

**iv) Kapchorwa Commercial Farmers Association (KACOFA)**

**KACOFA** is located in Kapchorwa Town, Kapchorwa District. It was established in 1999 and engages in processing, storage and importing and exporting grain, pulses and seeds. The warehouse has a total storage capacity of 2000 MT and was licensed to handle maize, barley and sorghum.

**Benefits of the warehouse;**

- Increased number of beneficiary farmers; the number increased from 27 to 6000 members. These have increased their production capacity and sell their produce through groups translating into better bargaining power and good prices.
- Improved knowledge and skills resulting into better yields and reduced post harvest losses.
- Improved household incomes; farmers were reported to be earning between 4-5 dollars daily. Before establishment of this association in 1999, farmers would earn less than a dollar a day,
- Diversification of crops; farmers were encouraged to plant other crops like soybean, sun flower, beans other than maize for maximum benefits.
- Linkage to financial institutions like Stanbic, DFCU, Centenary Bank among others. Some farmers were reported to have accessed agricultural credit services from the aforesaid banks.

- Storage facilities; Farmers were reported to store maize for a longer period of time before sale since majority do not have good on-farm storage facilities.
- Value addition to grain. At the store, the crop is sampled for quality, cleaned, weighed, recorded and stored if accepted. It is then fumigated to keep away insect pests. Quality of the crop is assured and hence access to better prices and markets.
- A direct linkage to the markets;  the monitoring team was informed that when enough quantities have been received, normally three to four months after the harvest, management starts looking for the market. The World Food Programme (WFP) and Uganda Breweries Limited were reported to be the biggest markets for KACOFA grains.
- Provision of employment; facility employs eleven permanent staff and over 80 casual/seasonal workers.

The warehouse reported to have received the following support from UCE: staff training and guidance on insurance policies.

*KACOFA farmers warehouse, sun drying and cleaning of barley*

**Challenges**

- Limited access to credit; financial institutions were not willing to avail credit to the association and farmers without confirmation of a signed framework contract between the association and potential off takers (buyers) is demonstrated and verified. Banking institutions were also reported to be giving loans at high interest rates that are unfavorable to farmers.
- The WRS was reportedly very slow. The process of issuing a receipt was taking a minimum of three days from the day grains are deposited. This causes a backlog of receipts by collateral managers leading to late release of funds from financial institutions.
- Limited volumes; A number of farmers were reported to directly consume most of their produce.
- Limited market of graded grains and pulses.

- Competition from traders who are willing to pay cash for ungraded grains at lower rates.
- Un regulated cross border trade in grains and pulses.

**Recommendations**

- Efforts should be made to increase storage capacity from 2000MT to at least 10,000MT for efficient and effective operations of KACOFA
- There is need to improve agronomic practices to increase on production.
- The Association should undertake marketing campaigns beyond boarders to attract more buyers
- There is need to diversify from low value crops to high value crops and have them licensed.
- MTIC and MAIIF should regulate cross border trade in grains to avoid food insecurity and rip off of farmers.

**Conclusion**

The Support to Warehouse Receipt System (SWRS) project is in line with the National Development Plan on increasing value addition. The major challenge in implementing the project was deviation from project deliverables from construction of 10 warehouses to construction of silos. This shift was not supported by a relevant sectoral policy change. Further still, over 90% of the funds for SWRS had been diverted. The outputs achieved with European Union funding were being reported as having been achieved under SWRS Project. It was further noted that the receipt system was not fully operational and participating banks had made it difficult for farmers to borrow against receipts. Most of the warehouse operators had resorted to direct purchase of grains from farmers as most farmers preferred cash payment to receipts.

**Implementation Challenges**

- Expiry of the sixty months MOU that mandated UCE to perform its functions; It was reported that the process of renewing the mandate was in progress and a cabinet paper to amend WRS regulations had been prepared.
- Diversion of funds: More than 70% of released funds for WRS was diverted to non project activities..
- Slow and unsatisfactory implementation of the project. Implementers of this project had deviated from the approved project of construction and refurbishment of warehouses to construction of Silos.
- Liberalization of the WRS; there are no laws restricting direct purchase of agricultural commodities from farmers. This has led to exploitation of farmers since they are paid lower prices.
- Limited access to credit for farmers to boost agricultural productivity. Banks were reported to be hesitant in advancing loans to farmers under the WRS arrangement.

- Lack of capacity building; farmers need further training in post harvest handling, WRS among other things.

**Recommendations**

- A statutory instrument establishing a regulator should be issued or the mandate of UCE to perform regulatory functions should be extended to legalise the implementation of the Act.
- A separate proposal for silos should be developed and submitted for consideration of the development committee.
- Implementers of this project under MTIC should be tasked to refund all funds diverted and misappropriated to avoid further delays in implementation of this project.
- MTIC and MAIIF should instigate laws and regulations on informal trade, liberalization of WRS and marketing of agricultural products.
- Sensitization of farmers, general public and banks to appreciate WRS is paramount for smooth running of WRS project.

## *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[143]

**Scope of monitoring:**

Monitoring covered development projects under NITA-U, MOICT, Uganda Communications Commission (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.

**National Information Technology Authority (NITA-U) Projects**

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[143] Ministerial Policy Statement: MoICT FY 2011/12

### 3.6.2 National Backbone Infrastructure (NBI) Project

**Background**

In collaboration with the Government of the People's Republic of China, the Government of Uganda undertook to implement the National Data Transmission Backbone Infrastructure/Electronic Government Infrastructure (NBI/EGI) project. The broad aim of the project was to;

i) Connect main towns, administrative headquarters, government agencies and other priority target users such as schools, and hospitals to high speed electronic infrastructure and
ii) Promote use of shared and collaborative Information Technology Enabled Services (ITES) across government as part of enabling of e-Government.

The main focus of the project was to establish a National Transmission Backbone connecting all major towns across the country using high speed fibre optic cable (approximately 1843.59 kms).

In addition, the project was to implement the E-Government Network Infrastructure (EGI) to support internal government collaboration by extending an Internet Protocol network (e-Government network) across all Ministries, departments and Local Governments and providing facilities to implement e-Government Services.

**Planned activities FY 2011/12**

These included; Conduction of a Forensic Technical Audit on Phase II of the NBI/EGI Project; Extension of the NBI/EGI Infrastructure (Phase III); Commercialization of the NBI (Procure a Partner through PPP); Maintenance of and logical support to NBI/EGI Infrastructure and deployment/Rollout of more VOIP Sites.

**Financial Performance**

Table3.6.1: Showing NBI financial performance by end of FY 2011/12

| **Source** | **Approved Budget (*Ug shs. billions)*** | **Release (*Ug shs. billions)*** | **Expenditure (*Ug shs. billions)*** |
|---|---|---|---|
| IFMS | 7.517 | 6.430 | 6.430 |
| NITA(U) | 3.145 | 2.057 | 2.567 |

According to the IFMS, 68% (Ugshs.4.372 billion) of NBI release was expended on gross tax, while 22% (Ug shs.1.446 billion) was spent on payment of contract staff salaries and the rest on operational expenses. Contrary to IFMS data, table 3.6.1 shows a big discrepancy (Ug shs 4.3bn) between IFMS and NITA-U data on approved budget, release and expenditure. According to MFPED, the extra 4.3bn was released as a supplementary budget for wages and rent. NITA-u was supposed to fulfil the wage conditions issued by the Ministry of Public Service in order to access the funds.

**Physical progress**

By 27$^{th}$ June 2012, the following had been achieved: Phase I & II of the NBI were completed and launched on 7th October 2011. These entailed: Laying of 1,536.39Kms of fibre optic cables;

connecting 22 transmission sites across the country; Setting up of one data centre and one metropolitan area network (MAN).

A Forensic Technical Audit had been conducted on Phase I & II; this presented a number of faults and defects in both phases mainly due to inadequate supervision during implementation. The contractor had fixed faults identified on Phase I and agreed to fix all other faults on Phase II.

NITA-U had contracted M/s Soliton Ltd to undertake the commercialization of the NBI. The handover process will be completed within three months and revenues are expected in 6 months (February 2013).

The design of Phase III of the NBI was completed. This phase will avails an alternative route to the East African submarine undersea cables at Mutukula boarder through mainland Tanzania. It will also connect Uganda to Rwandan border at Katuna. Preparatory works involving parliamentary approvals were reportedly underway and expected to be finalised by January 2013.

Rationalization of NBI: The strategy for rationalisation of NBI was approved by cabinet in July 2012. It was noted that the strategy will require last mile financing. Implementation of the strategy was awaiting issuance of a certificate of financial implication from the Ministry of Finance.

**Challenges;**

- Priority target users including all district headquarters, schools and hospitals are yet to be connected to high-speed internet connectivity through NBI; apparently, only 22 transmission sites had been setup in 20 districts.
- Missing links and absence of redundancies in the NBI; this is largely because the primary objective of the NBI is to extend the backbone rather than deepening services;
- Single route to the sea cable - currently there is one single gateway through Kenya. This makes it costly (monopoly) and risky.

**Conclusion:**

NITA-U, averagely achieved set NBI targets during the financial year. The agency was affected by inadequate wage budget and releases leading to re-allocation of development funds to activities of re-current nature during the financial year under review.

**Recommendations**

- The contractor for phase one should fix all snags identified and NITA –U should engage all government departments to start utilizing the e-government infrastructure.
- For maximum benefits, the NBI project’s primary objective should be oriented towards deepening service provision through linking up priority users like administrative/district headquarters, schools, and hospitals among others.
- Arrangements should be made to have the NBI connected to the undersea cable from Kenya and Tanzania to benefit from high internet speed and redundancy.

- NITA (U) should step up its supervisory role in the next phase to avoid major snags in implementation.
- All stakeholders should be sensitized to appreciate and gain from the NBI benefits.
- The agency should expeditiously track the rationalization and commercialization of NBI for additional revenue and sustainability of the infrastructure.

### 3.6.3 District Business Information Centres (DBICs)

**Background**

The objective of District Business Information Centers (DBICs) is to establish a one-stop-centre to provide supply driven and demand driven services required by the community. The centres operate and deliver services in a business-like manner thus achieving the objectives of outreach, cost effectiveness and sustainability.

The DBICs services are contributing towards achievement of the United Nations Millennium Development Goals (MDGs) by bringing ICTs to the rural communities at district level thus enabling individuals as well as Small and Medium Entrepreneurs (SMEs) to exploit and benefit from ICT services they provide through creation of employment and thus contributing towards poverty reduction.

The DBICs Project is one of the projects that were transferred from the Ministry of ICT (MoICT) to the NITA-U in the Financial Year 2009/10. The project initially set out to establish 30 DBICs which were planned to be implemented in four phases, the first phase entailing the revitalization of the old Tele-centres based on the DBICs model and setting up of new DBIC sites.

**Planned activities**

The following was planned for FY 2011/12; Monitoring and maintenance of the 6 existing DBICS; Rollout of three new centers through procurement of a turnkey solution provider.

**Financial Performance**

This project is funded by the Government of Uganda. The annual approved revised budget for FY 2011/12 was Ugshs.163 million. By 30$^{th}$ June 2012, a total Ugshs.25 million had been expended (15.3% of the revised budget) as payment to M/s United Engineering Company Limited who had been contracted to provide a turnkey solution for the three planned DBICs at a total cost of Ugshs.138 million during FY 2010/11. It's apt to note that the budget for DBICs has consistently been decreasing in spite of an increase in the cost of setting up these facilities.

**Physical progress**

Following the ICT Parliamentary Committee directive to harmonize implementation of DBICs with similar projects under UCC and Posta-Uganda, NITA-U and Posta-Uganda entered an MOU to guide onward deployments of DBICS.

During the course of the year, the six DBICs (Kamwenge, Lira, Busia, Mityana, Iganga and Rukungiri.) were monitored by NITA-U. It was reported that the three new sites in Amuru, Hoima and Rakai had been installed. During the annual monitoring, two sites were visited, that is, Amuru and Hoima DBICs to assess implementation progress.

**i) Amuru District Business Information Centre**

Amuru DBIC is housed by the Planning unit of Amuru District Local Government. During the monitoring visit, it was observed that a total of 10 computer monitors and two processing units (N-computing network), one scanner, a printer, generator, inverter, telephone set, 11 chairs and tables, 3 extension cables, two batteries and one sign post had been delivered and fully installed during the months of May/June 2012.

According to the District Planner, the contractor had fully delivered the facility and the only pending component was recruiting and training of management staff as well as commissioning the centre. It was further noted that the facility will provide a working and learning environment for district staff as well as other users.


*Delivered equipment and setup of Amuru DBIC at the District Planning Unit*

**Challenges**

- Inadequate man power to effectively run the facility: It was noted that the DBIC is single handedly manned by the Acting District Planner, whose office is already understaffed. This situation leaves the facility locked whenever the planner is off site or attending to other district assignments.
- High operational costs: Amuru district headquarters are 43Km off the national power grid. To address the power needs, implementers allocated a generator to this project. Management of the DBIC felt that it is unsuitable as it is very expensive to run and maintain.

**Recommendations**

- The design of the project should be dynamic and take care of the unique requirements of each location. A solar powered system for example was the most ideal for Amuru district.

Indeed similar projects under UCC have since adopted the model to ensure availability of services.

- For purposes of ensuring regular access and availability of services, the district should recruit a DBIC manager to undertake activities related to this facility on fulltime basis.
- Comprehensive training in trouble shooting, use and maintenance of all equipments should be provided to the DBIC personnel for effective running of facility.
- The district should provide a budget line for operations and maintenance of the facility to ensure sustainability of the project.

**ii) Hoima District Business Information Centre**

Hoima DBIC is located at Hoima Post office in Hoima Municipality. During the monitoring visit, it was observed that a total of 10 computer monitors and two processing units; a printer, an inverter, telephone set, 12 chairs and tables had been delivered to the post office in December-2011. The contractor had completed installation of a local area network and internet services had been procured. The Post office manager reported that the facility was operational with an average income of Ugshs.5000 per day. Management was grateful for hosting the project which they hoped to improve the visibility of the organization.


*Equipment and furniture delivered and installed at Hoima DBIC*

**Challenges**

- Inadequate sensitization and awareness campaigns on the existence of the DBIC and related services at the postal office: It was reported that very few people within the municipality were aware of the existence of the facility and services. Management further noted that without branding and sensitization, it would be difficult to achieve the targeted traffic/users.
- Intermittent power supply affects service delivery. The fallback option for this DBIC (inverter) can only run the entire system for two hours yet the area was reportedly experiencing intermittent power supply (sometimes lasting for 12 hours).

- Lack of timing software: It was observed that the workstations were not installed with timing software to enable system based charging. The manager had resorted to an inefficient manual based charging system which is time consuming and outdated.
- One of the supplied UPS was faulty and could not power the computers. Management noted that the issue had been raised with NITA-U; however, no response had been received as of September 2012.
- Uneconomic equipment: Management reported that the three in one printer/scanner/photocopier was not economical in the provision of those services. It was reported that the printer required expensive colored cartridges thus making the provision of such services impossible. In addition, no training of operators had been conducted.

**Recommendations**

- Mass sensitization and awareness campaigns regarding availability of DBIC Services at the post office should be undertaken to attract more users and run the facility at full capacity.
- Efforts should be made to re-brand the post office including erecting the DBIC sign post among others.
- NITA-U should engage the supplier to deliver a working UPS as well as install timing software to optimize resources. In future more economical equipment should be supplied for effective utilization of resources.

**Conclusion**

The DBICs project was reported to have brought e-services closer to the people for example; Uganda Revenue Authority was reported to have registered all DBICs for e-tax registration services. The project has suffered from insufficient funding and poor budget outturn during the last two financial years. The monitoring team noted the continued lack of harmonization in the implementation of similar projects under Uganda Communication Commission and Energy for Rural Transformation under the Ministry of Energy. The project has hardly achieved its objectives. Indeed, some of the centres are struggling to survive and lack the required expertise. Plans to have these centre's linked to the national backbone infrastructure should be made to increase on offered services in a bid to achieve the ultimate goal of e-government.

### 3.6.4 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[144].

[144] Public Investments Plan FY2009/10-2011/12

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 flourish.[145] This project was transferred from The MoICT to NITA-U with effect from FY 2010/11.

**Planned Activities**

FY 2011/12 the following activities were planned; set up a BPO incubation centre; develop BPO standards and accreditation guidelines; brand and market Uganda as a preferred BPO destination; develop guidelines for the provision of incentives to BPO operators; provide incentives to BPO operators and development of BPO regulations.

**Financial Performance**

This project is funded by the Government of Uganda. In addition to balances brought forward from the supplementary budget of Ughs.5.2bn in the previous financial year. The annual approved revised budget for FY 2011/12 was Ugshs.195 million, of which Ugshs.92.8 million was released (47.5%). By 30th June 2012, a total Ugshs.126 million had been expended. (137% of amount received) This was attributed to expenditure of funds rolled over from FY 2010/11.

**Physical Progress**

As of 27th August 2012, the following had been achieved; The BPO incubation centre had been fully set up with all requisite equipment installed; Internet connectivity for the centre had been put in place; the centre was handed over to the BPO operators i.e. Dhanush and Spanco and Techno-Brain started operations and had recruited 45 and 40 agents respectively. So far, the operators are working on digitizing medical reports and call centre services among others.

The *Incentives' guidelines*, BPO strategy and model were developed through consultative processes and approved by the NITA-U Board; NITA-U conducted a tracer study to establish the

[145] Business Process Outsourcing Strategy

employment of the trained BPO graduates. The study established that 35% of the graduates are currently employed in the BPO sector of which 54 trainees were recruited by the BPO operators contracted by NITA-U.

The process of procuring a consultant to develop BPO standards and guidelines was reportedly halted due to lack of funds; A Memorandum of Understanding between NITA-U and the Government of the Arab Republic of Egypt seeking for technical assistance in training of trainers (TOT) and development of the BPO curriculum had been approved.

**Implementation Challenges**

- Inadequate funding to support the industry. The current funding gap to implement planned activities was reported to be Ugshs. 5.2 billion.
- Limited knowledge and appreciation of BPO in the country.
- Lack of a consistent flow of BPO skilled employees. This being a new concept in Uganda, there is no training institution providing BPO skills on regular basis.

**Recommendations**

- There is need to sensitize all stakeholders to deepen the understanding of the concept. This will not only translate into appreciation but commitment and support for the strategy.
- Efforts in building skilled manpower to offer competitive services and marketing Uganda as a preferred BPO destination needs to be emphasized. NITA-U should engage institutions of higher learning and the National Council for Higher Education to develop a generic curriculum and standards for BPO training in the country.

### 3.6.5 NITA-U Cross Cutting Issues

***Strategic plan***: The agency was in the final stages of completing the NITA-U strategic plan.

***Standards***: Development of Information Technology Standards commenced during the course of the year, the agency partnered with Ministry of Education and Sports to develop a curriculum for ICT training in secondary schools and BTVET institutions, and signed an MOU with Uganda National Council for Higher Education (UNCHE) on regulating ICT training in tertiary institution.

***Funding***: During the course of the FY2011/12, the salary budget for NITA-U was inadequate leading to suppression of a number of activities in the work plan.

***Regulations for NITA-U and cyber laws***: Since the enactment of the National Information Technology act 2008, electronic transactions act, e-signatures act and computer misuse act in 2011, the regulations to enforce the activities of authority and the laws have never been passed. This affects the regulatory function of the agency.

**Conclusion:** Generally, projects under NITA-U were ongoing, according to the Public Investment Plan (PIP) FY 2011/12-13/14; three of these are approaching their final year of operation (DBICs, BPO and NBI). All the three projects are yet to achieve the objectives for which they were setup and have experienced inadequate releases, leading to slow implementation and off target. For example, out of the expected 30 DBICs at the project inception only nine have been achieved. Funding and time extension will be required to achieve the set targets.

### 3.6.6 Uganda Communication Commission (UCC)

**Establishment of ICT facilities in selected government institutions**

In 2007, Uganda Communication Commission (UCC) took a decision to support the establishment of ICT facilities in selected government secondary schools, tertiary institutions, district health facilities/centre's 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. UCC reported that over 700 schools and 80 health centres had been covered as of end of June 2012.

**Design:** There are two different designs for different locations, for example solar powered ICT facilities are provided in areas that do not have access to national grid electricity supply and grid electricity powered systems on the other hand.

**Unit costs:** Between 2009-2011, grid powered systems (40 computer monitors, five processing units with UPS', one printer, cabling and one year internet subscription) were estimated to cost a total of USD 17,000 per school while solar powered systems (10 computers, four solar panels, batteries, inverter, power cabling and internet subscription for one year) was estimated to cost USD 27,000 per school. In FY 2011/12, equipment was procured at USD 23,000 for both solar and grid powered facilities. All health centres were allocated solar powered equipment worth USD 20,000 each.

During the FY, a total of 34 schools were visited of which two were Primary Teachers Colleges, one National Teacher Colleges, one National College of Commence and one technical college. During the final quarter of the financial year, the four institutions below were monitored: Uganda College of Commence-Pakwach, Packwach Senior Secondary School, Nyarilo Senior Secondary School-Koboko and Nebbi Town Secondary School.

**a) School ICT laboratories**

This program is providing support to the 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/business 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

This program has enabled schools to undertake the following among others;

i. Teach computer studies as a curriculum subject at Ordinary 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, and

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.

*Computers delivered at Nebbi Town SS and new furniture for ICT lab at Pakwach College of Commerce*

**Findings**

Delivery and installation of equipment to various institutions monitored was made between FY 2008/09 -FY 2011/12.

**Benefits;**

- Increased computer literacy for both teachers and students in all schools visited.

- Activated a lot of interest in computer studies at both Pakwach and Nebbi Town Senior Secondary Schools.
- Improved school enrollment at Nyarilo Senior Secondary School. The school population increased from 315 in 2011 to 512 in 2012.
- Provided avenue to carry out research and systematic organization of subject material by teachers at Nebbi Town Secondary School.
- Reduction in administrative costs. Equipment provided facilitate for typing, printing and photo copying services in Nyarilo and Nebbi Secondary Schools.
- Learning aid; self testing software termed as hot ‘potato’ had been installed on UCC computers at Nebbi Town Secondary School. This tool is used for all subjects hence improving students performance at all levels.

**Table 3.6.1 Showing delivered equipment, student computer ratio and challenges**

| School | School Population by sex | | | Student Computer ratio per stream | Design | Date of delivery and installation | Number of Equipment delivered | | | | Challenges/Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | T | | | | Monitors | Key boards | Mice | CPUs | |
| Uganda College of Commence-Pakwach | 444 | 449 | 893 | 5:1 | Solar powered-N-computing | 28th September 2011 | 11 | 11 | 11 | 11 | Operations were awaiting electrical wiring and installations.<br>Inadequate computers in relation to school population<br>High operational costs as a result of lack of grid power in the region.<br>Equipment not engraved |
| Packwach Senior Secondary School | 724 | 346 | 1070 | 4:1 | Solar powered | July 2011 | 11 | 11 | 11 | 11 | Delayed supply of Internet bandwidth<br>Inadequate human resource to conduct computer lessons- The school did not have any teacher on government payroll, however, they had recruited a trained instructor who attended to all classes.<br>Equipment not engraved. |

| School | School Population by sex | | | Student Computer ratio per stream | Design | Date of delivery and installation | Number of Equipment delivered | | | | Challenges/Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | T | | | | Monitors | Key boards | Mice | CPUs | |
| Nyarilo Senior Secondary School-Koboko | 365 | 147 | 512 | 2:01 | Solar powered | 2010 | 11 | 11 | 11 | 11 | Inadequate human resource to conduct computer lessons |
| Nebbi Town Secondary School | 514 | 315 | 829 | 4:01 | Solar powered | Jan 2012 | 11 | 11 | 11 | 11 | Inadequate human resource to conduct computer lessons- School recruited an instructor acting more like a facility care taker. |
| | | | | | | | | | | | Limited administrator rights, information on other computers can't b-e reviewed. |
| | | | | | | | | | | | Computer manuals and related literature were not left behind making handling/maintenance very difficult. |
| | | | | | | | | | | | Delayed supply of Internet bandwidth making practical learning very difficult. |
| | | | | | | | | | | | No antivirus was provided thus virus threats. |
| | | | | | | | | | | | High computer maintenance costs and lack of ICT lab. (Room) |

### Conclusion

Finding from the monitoring visits during the course of the year showed good progress in project implementation especially in secondary schools. There was a positive change among the recipients of the facilities. However, 90% of the projects reported that Internet subscription for one year had not been delivered as promised. Over 80% of the schools did not have budgets for ICT maintenance and repair; over 50% lacked competent human resource to support ICT training while over 20% did not have secure room/laboratory for the facility.

### Recommendations

- UCC should expeditiously procure Internet service providers to facilitate e-leaning in the supported schools.
- Computer instructors should be encouraged to enroll for teacher training courses to enable them gain pedagogical skills. This will further improve school staffing levels.
- ICT teachers and instructors should be trained in maintenance and servicing of computers to reduce on operation and maintenance costs. Alternatively, regional maintenance centres should be created with technical persons to address maintenance and repairs of both computers and solar systems.
- The MoES and all beneficiary schools should plan and budget for computer maintenance and repair costs.
- All supplied equipment should be engraved to mitigate risks related to theft.
- The MoES should support construction of secure computer rooms in secondary schools which did not have any and provide operational costs for ICT through budgetary provision for sustainability of the programme.

### b) 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, and

vi) Support e-health management information systems (HMIS)

M/s Farm International (UK) Ltd was contracted to supply intermediary tele-medicine equipments to 53 government selected hospitals. Hospitals were requested to provide the following;

i) Six hospital units where computers will be installed
ii) A desk where equipment will be placed in each of the units provided
iii) Central place where solar equipment such as batteries will be placed.

All units were interlinked by a local area network switch and the system was solar powered.

**Findings**

The monitoring team visited two health facilities at the end of the year on top of nine visited in previous quarters of the FY. They include; Hoima Hospital and Kiboga hospital. These hospitals received the following equipment;

In both hospitals visited equipment had been installed in maternity ward, pediatrics unit, pharmacy, Operating theatre, Out Patients' Department, Director/Medical superintendant's office and records' office. Both hospitals had not started using the equipment for telemedicine because they were not connected to Internet and had not received the relevant training. Some computers were used for data management and data entry while others had been stored for safe custody.

**Table 3.6.2: Shows delivered equipment and implementation challenges**

| Health facility | Item | Number of items | Implementation challenges/Remarks |
|---|---|---|---|
| Hoima Hospital | Computers<br>Digital camera<br>Webcams<br>Scanner<br>Battery<br>Solar panels | 6<br>1<br>5<br>1<br>1<br>4 | Equipment was received in 2009.<br>Inadequate training; 2 hospital staff were taken for a 1 day's orientation training on use of equipments; records and nursing officer. .<br>Incomplete LAN and no Internet connectivity<br>Equipments had not been engraved. |
| Kiboga hospital | Computers<br>Digital camera<br>Webcams<br>Scanner<br>Battery<br>Solar panels<br>Digital camera<br>Scanner<br>Battery<br>Solar panels | 6<br>1<br>5<br>1<br>1<br>4<br>1<br>1<br>1<br>4 | Incomplete LAN and no Internet connectivity<br>Inadequate training in operation of equipment received.<br>All computers had been disengaged and stored for safety reasons.<br>Equipments had not been engraved. |

***Source: Field Findings***

 

*L-R: Unutilized tele-medicine equipment at Hoima and Kiboga hospitals*

**Conclusion**

All necessary materials to test tele-medicine in Ugandan government hospitals are ready; however it has taken UCC over two years to procure broadband Internet and train target users. Therefore, the objectives of this project have not been achieved until the key components of internet connectivity and end user training is undertaken. The delivered equipment will largely remain redundant and no value for money.

**Recommendations**

- UCC should organize specialized hands -on training for hospital personnel to enable them appreciate the technology, its relevance and significance in health service delivery.
- UCC should urgently procure and supply Internet services to all beneficiary health facilities to achieve key project objectives of tele-medicine and improved health service delivery.
- The Ministry of Health, Regional Referral Hospitals and District Local governments should budget for operation and maintenance costs of these facilities for sustainability.
- Health facilities should ensure that all supplied equipment is engraved to mitigate risks related to theft/loss.

### 3.6.5 Establishment of ICT laboratories in nine secondary Schools;

**Vote 013: Development of Secondary Education; (Output 070202 for FY2010/11):**

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 laboratory 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, Rock High School Tororo and Mwererwe SS Wakiso. During the last four quarters, all the above schools were visited and found at varying levels of implementation.

**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.

**Financial performance**

During FY2010/11, a total of Ugshs 1.467 billion was disbursed equally among the nine schools (Ugshs 163 million each) for implementation of the project. There was no specific budget line for this project during FY 2011/12; however, additional funds to complete the project were disbursed under USE capitation grant through respective district local governments. The monitoring team visited beneficiary schools to assess level of completion.

**Physical Performance**

**i) Nyarilo Senior Secondary School-Koboko**

**Construction**

The school is located in Koboko district with a total population of 512 students. M/s Gibo Cheap Stores was awarded the contract to construct a 2 unit ICT block at a contract sum of Ugshs.157, 438,693 within a period of six months with effect from 6th April 2011 to 6th August 2011. The contract period was extended for 2months (Until December 2011) with a defects liability period of 6 months expiring on 30th June 2012.

By 4th September 2012, the school had received a total of Ugshs.257, 173,198 of which Ugshs.145, 355,561 (92% of the contract price) had been paid to the contractor. Although 92% of the contract price had been paid to the contractor, furniture had not been fully delivered (75 tables) and the building had not been officially handed over to the school. It was observed that the school had already started using the building with the office unit used as the head teachers’ office. Meanwhile, a number of defects were identified including; floor cracks and poorly fixed doors which could not close/open.

According to the head teacher, project implementation faced a number of challenges which delayed implementation; these included; hard gravel soils at construction site, intermittent power supply thus delaying delivery of furniture, windows and doors and poor designs which required variations at different levels.

**Procurement of Computers**

*Solar panels mounted on new ICT lab structure and procured computers at Nyarilo SS-Koboko*

M/s Orange International Limited had been contracted to supply 30 computers, five printers, two photocopiers, 30 modems, and one power stabilizer at a contract sum of Ugshs.96 million. The computers were delivered on the 4th of July 2012. A total of Ugshs.40 million (44.4% of the contract sum) had been paid to the contractor. The equipment was observed to be new and in good working condition, however modems and three printers had not been delivered yet the school had acknowledged their receipt. The MoES provided a solar system to power the laboratory and light the entire school.

**ii) Rock High School- Tororo**

*Complete Local Area Network at Rock High*

The school is located in Tororo district with a total population of 3,564 students. M/s Jopens Enterprises Limited was awarded the contract to construct a 2 unit ICT block at an original contract sum of Ugshs.169, 979,198 within a period of four months, (21st April 2011 to 30th August 2011). The contact amount was revised to Ugshs.206, 927,358 inclusive of Ugshs.20, 600,000 ceiling variation and Ugshs.16, 348,160 floor tiling variation. By 12th March 2012, the school had received a total of Ugshs.266, 658,000 of which Ugshs.196, 580, 990 (95% of the revised contract sum) had been expended on the structure and furnishing. Overall physical progress was estimated at 98% with all furniture delivered and water tank installed.

**Procurement of computers**

M/s PC World Computers limited was awarded a contract to supply and install 60 computers and accessories at a contract sum of Ugshs.77, 926,000. Delivery was due by 30th September 2012. According to the Head teacher, the laboratory was slated to be officially launched before end of October 2012.

### iii) Sacred Heart Secondary School, Gulu

The school is located in Gulu district off Gulu-Nimule 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 Ugshs.191, 077,650. Works commenced on 15th March 2011 and was expected to be completed by 17th June 2011 (Extended to 15th December 2011).

*Completed structure, furniture and procured computers at Sacred Heart*

By 5th September 2012, works had been completed and the contractor had officially handed over the building to the school administration. The school had received a total of Ugshs.257, 382,628 and expended Ugshs. 228,262,659 (88.6% of the received funds) Expenditures were mainly on; payment of contractor Ugshs.191 million and Ugshs.36.6 million for procurement of 30 computers.

The specified furniture in the bills of quantities from MoES was delivered and found to be unsuitable for secondary school students as the tables and chairs were visibly too low. The school had therefore submitted a requested to MoES to permit them exchange the furniture with chairs delivered to a nearby primary school by an NGO (Invisible children primary school).

### iv) Kinyasano Girls School

*Complete structure and cracked floor in Kinyansano ICT lab.*

The school is located in Rukungiri district with a total population of 820 Students. M/S Tigakanya Engineering Contractors was awarded a contract to undertake the project at a revised contract price of Ugshs.208,395,000 (Ceiling variation of Ugshs. 22.3million over the original contract price). Works commenced on 26th May 2011 and were expected to be completed by 30th November 2011 (within four months). By 12th September 2012, structural works had been completed except the ceiling, however, significant cracks in the entire floor were observed. All the laboratory furniture had been delivered. The building had not been formally handed over.

It was reported that a total of Ugshs.247,574,000 had been received, of which Ugshs.169, 000,000 (81% of the revised contract price) had been paid to the contractor.

**Procurement of computers:**

It was reported that one of the bidders for supply of computers and accessories complained about the bid document specification and sought administrative review. The complaint was sustained and the process suspended. The school was in the process of developing clear specification before a new request for expression of interest in issued.

**Implementation Challenges;**

- **Delays** in procurement of computers compounded by lack of knowledge and skills in developing clear specifications for ICT equipment at the school and district was hampering project completion;
- Significant **structural defects** resulting from either poor materials or workmanship leading to delays in handing over the building to beneficiaries;
- **Limited funds**: The head teacher reported that the balances after deducting ceiling charges will be inadequate to procure the required number of computers for the two laboratories.

### v) Mwererwe SS-Wakiso

*Complete structure with stools and tables meant for non ICT laboratory*

The school is located 30 Kms from Kampala, along Matuga-Semuto road in Wakiso district with a total enrolment of 820 Students. M/S Mitala Technical Works was awarded a contract to construct a 2 unit ICT block at a revised contract sum of Ugshs.179, 775,000. Works commenced in June 2011 and were expected to be completed by 30th September 2011 (within 3 months).

By 26th September 2012, the school had received a total of Ugshs.257, 258,200 of which a total of Ugshs.160.6million had been spent (90% of the revised contract price). Physical progress was estimated at 85%. Major construction works had been completed and most of the furniture delivered. Outstanding works included; electrical installation, network cabling and procurement of computers. It was observed that this school was planning to procure a printer for each and every computer and no specifications had been developed much as procurement was reportedly in progress. The contractor had not handed over the building to the school. A number of structural defects had been identified and the walls needed to be re-painted after installing the ceiling.

**Implementation challenges**;

- **Delays in construction and procurement of computers:** It was observed that the project had delayed by over one year as the contractor was reportedly on and off and not properly supervised by the technical people form the district and MoES Regional Engineer . Delays in procurement of computers were caused by lack of skilled personnel to generate the bid document with clear specifications and late release of funds.
- **Inadequate technical support**: The head teacher reported that the school was inadequately supported by the district engineer and engineering assistants from the Ministry of Education causing delays and /or avoidable mistakes during project implementation.
- **Poor furniture specifications**: The designs for furniture issued by the Ministry of Education specified very low chairs and tables for the laboratories, given that the school did not have technical guidance during implementation, the contractor delivered the furniture based on the poor designs.

**Conclusions**

All the nine project recipients registered 60%-95% implementation progress during the financial year; however all of them were 100% behind schedule. The technical document used in project implementation had so many gaps and the Ministry of Education was very slow at addressing them, for example, the ceiling was missing in the designs and each school responded differently to the issue due to limited or total lack of guidance; furniture specification was clearly for pre-primary or primary schools. Although schools were availed additional resources for procurement of computers, no specifications were ever issued, based on the absence of specifications, Mwererwe SS was planning to procure a printer for each and every computer yet one network printer would have sufficed for each laboratory.

In some schools, resources earmarked for this project were diverted to other activities for example Kibibi SS in Butambala. In other instances, it was observed that the facility was unlikely to serve the intended purpose as school administrators had opted to occupy the building and turned the ICT laboratories into multipurpose rooms/staff room and administration building like the case was in Nyarilo SS-Koboko.

**Recommendations**

- The Ministry of Education should provide adequate guidelines on the use of the facilities as well as provide technical support in procurement of computers and accessories.
- Contractors who have failed to fully deliver the projects should be reprimanded and asked to pay liquidated damages to the clients.
- Head teachers who diverted project funds to other activities should refund the money to the project.

**MINISTRY OF INFORMATION AND COMMUNICATION TECHNOLOGY**

### 3.6.6 National Postcode and Addressing System for Uganda

**Background**

A postcode system is primarily a piece of information identifying the locality of the addressee of a mail item and therefore is a fundamental and essential element of an address.[146] Identifying and addressing individuals the world over has moved from the Post Office to a physical location of the addressee. This applies to mail, parcels, or any other deliverable. The migration to physical location has enhanced the ability of governments, commercial entities, utility and emergency service providers to identify and tailor messages in the most suitable form to reach the intended persons. It identifies a person by specifying the geographical or administrative area such as towns where mail distribution centers (postal establishments) are situated. The existing regional centers, district centers, divisions, wards, villages and streets will be used to ensure that mail is properly handled by postal service operators.

It is for the above reality that the Government of Uganda through Ministry of ICT, Uganda Communication Commission and Uganda Posts Limited initiated the adoption of a Postcode for the country. The Postcode is a national resource whose adoption and use is unlimited in scope. As a public good, and in addition to being utilized to modernize delivery of postal items, the Postcode will be utilized by Government and Local Governments through synchronizing data of citizens and residents; agencies such as URA, Police, Health care providers (ambulance), utility providers, Bureau of Statistics, the Electoral Commission, banks, among others shall adopt the use of the address management system in the delivery of services. A converged point of reference is expected to increase efficiency and completeness of information regarding residents.

The Entebbe pilot project is driven by Ministry of ICT, supported by Ministries of Local Governments and Lands, Housing and Urban Development, Uganda Communications Commission, and Uganda Post Limited.

**Project Objective(s)**

The main objective of the project is to introduce and operationalise a national address and postcode system so as to support meaningful and social economic development in the country.

i. To provide an address to every house and location in the country;
ii. To improve the quality of postal and other services to government, community organizations, business and the general public;
iii. To develop and maintain a geographic information address management system;
iv. To lay a foundation for modernizing and expansion of the postal delivery infrastructure in Uganda.

**Project activities**

[146] National Postal Code Project document

The project activities included the following:

i. Adopting and implementing a national postcode;
ii. Establishing the national addressing standards;
iii. Developing a nationwide postcode database duly maintained and updated, of all residents in a given geographical area;
iv. Naming streets, roads, byways, lanes etc;
v. Numbering plots and houses;
vi. Digitizing geographical maps for Uganda;
vii. Allocation and Assignment of Postcodes to localities and individuals;
viii. Optimizing existing postal activities (sorting) to be able to support postcode delivery system;
ix. Continuous nationwide concept building and awareness campaign to enable users adapt to the new system.

The seven year proposed postcode project comprises of eleven components these include;

1) A pilot subproject to be carried out in Entebbe Municipality, during the first year.
2) Year 2 will involve postal coding of urban localities of districts in the Central & Western regions
3) Year 3 for urban localities districts in the Eastern & Northern regions
4) Year 4 for Kampala Capital City
5) Year 5 for rural localities of districts in the Central & Western regions
6) Year 6 for rural localities of districts in the Eastern & Northern regions
7) Year 7 for update of all rural localities of districts in all regions.

**A Pilot subproject in Entebbe Municipality**

This project commenced operations on June 2011 and was expected to be completed by May 2012. This was premised on the fact that postal code addressing system is a new undertaking in Uganda and as such there is little or no experience. It was therefore acknowledged that undertaking a pilot project from which lessons and experience can be drawn was paramount. Experience and lessons will be the main blocks upon which the next phases will be based.

The main activities in the pilot project include: Initial country wide sensitization; naming and numbering of all streets, roads, lanes plots, residential houses and business building among other things in the pilot area; mapping, digitization and Geographic Information System (*GIS)* of the Entebbe municipality map; optimizing the Entebbe post office sorting office with financial support from Uganda Posts Limited; initial postcode operations (mail delivery), involving effective transportation and delivery of postal items between Kampala and Entebbe post offices; postcode office set up to manage the existing operations; adoption of addressing standards and postcode allocation and assignment.

**Financial Progress**

The seven year project was estimated to cost a total of Ugshs.49 billion. Year 1 of the project (Pilot) had commenced with a total budget of Ugshs.975,297,635 of which, Ugshs.662, 589,735 (68% of the budget) had been spent on a number of activities including; Development of Geographic Information System (GIS) database, fabrication and installation of house and road signage, consultancy on status of infrastructure and marketing strategy, procurement of three laptops, ten bicycles, two motor cycles and two pickups. This budget is financed by Uganda Communications Commission under the Rural Communication Development Fund.

On the other hand, the Ministry of ICT had spent Ugshs.131 million out of Ugshs.312 million budgeted for project recurrent activities. These include; procurement of office furniture, running costs of vehicles, motorcycle and bicycles; Test mailing; production and distribution of leaflets, fliers, and posters, radio and television talk shows, workshops, allowances, trainings, production and publication of postcodes and maps.


*Road signage, house labeling and installed signage in private compound in Entebbe*

**Physical Progress**

M/s Eisten Technologies Ltd was contracted to fabricate sign posts at a contract at a sum of Ugshs.198, 392,882 of which Ugshs.59.5million (30% of works done) had been paid to the contractor. All the signage had been fabricated and installations were ongoing. Works were expected to be completed by end of October 2012. Outstanding works include postal signage installation, test mailing, sensitization and training of users on use and application of the system.

**Implementation Challenges**

- **Inadequate funding**: The estimated number of properties in the project area was only half of the actual number on the ground. For example 1,500 properties were budgeted for, yet on the ground over 3,000 properties were established. This resulted into changes is the area of coverage to half but distorted the expected results. Mail boxes per household were not covered in the budget, mail testing activity might therefore be difficult to undertake.

  The planned impact assessment survey at the end of the pilot is very unlikely to be carried out due to limited funds, therefore, lessons from the pilot might not be well documented to inform the subsequent phases.

- **Delayed implementation**: Although the project was expected to be completed in May 2012, by September 2012 a number of activities had not been accomplished including installation of road signage and marking of houses. It was further reported that the initial consignment of signage was rejected due to fabrication of substandard materials leading to delay in work progress as fabrication work had to be re-done.
- **Poor Physical planning**: A number of roads with in the pilot area did not have road reserves where road signage could be erected. Instances of residents blocking roads with structures were common thus turning access roads into closes.
- **Vandalism**: In spite of some awareness campaigns, a number of installed signage was vandalized by the residents.
- Based on the fact that postal addressing system is a relatively new phenomenon in Uganda, there are **no clear laws, regulations regarding its use and management**.

**Recommendations**

- There is need for more sensitization of the general public and policy makers on the importance of the project and the dividends thereof, in order to facilitate appreciation of the project and avoid destruction of installed equipment.
- Based on the advantages of the project, it is important that this project is supported financially. It is envisaged that this project will help individuals secure legal identity; this will therefore facilitate government planning and implementation of public policies and services as well as reinforce national and international security among other benefits.
- The need to clarify the mandate, laws, regulations and management of the addressing system by MoICT is key for successful implementation of this project.

**Conclusion**

It is important that this project is rolled out to other areas upon successful implementation of the pilot, however, impact may not be timely assessed due to limited funds and hence, lessons from the pilot might not be well documented to inform the subsequent phases. GOU under MoICT needs to prioritize this project in order to achieve intended objectives.

The ICT sector lacks an active sector working group to harmonize implementation of strategic objectives outlined in the National Development Plan. Individual entities have no avenue of coordinating related activities leading to duplication of effort.

## 3.7 ROADS

### 3.7.1 Introduction

Roads is one of the three subsectors[147] under the Ministry of Works and Transport (MoWT) whose mandate is to plan, develop, and maintain an economic, efficient, and effective transport infrastructure and transport services by road, rail, water and air; manage public works including government structures; and promote standards in the construction industry.

Key institutions involved in the implementation of planned activities within the Roads subsector include: MoWT; the Uganda National Roads Authority (UNRA); the Uganda Road Fund (URF); district local governments, lower local governments (subcounties) 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 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 FY 2011/12 as outlined in Table 3.7.1. They were selected on the basis of regional sampling, 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 Fourth Quarter, FY 2010/11**

| **Implementing Institution** | **Project/ Programme Monitored in First Quarter FY 2012/13** |
|---|---|
| Ministry of Works and Transport | • Jinja Mechanical Workshop |
| Uganda National Roads Authority | • National Roads Maintenance Programme<br>- Moyo, Mbale and Jinja stations.<br>- Jinja Kamuli road<br>• Transport Sector Development Project (TSDP); Upgrading of VurraAruaKobokoOraba road (92 Kms).<br>• Reconstruction of the Mbarara Ntungamo Kabale – Katuna Section of the Northern Corridor Route between km 36 and 95 Lot 2 (total length 59 km)<br>• Reconstruction of the Mbarara Ntungamo Kabale – Katuna Section of the Northern Corridor Route between km 95 and 160 Lot 3 (total length 65 km) |

[147] The three sub-sectors under the Ministry of Works and Transport are: 1. Transport Services; 2. Roads; and 3. Construction Standards and Quality Assurance

| | |
|---|---|
| Uganda Road Fund | • |
| Municipal councils | • Urban Roads Maintenance Programmes in<br>- Mbale, Tororo, Jinja, Masaka and Mbarara Municipalities |

Source: Author's Compilation

## 3.7.2 Uganda National Roads Authority

### 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 of the national road network across the country by reducing the rate of deterioration, 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 Ug. Shs 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 28Kms of paved roads; regravelling of 556Kms 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.

In the FY 2011/12, this programme received Ug. Shs. 167.866 billion (92.3% of the allocation) for periodic maintenance of 584Kms of national roads, major repairs of 25 bridges, routine maintenance of 175 bridges, routine manual maintenance of 19,591 Kms and routine mechanised maintenance of 13,503Kms; and Ug. Shs. 1.679 billion (1% of release) for emergency interventions on national roads. This put the total programme figure of receipts for the FY 2011/12 at a total of Ug. Shs 169.545 billion (93.2% of annual budget). Below were the findings

For the FY 2011/12, the programme was monitored at three UNRA stations namely, Jinja, Mbale and Moyo, with a combined network of 2,672Kms which represents 13.6% of the total network.

### Findings

### i) Financial Performance

**Table 3.7.2 Financial Performance of the National Roads Maintenance Programme**

| Station | Implementation by Force account | | | | Implementation by Contract | | |
|---|---|---|---|---|---|---|---|
| | **Budget** ***(Ug. Shs Million)*** | **Receipts** ***(Ug. Shs Million)*** | **Expenditure** ***as at end of*** **FY 2011/12** ***(Ug. Shs Million)*** | **% of Receipts Spent** | **Contract Name** | **Financial Progress** ***(Ug. Shs Million)*** | **Remarks** |
| Jinja | | 2,403.607 | 2,403.280 | 99.99% | Kaitabawaala Buyala Namagera Lubanyi Matuumu Kisozi – Busota road (60 Kms), Mbulamuti Railway access (1.0 Kms) and Kamuli Railway access (2.0 Kms) | 83% | Physical progress was at 86% and time progress |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | at 200% |
| Mbale | 3,474.091 | 1.928.659 | 1,927.451 | 99.94% | Kamonkoli – Kabwangasi – Nakaloke, 13 Kms | 100% | Works completed |
| **Moyo** | 3,247.1 | 1,384.73 | 1,384.723 | 99.9% | Adjumani – Sinyanya road (35Kms) | 87% | Physical progress was estimated at 87% against a planned progress of 100% |
| Approved Budget Estimates Ug.Shs. 181.870 billion<br>Releases as at end of Jun 2012: Ug. Shs. 169.545 billion (93.2% of annual budget)<br>Expenditure as at end of FY: Ug. Shs. 751.090 billion (89.8% of budget, 96.4 % of release) | | | | | | | |

Source: UNRA Station Engineers; IFMS Data.

## ii) Physical Performance

### A) Jinja Station

The station has a total road network of 1158.5Kms, of which 216.7Kms (18.7%) are paved and 941.3Kms (81.3%) are gravel roads. The network includes 509.5Km of roads from the additional network that was upgraded to national roads in FY 2009/10 and is comprised of roads in Nine districts of Bugiri, Buyende, Iganga, Jinja, Kaliro, Kamuli, Luuka, Mayuge, and Namutumba. Planned maintenance activities during the FY 2011/12 were earmarked to be carried out on 1001.3Kms (86.4%) included: maintenance using contracts on 608Kms (52.5%); maintenance using force account on 276.8Kms (23.9%); and maintenance using both contracts and force account on 116.5Kms (10%).

#### a) Maintenance using contracts

During the FY 2011/12, the station had 9 contracts running for 17 roads totalling to 457Kms (39.4Kms). All these contracts were spilling over from the previous FY 2010/11 and works had been completed except for one that was obviously delaying. This contract involved grading, spot regravelling and installation of culverts on Kaitabawaala Buyala Namagera Lubanyi Matuumu Kisozi – Busota road (60Kms), Mbulamuti Railway access (1.0Kms) and Kamuli Railway access (2.0Kms). The team was however not able to establish why this contract had dragged for this long. Physical progress was estimated at 86% against a time progress of 200% and a financial progress of 83%.

#### b) Maintenance using Force account

In FY 2010/11 force account interventions were planned to be done on 393.3Kms (33.95%) of which 116.5Kms (10%) were planned to be maintained by both force account and contracted works. The scope of works under force account included: routine mechanized maintenance (grading, regravelling and spot gravelling) on 744.6Km of roads, asphalt pothole patching on 217.2Km of roads (5600m$^3$) and drainage improvement. The roads maintained by force account interventions were monitored on 29$^{th}$ September 2012.

For the FY 2011/12, the station received a total of Ug. Shs. 2,403,607,523 for force account operations. At the end of the FY, expenditure on force account operations amounted to Ug. Shs. 2,403,280,210 (99.99% of release).

The monitoring team visited the following roads and below are the observations that were made;

**Nakalama Tirinyi road**: a paved road that traverses east of Jinja town from Iganga town connecting Nakalama and Tirinyi trading centres on the Iganga – Mbale highway a distance of 47Km. The road had developed edge pavement failures and erosion of side drains at Km 19 + 400 which required immediate intervention. On some sections pavement failures necessitated pothole patching. Works that were done involved asphalt pothole patching, side drain construction and recharging of shoulders. At Km 12+400, the road section had failed and will require replacement of culverts and pavement reconstruction.

**Kamuli Namasagali road**: a paved road of 23 Kms, the team observed that grading had been done for the entire road length with some sections regravelled. Culverts had also been installed in some sections of this road. The road was still in good condition with a good riding surface since works had been completed in June 2012 and thus had not been damaged by the rains yet. However, there is swampy section from Km 13+300 to Km 14+100 that experiences flooding during rainy season and requires to be raised.

**Access to Kimaka Military Academy:** This road is part of the additional network to the station and the road traverses north of Jinja town off Jinja – Bugiri highway and terminates at Kimaka Military Academy and Kaitabawala – Buyala – Kisozi – Busota road, a distance of 5.3Km. Being one of the new roads, the pavement had developed failures in form of potholes and edge failures. The work scope constituted asphalt pothole patching and shoulder regravelling on damaged sections of the road. Works had been completed and the road was in a fair condition though the shoulders were continuing for be eaten away.

**Laying of foundation stone at New Nile Bridge**. Works for this project were done under emergency works and involved opening up, grading and gravelling of the road leading to this site and the parking yard; construction of a paved walkway to the foundation stone site. This was done for the laying of the foundation stone ceremony. However, the road was still in good condition at the time of monitoring and the paved works had been removed and materials returned to the station.

***A patched section of NakalamaTirinyi road (left); Graded section of KamuliNamasagalil road. Note that LBC contracts of road side slashing had been implemented (centre); reinstating of the road edge on Kimaka Access next to the Jinja Airfield. (right)***

An analysis of planned achievements visàvis planned quantities in FY2011/12 indicated that the performance in certain areas of works was commendable. 744.6Kms was planned for routine mechanized maintenance out of which 342.6Kms were completed representing 46.1% performance, 5600m$^2$ of asphalt pothole patching was programmed and 2870m$^2$ was achieved representing 51.25%. 5500m of side drain construction was planned and the overall achievement at the end of the financial year was 1000m representing 18.2% performance in the activity.

The low performance was attributed to inadequate and delayed release of funds in comparison to planned programmes and also certain roads that were programmed for maintenance under contract but works were not executed.

**B) Mbale Station**

The station had a total road network of 932.6Km, of which 198.1Kms (21.2%) are paved and 734.5Kms (78.85%) are gravel roads. 560.5Kms (60.1%) are from the old network and 372.2Kms (39.9%) of roads are the additional network that was upgraded to national roads in FY 2009/10. Planned maintenance activities during the FY 2011/12 involved maintenance using force account intervention only on 564.5Kms of the old network and 367Kms of the additional network. The station road network covers 15 districts namely; Budaka, Bududa, Bukedea, Bukwo, Bulambuli, Butajela Kapchorwa, Kibuuku, Kumi, Kween, Manafa, Mbale, Nakapirirti, and Palisa.

**c) Maintenance using contracts**

All the maintenance works using contracts in the FY2011/12 were spilling over from the previous FY2010/11. Twenty roads totalling to 274Kms (29.4% of station network) were under the seven contracts that spilled over in the FY 2011/12 from the previous FY. Two of the contracts were abandoned and the works were completed using force account. This was mainly due to the difficult terrain in the area. Payments that had been made were however recovered through liquidated damages. The other five contracts were all completed by the time of monitoring done on 28th and 29th September 2012. The following were the field findings during the monitoring:

**KamonkoliKabwangasiNakaloke (13Km)**

This project involving the periodic maintenance of 13 Kms of the road from Kamonkoli through Kabwangasi trading centre up to Nakaloke was awarded to M/s Savannah Engineering Works Ltd as an emergency contract. The works involved grading of the 35 Kms of and regravelling of some sections with 150mm this layer of gravel at a total contract price of Ug. Shs 156.591million. Civil works commenced on 15th March 2011 and were completed within 5months (by 15th August 2011). The works were supervised by Mbale UNRA station.

At the time of monitoring, works had been completed over a year ago and the road was still in a relatively good condition except for a few sections that were deteriorating as a result of the heavy rains. The financial progress of this contract was at 100%.

**d) Maintenance using Force account**

All the maintenance activities on roads in the FY 2011/12 were planned to be carried out by force account intervention only on 931.5Kms (99.88%) at different times of the 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 29th September 2012.

For the FY 2011/12, the station received a total of Ug. Shs 1.928 billion and had planned to carry out routine maintenance activities on 218.3Kms[148] of paved roads, and 713.2Kms of unpaved roads. Total expenditure on force account operations for the FY2011/12 was Ug. Shs 1.927 billion (99.93% of the funds received).

[148] Mbale Railway Access road (0.2Kms); Mbale Railway Station (3.0 Kms); Mbale-Namusi-Kumi (54.0 Kms); Mable-Tirinyi (54.0Kms); Namunsi-Sironko road (18.5Kms); Sironko-Muyembe-Kaserem-Kapchorwa (43.6Kms); Mbale-Magodes (Tororo Bdr) (24.5 Kms); Mbale-Nkonkonjeru (20.5Kms).

The monitoring team visited KiteKawanone bridge that was done under emergency works. This is a bailey bridge was replacing an old bridge that had been washed away by the floods. Sections of about 200metere before and after the bridge had been gravelled and compacted. The gabion walls on one of the banks had however collapsed. This bridge was constructed using the bridge unit of UNRA. On NamunsiSironko road (18.5Kms), the team observed that shoulder grading, asphalt patching and surface dressing had been done in sections of the road. Shoulder recharging works were still ongoing at the time of monitoring. On SironkoMuyembeKaseremKapchorwa (43.6Kms), asphalt patching works had been done on the section that is heavily trafficked. However at the time of monitoring, this section was filled with potholes and requires replacement of the entire road surface. MbaleBufumbo road was supposed to undergo grading for 3Kms and spot regravelling for 0.9Kms. At the time of monitoring grading works were still ongoing.

***Kite –Kawanone bailey bridge (left); Section of SironkoMuyembeKapchorwa road where patching works were done but potholes are still coming up. (centre); Grading works ongoing on MbaleBufumbo road. (right)***

**Implementation challenges at the stations included:**

- The procurement of contractors for Routine and Periodic Mechanized maintenance tends to take long as the condition of the roads deteriorate thus the quantities at the time of execution of works usually override the planned quantities.
- Late release of funds for activities in the fourth quarter affects progress and output of programmed activities and as thus payments for LBC in the month of June 2012 are tremendously affected.
- Encroachment of road reserves tends to affect routine manual maintenance activities. There is need to put in place functional road committees to avert this
- Stations also face the challenge of solid waste management in trading centres; the wastes are disposed indiscriminately into the road drains thus making maintenance of the drains difficult and very unhygienic.
- Low capacity of local contractors has tended to affect road maintenance activities.
- The rates paid for LBC per Km is low given the inflation overtime which has affected the cost of hiring labour.
- Labour based contractor’s have a challenge of getting labourers especially in stations like Jinja that have sugar cane growing areas as most of the labour is engaged in sugar cane growing which is more lucrative compared to road maintenance.
- Inadequate protective wear for bitumen attendants, mechanics and other labourers infringes on the welfare and safety at work rules. This has sometimes led to injuries to workmen and exposure to health risks.

- Lack of low beds affects the transfer of equipment to various sites; this always leads to delay in executing certain activities.
- Stations also face the challenge of old equipment which keeps breaking down thus affecting the programmed activities.
- Land use systems in certain areas affect the drainage, especially in swampy areas, where rice growing activities (Jinja and Mbale) take place blocking of culverts affects drainage.
- The fuel allocated for Force Account maintenance activities is inadequate to complete all the programmed activities. For example, the amount of fuel allocated per month for Jinja station with a network of 1158.5Km cannot sustain adequate maintenance.

**C) Moyo Station**

Moyo station is located in the Northern Uganda and maintains the national roads in the districts of Adjumani, Amuru Moyo, and Yumbe. The station maintains a road network of 567.1Kms of roads all of which are unpaved. Of these 161Kms (28.4%) are the old networks and 406.1Kms (71.6%) are the additional network that was upgraded to national roads in FY 2009/10. It also incharge of 29 bridges and 2 ferries. One ferry operates between Adjumani at Umi and Moyo at Laropi and the other ferry operates between Obongi in Moyo district and Sinyanya in Adjumani district.

In FY 2011/12, planned maintenance activities on the road network under the station included: maintenance by force account operations on 245.1 Kms (43.2% of total network) and maintenance by contracts on 322 Kms (56.8% of total network). The total road network was also earmarked for LBC contracts manual maintenance activities. Maintenance works under the station were monitored on the 4th and 5th of September 2012.

**a) Maintenance using contracts**

For the FY 2011/12, the station had planned to for contracts on six roads totalling 362.2Kms which were all spilling over from the previous FY2011/11 on Pakele – Pabo (63Kms); AdjumaniMungula Amuru Junction (88Kms); Moyo Obongi (55Kms); Obongi – Kulikulinga (45Kms); Lomunga Bidibidi Kochi (45Kms); and Moyo – Laropi (26Kms). The following were the findings on the two contracts:

**1) Adjumani – Sinyanya road (35Kms)**

This project involved the routine mechanised maintenance works on the entire road length from Sinyanya ferrying landing site to Adjumani town. The project was awarded to M/s Clido Company Ltd and involved reshaping of the road by heavy grading for the entire length of 35Kms; spot regravelling of sections totalling to 3.27Kms; and drainage improvement including installation of 76m of culverts at a total contract price of Ug. Shs 245.541 million. Civil works commenced on 6th February 2012 and were to be completed on 7th June 2012. The works being supervised by the station engineer. At the time of monitoring, grading and gravelling works were complete. However, the culvert installation works were yet to commence. Heavy rains were the main reason this contract had delayed. The road

*A SECTION OF ADJUMANI – SINYANYA ROAD, WHERE ROUTINE MAINTENANCE BY LABOUR BASED CONTRACTORS WAS ONGOING* was motorable and the riding surface still in good condition. LBC works of bush clearing and grass cutting were ongoing in some sections at the time of monitoring. By the end of the FY, physical progress was estimated at 87% against a planned progress of at 100% and a financial progress of 87%.

**2) Construction of Bridge Structures, Box Culverts and Ferry Landing Sites along AtiakMoyoAfoji road.**

The GoU in line with its transport sector policy of eventual eradication of poverty and enhancing the economic integration of the country allocated funds in its national budget for the Reconstruction of Bridges Structures, Box Culverts and Ferry landing sites along AtiakMoyoAfoji road.

Consequent to this, the UNRA on behalf of GoU awarded contract No. GOU/BR/C/001 for the Construction of Bridge Structures, Box Culverts and Ferry Landing Sites along AtiakMoyoAfoji road to M/S Spencon Services Ltd at a contract price of Ug. Shs. 15,950,764,627 with a contract period of 12 months and a defects liability period of six (6) months. Prome Consultants Ltd in association with Comptran Engineering and Planning Associates were awarded the contract for supervision and consultancy services.

### 3.7.3 Rehabilitation Project Summary

| | |
|---|---|
| Contract Number | GOU/BR/C/001 |
| Funding Agency | The Government of the Republic of Uganda |
| Implementing Agency | Uganda National Roads Authority |
| Supervision Consultant | PROME Consultants Limited |
| Contractor | M/s Spencon Services Limited |
| Length of Road | 15Kms |
| Works Contract Price (Original) | Ug. Shs 15,950,764,627 |
| Supervising Consultant's Contract Price | Ush 400,628,000 (Revised) |
| Commencement Date | December 31, 2010 |
| Completion Date (Original) | December 31, 2011 |
| Completion Date: Revised | January 20, 2012 |
| Original Completion Period | 12 (twelve) Months |
| Revised Completion Period | 12 (thirteen) Months |
| Contract Time Elapsed | 22 months (183.3%) as of 31 October 2012 based on recommended revised completion date. |
| Physical Progress | 24.81% |
| Amount certified todate | Ug. Shs 7,433,968,829.72 (46.6% of contract price) |

***Source: Supervising Consultants' Resident Engineer.***

The project comprises of the construction of two (2) three span bridges and approaches, six (6) multiple cell box culverts and two ferry landing sites at the banks of River Nile at Umi and Laropi. They are located on the AtiakMoyoAfoji road which is gravel surfaced traversing rolling to hilly terrain through the districts of Amuru, Adjumani and Moyo. The bridges consist of a composite deck of reinforced concrete slab supported on steel plates girder Isections. The piers, bridge abutments and box culverts are reinforced concrete.

**Table 3.7.4: Financial Performance of the Project for Construction of Bridge Structures, Box Culverts and Ferry Landing Sites along AtiakMoyoAfoji road (104 Kms)**

| | **Source of funding** | **Approved Estimates *(Ug. Shs. Billions)*** | **Releases *(Ug. Shs. Billions)*** | **Expenditure *(Ug. Shs. Billions)*** | **% of Budget Released** | **% f Releases Spent** | **Contracts Contract Sum *(Ug. Shs. Billions)*** | **% Payment to the Contractor** | **Consultant's Contract Sum** | **% Payment to the Consultant** |
|---|---|---|---|---|---|---|---|---|---|---|
| FY 2011/12 | GoU | 6.114 | 6.114 | 6.114 | 100 | 100 | 15.950 | 46.6 | n/a* | n/a* |

***n/a*: Information not available*** ***Source: MoWT MPS, 2011/12; Supervising Consultant's Resident Engineer;UNRA***

In FY2011/12, the project was allocated an amount on Ug. Shs. 8 billion (50.15% of contract price). However, expenditure in the FY2011/12 amounted to Ug, Shs. 6.114 billion (76.43% of FY 2011/12 budget and 38.3% of contract value). This project was contracted directly by the UNRA headquarters in Kampala and a and supervising consultant.

### 3.7.5 Proposed structures

| **Location Area** | **Location (At chainage Km)** | **Approximate Existing Dimensions (m)** | **Proposed Structure** | **Proposed Dimensions (m)** | **Remarks** |
|---|---|---|---|---|---|
| Ayugi | 13.8 | 4 x 7.6 | 3Span Bridge | 121812No x 5H | Ongoing |
| EyiIngewa | 17.1 | 1 x 3.1 | Concrete Box Culvert | 3 No 3W x 3H | Substantially Complete. No guard rails |
| Irei | 20.65 | 2 x 6.7 | 3Span Bridge | 9189 x 5H | Ongoing |
| Surumu | 43.20 | 1 x 6.7 | Concrete Box Culvert | 2 No 3W x 3H | Ongoing |
| Lower Cala | 66.40 | 4(+4) x 0.9 dia. | Concrete Box Culvert | 15 No 2.4W x 1.8H | Ongoing |
| Upper Cala | 73.60 | 2 x 6.7 | Concrete Box Culvert | 4 No 3W x 3H | |
| Amua | 79.60 | 2 x 6.7 | Concrete Box Culvert | 4 No 3W x 3H | Completed |
| Ebikwa | 88.20 | 2 x 4.5 | Concrete Box Culvert | 4 No 3W x 3H | Works about to start |

During the monitoring, done on 4th and 5th September 2012, it was observed that only Amua and EyiIngewa box culvert and road works were complete. However, the guard rails were yet to be installed on EyiIngewa box culvert crossing. Works on all other sites were not complete and the contractor was only present on two sites, that is; Ebikwa box culvert where temporary diversion works had just been completed and demolishing of the existing bridge was about to commence; and at Ayugi bridge where the stem abutments been erected. The level of activities ongoing and contractor’s mobilisation was however inadequate hence this explains why the contract is ineffective and not efficient with regard to meeting the desired objectives both within cost and plan.

Construction of the box culvert stem walls was yet to be finished at Lower Cala box culvert; concrete works were completed on Surumu box culvert but the road earthworks were yet to begin; pier stems were erected on Yire and Augi bridge s and the next stage was to construct the deck. No works were observed to be ongoing at the two ferry landing sites.

The works on this contract had delayed and this was blamed mainly on the contractor’s cash challenges. Also leading to the delay was the frequent equipment breakdown; and lack of fuel and aggregates in the project area. UNRA had invoked liquidated damages on this contract for delay as a result of the contractor’s failure to complete the whole works within the intended time of completion. This was after the expiry of the time extension of 21 days on 20th January, 2012. The project was however benefiting the locals as 26 residents within the project area had been employed and thus were getting a regular income.

***(Left): Completed Amua box culvert with guard rails installed; (centre); Completion of diversion works for Ebikwa box culvert works; (right) Incomplete Irei Bridge works with no deck.***

**Recommendation**

- The contractor has been battling with financial problems. However, based on an understanding reached with the UNRA in respect to liquidated damages deduction, the contractor submitted an interim payment certificate (No.10) for works done from March to September, 2012. It was envisaged that the certified works if approved by the client would help alleviate the contractor’s liquidity challenges and hopefully enable him complete the contract works.

**b) Maintenance using Force account**

In FY 2011/12 planned force account activities included majorly grading on grading, spot gravelling and limited culverts installation on seven roads totalling 241.1Kms[149] Other planned works included spot gravelling of Laropi and Obongi ferry landing sites and operation and maintenance of the 2 ferries plying between LaropiUmi and Obongi Sinyanya landing sites. All the force account activities for the FY 2011/12 were planned to cost Ug. Shs 1.211 billion. A total of Ug. Shs. 1.384 bilion (42.64 % of budget) was released to the station in the FY and all this was absorbed in the station activities.

149 Dzaipi - Bibia ( Nimule border) (34 Kms); Access to Adjumani Prisons (4 Kms); Adjumani - Sinyanya Ferry landing (35 Kms); Keri - Midigo - Kerwa (37.1 Kms); Moyo – Yumbe (70 Kms); Moyo - Sudan border (Afogi) (12 Kms); Laropi - Ayugi - Atiak Laropi - Ayugi - Atiak (53 Kms)

On Moyo – Obongi (56Kms) that starts from Moyo – Yumbe road to Obongi landing site where grading of the entire section was done, gravelling of sections totalling to 4Kms and installation of 24m of culverts at total cost of Ug. Shs. 51.2millon. The works had been completed in January 2012 and the road surface was generally in good condition. It was observed that compaction of the road was not adequate and as such the road surface was bound to be impassable in sections that are swampy. Such works are brought about by the old equipment that is faulty and cannot achieve the desired quality of works. LBC works of bush clearing and slashing on the road side were also going on in some sections of the road.

Laropi Ayugi (53Kms) was graded twice in the FY 2011/12 for the entire length; sections totalling to 8Kms spot regravelled ; and 4m of culvert lines installed at the cost of Ug. Shs. 117.467million. This road has 3 bridges namely; Yire, Eyingwe and Ayugi undergoing construction. The road surface was in good condition only Eyingwe bridge was complete at the time of monitoring.

Dzaipi Bibia (34Kms) was graded for the entire length; sections totalling to 10Kms spot regarvelled for section and 16m of culverts were installed at a total cost of Ug. Shs. 55.708million. Works on this road were initially intervened by contract for 12Kms but the contractor abandoned works and the station took over using force account intervention. The road surface was however still in good condition.

On the landing sites, the team observed that the two ferries were 2 ferries were operating well and desilting, and gravel fills had been done on all landing sites. At Laropi, the landing is temporally which renders the ramps of the ferry vulnerable to leakages because of the crush landing on the temporally landing. There are two ferries; that is the big one CDP 3738 has two engines and has been functioning since 1990 to date and the small ferry which is always used for emergency purposes since it is not economical to use because of its size. Currently a contractor has been engaged to construct a permanent landing and also plans to procure another ferry are ongoing. At Sinyanya landing site, the contract to construct the landing commenced in April 2012, but the works were not yet complete due to cash flow problems with the contractor. However the Obongi ferry which was supplied in the FY 2009/2010 was operational.

***A graded section of MoyoObongi road where slashing of the road side was ongoing (left); A regavelled section of LaropiAyugi road. (centre); A graded section of DzaipiBibia road whose road surface was defecting due to poor compaction. (right)***

Implementation challenges at the station included: equipment brake down, late release of funds, rains that lead to emergency interventions, long gravel haulage distances and scarce construction materials like gravel.

### 3.7.2.2 Upgrading of VurraArauKobokoOraba road (92 Kms) to Paved (Bitumen) Standard.

**Project Background**

The GoU received credit from the International Development Association (IDA) towards the cost of the Transport Sector Development Project (TSDP) to finance the Upgrading of VurraAruaKobokoOraba road (92Kms) to paved bituminous standard. The road is located in the West Nile region in north western Uganda. The road project commences at Vurra, passes through three (3) districts (Arua, Maracha and Koboko) and ends at Oraba border between Uganda and South Sudan. The road links Uganda to two neighbouring countries (Democratic Republic of Congo(DRC) and South Sudan) and is part of the UNRA network. The topography is generally flat from Vurra (Km0+000) to Manibe (Km22+400) and changes to rolling terrain from Manibe to Oraba.

UNRA on behalf of GoU awarded the contract of upgrading this road to Chongqing International Construction Corporation (CICO), of China. Comptran Engineering and Planning Associates were awarded the contract to provide consultancy services for the construction supervision of the works.

The project expected to cost Ug Shs 132.12 billion is entirely funded by the World Bank through the International Development Association (IDA) and is implemented by UNRA. The GoU is handling the component of land acquisition for the project area. Construction works officially commenced on 6th January 2012 and are expected to be complete by the 5th July, 2014.

The project entails construction works for the upgrading the existing gravel surface road to a Class II double surfaced bituminous standard. The road base is to be stabilized with crushed stone. The project also includes the construction of eight (8) new bridges, four (4) box culverts, 2,241m of 900mm concrete pipe culverts, 243m of 1,200m concrete pipe culverts, 600mm access culverts and associated drainage and ancillary works.

Geometric improvements to the existing road vertical and horizontal alignment will be carried out to conform with UNRA's requirements as provided for in the MoWT Road Design Manual and in the Standards and Specifications for the civil works. The cross section adopted for rural sections of the road comprises of a 6.6m carriageway paved with a double seal and a 2.0m shoulders on either side, paved with a single bituminous surface dressing. Through the more densely populated market area in Arua, the road shoulders will be 3.0m wide to provide for street parking of vehicles. The project horizontal alignment literally coincides with the existing road, without major realignment. The Table 3.7.7 below shows a summary of the contract data and progress of the construction works on the road as at the time of our monitoring.

Existing composite steel girder bridges will be replaced with new concrete girder bridges of spans between 12m and 20m. Drainage structures include 4 box culverts, 144 pipe culverts (141 existing culverts to be replaced and 3 new pipe culverts to be constructed). 600mm diameter access culverts will be provided at new locations.

Road furniture (guard rails and road signs), busbays, speed humps and rumble strips will be provided to improve safety of the road users and pedestrians. High embankment slopes be top soiled and grassed.

The Table 3.7.7 below shows a summary of the contract data and progress of the construction works on the road as at the time of our monitoring.

**Table 3.7.6: VurraAruaKobokoOraba Project Summary**

| | |
|---|---|
| Contract Number | TSDP/HW/Co2 |
| Funding Agency | World Band |
| Supervision Consultant | Comptran Engineering and Planning Associates |

| | |
|---|---|
| Contractor | Chongqing International Construction Corporation (CICO) |
| Length of Road | 92Kms |
| Works Contract Price (Original) | Ug Shs 132,123,510,816 [Payable in USD 40,599,270 (73.81%) and Ug Shs 35,479,272,183 (26.19%)] |
| Supervision/ Consultant's Contract Price | US$ 1,347,332 |
| Commencement Date | 6 January 2012 |
| Expected Completion Date | 5 July 2014 |
| Completion Period | 30 Months |
| Contract Time Elapsed | 8 months (26.1%) as of 31st August 2012 |
| Payments to Contractor | Ug Shs 5,885,801,219 (4.5% of works contract) |
| Total Payment for Price Adjusted | Ug Shs 347,263,992 (5.9% of works payment) |
| Physical Commutative Progress (Planned) | 5.79% |
| Physical Commutative Progress (Actual) | 5.55% |

***Source: Supervising Consultants' Resident Engineer.***

In FY2011/12, the project had an annual approved budget of Ug Shs 2 billion from GoU and Ug Shs 30 billion from the World Bank earmarked for the acquisition of 35 hectares of land for the project area and road construction works respectively. The verification process of the affected persons was completed and payments for compensation commenced. These activities cost Ug Shs 1.393 (69.68% of the GoU budget). On the other hand, the contractor completed mobilization and commenced road works and by the end of June 2011 achieved a total progress of 5% against the targeted annual output of 10%. Ug Shs 22.898 billion (76.33% of Donor budget) had been expended toward the road construction works by the end of the FY2011/12.

At the time of monitoring done on 6th September, 2012, the following were the findings as detailed below;

**Financial Performance**

The project's financial progress as at the end of July, 2012 was 5.94% against a planned financial progress 11.42%. As of August 2012, two interim certificates had been certified by the consultant and all had been cleared thus the total payment of works to contractor was Ug Shs 5.885 billion (4.5% of works contract) and total payment for price adjustment was Ug Shs 347.263 million (5.9% of works payment). The price adjustment was separated from the works done because there was no provision for financial contingency in the contract. Payments to the consultant could not be established.

**Table 3.7.7: Financial Performance of the Project for the Upgrading of VurraAruaKobokoOraba (92Kms)**

| | Source of funding | Approved Estimates *(Ug Shs Billions)* | Releases *(Ug Shs Billions)* | Expenditure *(Ug Shs Billions)* | % Budget Released | % Releases Spent | Contracts Contract Sum *(Ug Shs Billions)* | % Payment to the Contractor | Consultant's Contract Sum *(Ug Shs Billions)* | % Payment to the Consultant |
|---|---|---|---|---|---|---|---|---|---|---|
| FY 2011/12 | GoU | 2 | n/a* | 1.393 | n/a* | n/a* | | | | n/a* |
| | Donor | 30 | n/a* | 22.898 | n/a* | n/a* | 132.123 | 4.5 | | n/a* |

***n/a*: Information not available*** ***Source: MoWT MPS, 2011/12; Supervising Consultant's Resident Engineer***

### Physical Performance

The total progress of works as at end of July was estimated Ug Shs 5.811 billion (4.65 %) against the planned output of Ug Shs 13.270 billion (10.68%). This shortfall was mainly brought about by the late installation of the crusher due to the delay in the approval of the stone quarry by NEMA that resulted in delays in concrete and aggregate works (bridges, culvert, mechanically stabilized subbase and crushed rock) negatively affecting the contractor's work program and progress.

The monitoring team observed that major ongoing works were concentrated at between Km20+000 and Km62+00 (40Kms) and included clearing and grubbing and common excavation along the entire 40Km project stretch, filling in sections totaling to 11.3Kms and 4.4Kms respectively along the 40Km stretch. Clearing and grubbing works were however skipped from Km57+500 to Km57+600 and Km62+000 to Km62+200 because compensation of the affected properties had not been done.

Aggregate production which began in July, 2012 had been halted in August, 2012 for adjustment of sieves for the base course aggregates to fall within the specification envelope. Prior to this, aggregate production was at 3,700$m^3$ for concrete works and 5,720$m^3$ (020mm) for subbase works. Production of precast concrete pipes had also commenced in August 2012 at the contractor's camp site and so far 3.8% of the required culverts had been produced and their installation was yet to commence.

Mobilization of equipment for works is generally adequate and in line with the works programme. As per the contract requirement, the contractor's level of equipment mobilization was reasonably at 99%.

A number of utility services have to be relocated like electricity and telephone lines and water pipes. These should be done before they affect the project activities since they are areas that are likely to cause delays.

Messrs Health Provision International (HPI) had been approved to provide the HIV/AIDS alleviation services on the project. The HIV/AIDS clinic is located at Ovuju Health Centre which is also bordering the contractor's camp. Because of its location, the unit is able to provide services to both project staff and the nearby communities.



***(Left); A section of the road at Km 61+930 where compensation issues have hindered clearing works. A grave and a house remain in the project area. (Centre): A section at Km 59 that is being maintained especially for heavy traffic that is using the road. (Right); Section of the road at Km 41 where the road has been cut to reduce on the gradient and subgrade works have been completed.***

**Challenges experience by the project**

- The project is two (2) months behind schedule as of July because it took the contractor six (6) months to get approval from NEMA for the quarry. The contractor submitted his Environmental Impact Assessment (EIA) report in January 2012 and got the approval in July 2012. Thus concrete works like bridges that were to start in April 2012 could not commence because there was no production of aggregates.
- Works have been skipped in some areas because compensation for the affected properties has not been delayed. There obstructions in the project area especially in Arua town with the dualcarriage way design are likely to cause delays and claims from the contractor yet the approved design of the project must be respected.
- There are existing land mines in old military camps along the project road. This has lead to skipping of some areas thus affecting the works programme. The contractor always has to wait for the RDC and UPDF to intervene and obtain clearance.
- The weather has been abnormal much as the rains had been anticipated. The rains have persisted to date since July 2012 hindering the earthworks. This has made the thirty (30) months project time short and likely to cause time extension.

**Recommendations**

- The contractor should officially contact the utility companies within the road corridor so that they can arrange for their relocation to avoid delays. UNRA should also help in coordination of these activities.
- The contractor should also submit locations and layout plans of prospective borrow pits and project areas to appropriate authorities (RDCs of Maracha and Koboko and the military) for demining before occupying them. He should also consider the possibility of engaging mine detection companies in the suspected affected areas.
- The equipment mobilisation by the contractor is enough to ensure that works will be expedited to bring the schedule back on track. That is the two months lost.
- The evaluation, verification and payment process will have to be implemented as soon as possible so that compensation of obstruction are paid and removed timely to prevent delays that could lead to time extension.

### 3.7.2.3 Periodic Maintenance of JinjaKamuli road (58Kms)

**Project Background**

The JinjaKamuli project is approximately 58Kms long and passes through a rolling to hilly terrain in the districts of Jinja and Kamuli. The road starts at Mpumudde roundabout, approximately 3.2Kms from Jinja town along the JinjaIganga highway and spans northward through Buwenge township terminating at the roundabout in Kamuli town. This road also connects the Busoga region to the northern corridor route which links Kampala city to the Eastern, Northern and North Eastern parts of the country to Kenya. The JinjaKamuli road is a Class II paved road with a 6.0m wide carriageway and 1.0m wide carriage shoulders. Its pavement structure consists of a double bituminous surface treatment (DSBT) on lime stabilised gravel base.

Since the construction of the road, there has been limited intervention which was insufficient to prevent the deterioration of both the structural and functional condition of the significant sections of the road.

The project expected to cost Ugshs 47.486billion is funded by the GoU and is implemented by UNRA. Procurement of a contractor for the works was done between May 2010 and November 2010, with construction works officially commencing on 1$^{st}$ August 2011 and are expected to complete by 31$^{st}$ January 2013.

The works involve rehabilitating and widening of the existing road to paved Class 1B standard with 7m carriageway and shoulder of 1.0m in rural sections and 2.5m in trading centres. The pavement reconstruction works consist of milling the old base course and improving it with cement to form the new base, construction of a new crushed stone base to a thickness of 150mm and asphalt concrete wearing course of thickness 50mm. The works will also include improvement of drainage structures as well as installing the relevant safety features such as road signs, guard rails, mileage and edge make posts, road rumps, rumble strips and road marking.

The Table 3.7.9 shows a summary of the contract data and progress of the construction works on the road as the end of July 2012.

**Table 3.7.8: Jinja – Kamuli Project Summary**

| | |
|---|---|
| Contract Number | UNRA/PM /10/11/04 |
| Funding Agency | Government of Uganda |
| Supervision Consultant | Professional Engineering Consultants Ltd. |
| Contractor | Dott Services Ltd |
| Length of Road | 58Kms |
| Works Contract Price (Original) | Ug Shs 47,486,00,340 |
| Supervision Contract Price | Ug Shs 1,219,500,000 |
| Commencement Date (Works Contract) | 1 August 2011 |
| Completion Date (Original) | 31 January 2013 |
| Original Completion Period | 18 months |
| Contract Time Elapsed | 12 months (66.67% based on original completion date) |
| Advance Payment | Ug Shs 9,497,200,068 (20% of contract price) |
| Work Payments Certified | Ug Shs 16,590,967,335 (34.94% of works contract price) |

| | |
|---|---|
| Work Actual Payments | Ug Shs 11,846,221,151 (24.95% of works contract price) |
| Supervision Payments Certified | Ug Shs 862,315,151 (70.71% of supervision contract price) |
| Supervision Actual Payments | Ug Shs 546,515,151 (44.81% of supervision contract price) |
| Weighted Physical Progress | 19.40 % |
| Weighted Financial Progress | 34.94% |

***Source: Supervising Consultants' Resident Engineer.***

The project had last been monitored in the third quarter of FY 2011/12, at which time the progress of works was estimated at 6.79% (below the anticipated progress of 34.57%) against a financial progress of 8.91% and a contract time progress of 58.33%. Payments to the contractor amounted to Ug Shs 1.345 billion (2.83% of contact value). This was 65.35% of the work payments certified which had amounted to Ug Shs 2.059 billion as at end of February 2012. Cumulative payments to the consultant then were at 44.8% of the contract value.

At the time of monitoring done on 31st August 2012, the following were the findings as detailed below;

**Financial Performance**

The project is entirely funded by the Government of Uganda through URF as the implementing agency. As seen in Table 3.7.10 below, in FY 20I0/11 the approved annual budget estimate for the project was Ug Shs 18.184 billion, of which 100% was released. Ug Shs 9.639 billion (53% of the release) that was expended in FY 2010/11 was used to cover the contractor's advance payment (20% of the works contract sum) and 11.6% of the supervision contract (URF).

In FY 20I1/12, the approved annual budget estimate for the project was Ug Shs 15.195billion, of which 100% was released. Ug Shs 2.463 billion (16.2% of the release) that was expended in FY 2010/11 covered 4.3% of the works contractor price and 33.2%of the supervision contract price. This brought about the total payment of the works contract price at Ug Shs11.491 billion (24.3% of contractor's contract) and the supervision contract price at Ug Shs 546.33 million (44.8% of supervision contract) (URF).

At the time of the monitoring field visit on 31st August 2012, the contractor's certificates (works certified) were amounting to Ug Shs 16.453 (34.64% of the works contract) by the end of August 2012. However, payments to the contractor were at Ug Shs 11.846 billion (24.9% of contact value). This put the contractors estimated project financial progress at 24.42%. Cumulative payments to the consultant were at Ug Shs 810.515 million (66.46% of the supervision contract value). However, the supervision certificates amounted to Ug Shs 914.115 million (74.95% of the supervision contract value). The overall financial progress of the project at the end of July was estimated at 34.94% as opposed to the planned value of 61.79% (Supervising Consultant).

The team was informed that subsequent to the detailed engineering design review of which a draft design report was prepared and submitted to the client in early October 2011, it was established that the available budget allocated for the implementation of the periodic maintenance works of the project road was insufficient. This is primarily attributed to the discovery that some important bill items were missing in the original BoQs. Such items are road bed preparation, common excavation, rock excavation, common fill, rock fill and mostly bitumen. Furthermore, the quantities of some of the included bill items were found inadequate and had to be increased. All these adjustments were included in the revised BoQs which were submitted with the final Design Review Report.

**Table 3.7.9: Financial Performance of the Project for Periodic Maintenance of JinjaKamuli road (58Kms)**

| FY | Source of funding | Approved Annual Budget *(Ug Shs Millions)* | Releases *(Ug Shs Millions)* | Expenditure *(Ug Shs Millions)* | % of Budget Released | % of Releases Spent | Contractor's Contract Sum *(Ug Shs Millions)* | Payment to the Contractor *(% of contract Price)* | Consultant's Contract Sum *(Ug Shs Millions)* | Payment to the Consultant *(% of contract Price)* |
|---|---|---|---|---|---|---|---|---|---|---|
| 2010/11 | URF | 18,184.1 | 18,184.1 | 9,639.2 | 100.0% | 53.0% | 47,486.0 | 20.0% | 1,219.5 | 11.6% |
| 2011/12 | URF | 15,195.0 | 15,195.0 | 2,463.5 | 100.0% | 16.2% | 47,486.0 | 4.3% | 1,219.5 | 33.2% |
| Total over the 2 years | | 33,379.1 | 33,379.1 | 12,102.7 | 100.0% | 36.3% | 47,486.0 | 24.3% | 1,219.5 | 44.8% |

***Source: URFM&E***

**Physical Performance**

The physical progress as obtained from the weighted progress chart was at 19.40% at the end of July compared to the planned value of 81.25%. Because the contractor is far behind schedule, the performance programme is no longer realistic. He has been asked to submit a revised programme after he had been issued with draft variation order covering the revised scope of works. As of August 2012, the physical progress was estimated at 24.42%.

The road design currently being implemented is that contained in the Draft Design Report as UNRA considers the recommendations forwarded by the Design Review Consultant. The construction works comprise of; the rehabilitation of the existing road base initially through cement stabilization, construction of a new road base layer consisting of crushed stone material, asphalt concrete wearing course, reinstating and improvement of the road's drainage system as well as restoration of road markings and other furniture.

The major road activities executed by the contractor during the month of July included; drainage works, installation of service ducts, earthworks, subgrade, subbase, base course and asphalt concrete wearing course works. Particularly the contractor continued with mechanical modification of the existing pavement material to form the new subbase, crushed stone base, priming of the base and laying of asphalt concrete. Concomitantly with these road activities, crushed rock material was transported from the contractor's quarry site in Namwendwa while gravel material was being stockpiled at the approved borrow pits along the project road. Also undertaken was the maintenance of the existing road to prevent further deterioration in addition to making the road comfortable to road users. These works were complemented by the monitoring and control activities of the inspection, surveying and materials laboratory teams which ensured compliance with the set standards.

Overall, the contractor had completed mobilizing of equipment and personnel, survey works, identifying of borrow pits and establishing of both the contractor's and consultants sites. Clearing and grubbing was at 83%, earthworks (road widening, benching, filling and subgrade) at 31%, drainage works at 44%, subgrade construction at 16%, road base construction at 15% and the asphalt and wearing course at 10.3%.

A detailed road design review was executed to update the existing design. It was established that due to revisions made to the required work quantities and the inclusion of some missing work items, the scope of works had to change. It was also discovered that an important item for provision of bitumen for asphalt concrete was omitted from the original BoQs and yet according to the technical specifications, bitumen for asphalt concrete is supposed to be paid for separately.

Based on the UNRA's request in February 2012's to investigate the applicability of modifying the subbase (existing base) with suitable amounts of crushed stone material without adversely affecting the project's quality and cost, a trial section was executed in March 2012 where the existing base material was modified with 40% crushed stone (mechanical stabilization). The field outcomes, related cost and contractual implications were formally communicated to the UNRA for consideration in May 2012. UNRA issued instructions to this effect for the adoption of this method of treating the design subbase layer which has been done till to date.

The materials laboratory teams (consultants and contractor's) have executed quality control measures during construction of works. These included the checking and testing for compliance with set standards of materials to be incorporated in permanent works e.g crushed stone materials, gravel, cement, bitumen etc. Completed pavement works have also been tested in the field for compliance. In addition to this the contractor's team has undertook design mix trials for asphalt, cement stabilization and concrete under the supervision of the consultant.

At the draft design review stage, four options were considered and these are summarized in Table 3.7.11 below:

**Table3.7.10: Costs of Design Options**

| Option | Carriage way Width, (m) | Shoulder Width, (m) | Wearing Course | | Base Course | SubBase Course | Cost, (UGX) |
|---|---|---|---|---|---|---|---|
| | | | Carriageway | Shoulder | | | |
| **1A** | 7.0 | 1.0 | 50mm Asphalt Concrete | 50mm Asphalt Concrete | 150mm Crushed Stone | 175mm Thick Improved with Cement | **67,498,908,518** |
| **1B** | 7.0 | 1.5 | 50mm Asphalt Concrete | 2 Coats of 20mm and 14mm Surface Dressing | 150mm Crushed Stone | 175mm Thick Improved with Cement | **67,932,286,518** |
| **2A** | 7.0 | 1.0 | 50mm Asphalt Concrete | 50mm Asphalt Concrete | 175mm Crushed Stone | 175mm Thick modified with Crushed stone | **66,635,726,518** |
| **2B** | 7.0 | 1.5 | 50mm Asphalt Concrete | 2 Coats of 20mm and 14mm Surface Dressing | 175mm Crushed Stone | 175mm Thick modified with crushed stone | **67,720,861,518** |

***Source: Supervision ConsultantMonthly progress report No.18, July 2012***

All the four options are technically sound. Contractually, Options 1B, 2A and 2B are likely to attract claims from the contractor because they involve significant changes in the scope of work. Economically, Option 2A appears to be the cheapest. However it was recommended to UNRA that Option 1A is adopted because it is the one that is closest, in terms of scope of work, to what is included in the Contract that is currently being implemented.

UNRA however asked the consultant asking him to consider a number of options with a view of bringing the revised cost of the project to a manageable amount. The consultant considered the suggestions by UNRA and submitted a summary of the updated findings in December 2011. In January 2012, the UNRA asked the consultant to submit the detailed revised BoQs for consideration. However, it was during the process of updating the revised BoQs, that it was discovered that an important item for provision of bitumen for asphalt concrete was omitted from the original BoQs and yet according to the technical specifications, bitumen for asphalt concrete is supposed to be paid for separately. Subsequently, the consultant requested the contractor for a quotation for all the items that were missing from the original BoQ. However, by the end of February 2012, the above issue had not been resolved. The consultant opted to use his recommended rates and finalized the revised BoQs which were submitted to UNRA in February 2012.

It should be noted that after considering the UNRA's comments, the options were reduced to 3 as summarized in the table below. However, the consultant's preferred option was still 1. It is not until UNRA approves the revised BoQ, that the estimated final breakdown of the contract price will be presented.

**Table 3.7.11: Costs of Design Options after Incorporation of Client's Comments**

| Option | C/way Width, (m) | Shoulder Width, (m) | Wearing Course | | Base Course | SubBase Course | Cost, (UGX) |
|---|---|---|---|---|---|---|---|
| | | | Carriageway | Shoulder | | | |
| **1A** | 7.0 | 1.0 | 50mm Asphalt Concrete | 50mm Asphalt Concrete | 150mm Crushed Stone | 150mm Thick Improved with Cement | **81,471,986,518 (71.57%) 1,404,689,423/Km** |
| **1A1** | 7.0 | 1.0 | 50mm Asphalt Concrete | 2 Coats of 20mm and 14mm Surface Dressing | 150mm Crushed Stone | 150mm Thick Improved with Cement | **75,159,991,518 (58.28%) 1,295,861,923/Km** |
| **2A** | 7.0 | 1.0 | 50mm Asphalt Concrete | 50mm Asphalt Concrete | 150mm Crushed Stone | 150mm Thick modified with Crushed stone | **79,805,766,518 (68.06%) 1,375,961,492/Km** |

***Source: Supervision ConsultantMonthly progress report No.18, July 2012***

The contractor has two approved quarry sites for the supply of the project's crushed stone material needs; Semuto and Namwendwa Quarries. Currently, the contractor is exclusively producing crushed stone material at the Namwendwa Quarry in Buwenge. This material is being stockpiled at the contractor's camp sites in Buwenge and Kamuli. A third possible quarry 3km from the Buwenge Trading is currently undergoing the compliance tests.

  

***(Left); Section of the road where excavation for a culvert was ongoing with no safety precautions taken to warn the passing traffic and pedestrians. (Centre): A section of the road sub base that is undergoing mechanical stabilisation. (Right); A section near the junction to Namasagali undergoing base priming.***

The monitoring team observed that the contractor was undertaking earthworks which included the removal of unsuitable material where encountered, road bed preparation, benching in areas where the road is to be widened and filling with approved material in constructing the common fill and improved sub grade layers. Also ongoing were drainage works (culvert installation), mechanical stabilization of the road subbase, base works and priming in some sections.

A specific budget has been allocated for the safety at the workplace and the control and management of the STDs (the Sexually Transmitted Diseases) and the HIV/AIDS pandemic. An HIV/AIDS awareness/prevention programme has been put in place. In this programme the contractor is obligated to carry out sensitisation exercises, set up an AIDS testing and counselling clinic and treat AIDS related opportunistic infections. The TORs for this programme are to be in accordance with UNRA's HIV/AIDS mitigation TORs. A rigorous monitoring regime for this program has been instituted by the Project Manager / Engineer so as to ensure that all the beneficiaries gain from it

**Challenges**

- Based on the contractor’s programme, the achieved financial progress as at 31st July 2012 estimated at 34.94% is below his anticipated progress of 61.79%. The physical progress as obtained from the weighted progress chart estimated at 19.40% is also far below his planned progress of 81.25%. This is due to the fact that a number of activities such as subbase construction crushed aggregate road base and asphalt concrete works are far behind schedule.
- The monitoring team also observed that safety on the project was lacking since the contractor had left a number of excavated trenches for culvert installation along the road open for more than one day without any warning signs or barrier. Such sites were prone to accidents arising from pedestrians or vehicles falling into them.
- Rainfall has continued to affect the contractor’s progress especially since the rainfall pattern in the area has been changing. Long rainy seasons have been realized and abnormal rains were received in months that are known known to be dry like July.
- Other factors that have affected the works progress since commencement are existing utilities along the road and trees on the embankment slopes. These are located in the project paths and hinder the contractor from carrying on works in the places where they exist. The utilities include a main water pipe of diameter 150mm running for about 650m in Namulesa and electricity poles in Kamuli town.

- No contractual claims have been raised by the contractor since the commencement of works in accordance with the provisions of Clause 44 of the Conditions of Contract. However he has indicated his intention to claim in regard to site possession and commencement date.
- Considering the delays experienced on the project and its nature, the equipment at site on the part of the contractor is insufficient to deliver the project on time. Further to this, the contract minimum equipment requirements make it had for the project managers to instruct the contractor to mobilise more equipment since he would have met the minimum requirements.
- The design that was given was a straightline road map which is not a true representation of what is on the ground. There was no provision for widening, bus bays and access roads.
- The use of outdated designs and inadequate bills of quantities for solicitation of contractor leads to award of contracts to contractors with limited capacity. The design review necessitated a 75% variation of the original contract. This was brought about by a lack of a design report for the works during tendering. The design review done by the project consultant brought up changes in the scope to be carried out which is now higher than the periodic maintenance works. This includes and not limited to the following major activities in the Table below.

**Table 3.7.12: Change in Scope of Major Activities**

| Item | Description | Original Quantity | Revised Quantity | %age Increase |
|---|---|---|---|---|
| a | Earthworks aimed at widening of the existing road to the required standard (9m including shoulders) | | | |
| b | Reconstruction of subbase layer (150mm) | 64,300$m^3$ | 95,925$m^3$ | 49.18 |
| c | Provision of new crushed stone base layer (150mm) | 82,650$m^3$ | 91,925$m^3$ | 11.22 |
| d | Provision of a 50mm thick asphalt concrete wearing course. | 21,750$m^3$ | 28,500$m^3$ | 31.03 |
| e | Provision of bitumen for asphalt concrete. This was omitted from the original BOQ | | 3600 Tonnes | |
| f | Replacement of all corroded and undersized culverts and new ones | 226m | 2,190m | 869.03 |
| g | Concrete surround for cross culverts – includes for the edge strip to protect the edges from breaking due to traffic in urban areas. | 25$m^3$ | 3,656$m^3$ | 14,524 |
| h | Construction of new concrete head walls and wings walls | 75$m^3$ | 407$m^3$ | 442.67 |
| i | Stone pitching of side drains in all locations with steep gradients | 8,728$m^2$ | 48,000$m^2$ | 449.95 |
| j | Construction of bus bays | | 36 | |
| k | Ancilliary works<br>i) Traffice signs<br>ii) Guard rails | <br>86<br>4,180m | <br>605<br>5,000m | <br>603.49<br>19.62 |

*Source: Supervision ConsultantBrief Status Report, 31 August, 2012*

**Recommendation**

- The Design Review Report that depicted all required adjustments and improvements to the project is still under consideration by UNRA. It is of the view that its approval is expedited so that the planning and monitoring is done with realistic quantities as the original BoQs are totally outdated and a misrepresentation of the real ground situation. Delays in approving the revised BoQ, increase the uncertainties in the works to be instructed to the contractor which is not healthy to the project and the concerned stakeholders.
- The contractor was requested to liase with the utility authorities (National Water and Sewage Corporation and UMEME) in order to expedite arrangements for the relocation of the affected utilities while the UNRA handles the matter of the trees. In the meantime, the contractor was advised to execute works in sections that are not affected.
- Regarding rainfall, the contractor was advised to open up sections that can be effectively worked on so that he does not leave long sections exposed to damage by the rain. It should be noted that during the month of July, rainfall continued to affect the Contractor's progress. This was rather abnormal as July was expected to be a dry month.
- In future the contracting entity should consider increasing the minimum requirement for equipment for this nature of works so that contractors with the right capacity are procured.
- The utilities found in the roadway should be relocated as soon as possible to avoid further delays.
- Issues regarding the works variation of 75% should be urgently concluded with a view of either continuing with the contract or retendering so that no further loss is incurred by government resulting from delays.
- The UNRA accounting officer, contracts' committee and evaluation committee of this specific contract, should take responsibility of the uncorrected glaring errors in the bid document that lacked a critical item (bitumen) and was based on very poor designs.
- Notwithstanding the above issues, the contractor is urged to expedite the execution of project activities so as so as to catch up with the delays so far experienced to mitigate damages to all stakeholders to the project.

### 3.7.2.4 Upgrading of Kabale KisoroBunagana (101Kms)

**Project Background**

The project for upgrading of 101Kms of Kabale – Kisoro – Bunagana and Kisoro – Kyanika roads is the fifth and last section of the Northern Corridor Route and the PTA transportation systems programmed for upgrading. The road is located in South Western Uganda and starts from Kabale town through Kisoro to the border points with the Democratic Republic of Congo (DRC) at Bunagana, and with Rwanda at Kyanika. The project aims at upgrading the road from a Class A gravel road to a Class II bitumen paved road, which will help in increasing household incomes by facilitating increase in crop production, and also help in the establishment of more social services and encourage rural investment. The project was expected to cost UgShs 155billion jointly funded by the African Development Bank (AfDB) and GoU and implemented by the UNRA. Road Construction works officially commenced on 22$^{nd}$ March 2007 and were expected to complete by

December 2011 though this has not been possible due to a number of variations issued in the works as detailed later on.

The project entails construction works for the upgrading of a total of 101Kms of the road from the existing Class C gravel road to paved road standard with an asphalt surface carriageway of 6.0m width and asphalt surfaced shoulders of 1.0m in the mountainous terrain and 1.5m (changed to 1.0m during design review) in the flat terrain. The works include construction of a 50mm asphaltic concrete surfacing, on a graded crushed stone base 200mm thick, on a graded crushed stone subbase 200mm thick, on compacted gravel subgrade 300mm thick, including extensive fills, earthworks, rock excavation, rockfills, gabion works, construction of bridges, construction of new cross and longitudinal drainage systems, and ancillary works including installation of traffic road signs, guardrails and road markings.

The Table 3.7.7 below shows a summary of the contract data and progress of the construction works on the road as at the time of our monitoring.

**Table 3.7.7: Kabale – Kisoro – Bunagana/ Kyanika Project Summary**

| | |
|---|---|
| Contract Number | ADF/HW/C 013 |
| Funding Agency | African Development Fund (89.5%) and Government of Uganda (10.5%) |
| Supervision Consultant | Mott MacDonald Ltd in Association with Kagga & Partners |
| Contractor | SBI International Holdings AG |
| Length of Road | 100.257Kms |
| Works Contract Price (Original) | Ug. Shs. 147,067,121,956 |
| Works Contract Price: (1st Revised)<br>(2nd Revised) | Ug. Shs. 151,968,876,718 (3.3% increase)<br>Ug. Shs. 195,445,535,968 (32.9% increase) |
| Supervising & Land Acquisition Consultant's Contract Price | US$ 1,347,332 |
| Commencement Date | 22 March 2007 |
| Completion Date (Original) | 21 March 2010 |
| Completion Date: ( 1st Revised)<br>( 2nd Revised) | 31 December 2011<br>30 September 2012 |
| Original Completion Period | 1096 days (3 Years) |
| Revised Completion Period | 2020 days |
| Contract Time Elapsed | 2020 (100%) as of 30th September 2012 |
| Payments to Contractor | Ug. Shs 64. 062 and USD. 49.426 million |
| Weighted Physical Progress | 93.13% as of 30 September 2012 |

***Source: Supervising Consultants' Resident Engineer.***

The project had last been monitored in the third quarter of FY 2011/12, at which time progress of works was estimated at 80.81% based on the second revised budget against a financial progress of 83.75% and a contract time progress of 87.97% based on the revised time extension. In the

FY2011/12, the project was allocated a total budget Ug. Shs. 55.073 billion and had targeted outputs that included; completing the final detailed engineering design report and bidding documents; acquisition of 3 hectares of land and an annual progress of works of 11%.

This road was expected to be substantially completed as of end of September 2012. At the time of monitoring done on 14th September 2012, the following were the findings as detailed below;

**Financial Performance**

The project's financial progress was estimated at 107% of the original contract price. This includes 30% advance payment on works, materials and equipment, but part of which had been recovered. However the contract price was revised following the issuance of a number of addendums which increased the total length under construction and hence increased quantities. Thus, against the revised contract sum of Ug. Shs 195,445,535,968 the projects financial progress was estimated at 83.75% as of 31st January 2012.

Payments to the contractor as of end of September 2012 amounted to Ug. Shs 64.062 billion (53.57% of IPCs) from GoU and USD 49.42 million (65.24% of IPCs) from the donor. However payments to the contractor and the consultant not timely as; 16 certificates totaling to Ug. Shs 55.516 billion had not been cleared on the portion of the GoU since May 2011, and 18 certificates amounting to USD 26.336 million were pending payment on the side of the donor since June 2011. The GoU had last made payment to the contractor in May 2011 and the Donor in Jun 2011. The consultants certificated amounted to GBP 1,585,323 (103.2% of contract price) for supervision, GBP 80,748.51 (100% of contract price) for casdastral services, GBP 267,023 (117.9% of contract price) for compensation addendum and GBP 58,363 (99.9% of contract price) geotechnical services. It could not be established when how much and when the payments were made to the consultant. The late payments were attracting interest on the contractor's certificate already issued. However, this does not apply to the consultant's fee as it was not subject to any interest and variation.

**Table 3.7.13: Financial Performance of the Project for Upgrading of KabaleKisoroBunagama/Kyanika road (101Km)**

| | **Source of funding** | **Approved Estimates *(Ugshs Billions)*** | **Releases *(Ugshs Billions)*** | **Expenditure *(Ugshs Billions)*** | **% of Budget Released** | **% of Releases Spent** | **Contracts Contract Sum *(Ugshs Billions)*** | **% Payment to the Contractor** | **Consultant's Contract Sum *(USD Millions)*** | **% Payment to the Consultant** |
|---|---|---|---|---|---|---|---|---|---|---|
| FY 2010/11 | GoU | 5.053 | n/a* | 1,865 | n/a* | n/a* | 195.445 | n/a* | 1,347 | n/a* |
| | Donor | 36.700 | n/a* | 33,683 | n/a* | n/a* | | n/a* | | |
| FY 2011/12 | GoU | 35.0 | 30.10 | 30.33 | 86.0 | 100.8 | | n/a* | | n/a* |
| | Donor | 20.073 | 46.01 | 46.01 | 229.2 | 229.2 | | n/a* | | n/a* |

***n/a*: Information not available*** ***Source: MoWT MPS, 2011/12; Supervising Consultant's Resident Engineer***

**Physical Performance**

The progress of works was estimated at 93.13% (Ug. Shs 182 billion as at end of September 2012) against the planned output of 100%. This was based on the second revised time extension and budget which saw the increase in earthworks from 750,000m$^3$ to 1,300,000m$^3$.

The monitoring team observed that a number of major activities had been completed. These included; earth works/subgrade, crushed aggregate sub base of 275mm thick, crushed aggregate base of 125mm thick, surface dressing (single protective seal), asphalt wearing course and ancillary works. Ongoing works included; material tests; erecting of marker posts, guard rails, road signs, road studs, Km posts; road marking; fixing of reflector plates to the delineators; concreting at the hairpin bends, land scaping, etc.; dismantling and scarification; drainage works (construction of concrete line open side drains in Km 57 + 000 to 57 + 000, Km 61 + 900 to 62 + 500, and Km 65 + 950 to 66 +200); cleaning of side drains and culvert pies; reinstating of top soil; construction of stone filled gabion retaining walls to a total length of 769m to prevent toe failure of the cut slopes where the earth is unstable and in some areas to retain the loose scoria. The contractor has so far handed over a total of 82Kms (50Kms in September 2010 and 32Kms in November 2011) and that are now under maintenance by UNRA. The remaining section of 18.56 Kms of the project was expected to be handed over at the end of September. They were also 12 swamps and subsidence sections where works were completed except for asphalt concrete and road marking. Outstanding works in these sections were to be finished by 30th September, 2012 and subsequently handed over to UNRA.

There were some sections of the road that had to be realigned to the cut side of the road. This was due to; the deep fills that could not be controlled by benching of the road, poor soils underneath the roadbed, and swamp effects and hydrological routes. Due to the above reasons, there was an urgent redesign of the road in a number of sections to the cut side of the existing road hence acquiring extra land beyond the earlier demarcated road reserve. The team observed that reworks along these sections of the road that had been flaking off towards the embankment were completed. The road alignment in these sections was shifted towards the cut by about 3m on the inside which had lead to increase in contract time and bill of quantities. However, survey for extra land taken (beyond the earlier demarcated road reserve) was concluded and the final and last batch of claimants sent to the valuer for verification and valuation.

Land acquisition along the project road was completed in September 2011 and the communities had been very cooperative as the project did not face any interferences, stoppages and major complaints. The number and value paid and accounted for stood at; 5209 claimants have been paid (approximately 93.8%) out of the 5,639 registered claimants, and value paid of Ug. Shs. 7,017,253,653 (approximately 93.8%) of the total register value of Ug. Shs. 7,483,083,273. The requirements of consultancy TOR have been completed with exceptions regarding subdivision of titled land and land transfers, which process was still ongoing.

  

***(Left); Completed section of the road where scarifying was ongoing. (Centre): Construction of a concrete line open drain. A section of the road at Km 8+300 yet to be surface dressed. (Right); Completed section of the road with the centre line not yet marked..***

### 3.7.2.5 Reconstruction of the Mbarara Ntungamo Kabale – Katuna Section

### Project Background

The Government of Uganda (GoU) obtained grants from the European Development Fund towards the cost of the design and reconstruction of the priority section of the Northern Corridor Route (NCR) from Mbarara through Ntungamo and Kabale to Katuna. The reconstruction of the Mbarara to Katuna section of the NCR was tendered as two Contracts, namely Lot 2 from km 36 to km 95 and Lot 3 from km 95 to km 160 at Katuna.

Lot 2 with total length of the project is 59Kms starts at 36Kms south of Mbarara (km 36) and ends near Rwentobo (km 95) about 33Kms south of Ntungamo. Lot 3 with a total length of 65Kms starts about 32Kms south of Ntungamo (km 95) and ends at Katuna at the Rwanda border (km 160).

The contract for the reconstruction of Lot 2 and Lot 3 was awarded to Reynolds Construction Company (Nig) Ltd on 7$^{th}$ December 2010 and was given "access to site" from 3 August 2011 along with a notification to commence the works from the same date. The Ministry of Finance, National Authorizing Officer for European Development is the Contracting Authority for the Project. UNRA is the Contract Supervisor and COWI A/S was appointed as the Supervisor's Representative. COWI A/S was issued with a notification to commence their supervision Contract from 22$^{nd}$ August 2011. The project (Lot 2 and Lot 3) expected to cost Euro 116,932,221.39 is jointly funded by European Union (92%) and GoU (8%).

The Northern Corridor Route forms part of the main international route connecting Kenya, Uganda, Rwanda, and the Democratic Republic of Congo and runs from the Kenyan border via Kampala to the Rwandan border with an approximate length of 650Kms. The road is the country's most important road link, both nationally and internationally.

Lot 2 is 59Kms long; the first 20Kms of the project road is in Mbarara Administrative District, while the following 39 Kms is in Ntungamo District. From Km 36 to 59 the road passes a combination of flat and rolling terrain. On the other hand, Lot 3 is 65Kms long, the first 9Kms (from Km 95 to 104) of the project road are in Ntungamo district and the remaining 56Kms of the road is in Kabale Administrative District. The project road passes through 27 roadside villages. From Km 95 to 97 the road crosses flat terrain. Mountainous terrain occurs between Km 97 and Butobere Village (Km 134.7) which is located about 3Kms before Kabale Town. The Kabale to Katuna Road Section is flat. Between Km 144.5 to Katuna (Km 160) the road is located on the base of foot slopes along the edge of the Rwanihigwa and Kamuganguzi wetlands.

The reconstruction project will involve upgrading the road to a Class 1b paved road with 7m carriageway width and 1.5m paved shoulders. As a result of pavement lift and the general need for minor adjustments to the horizontal curvatures, the existing total width of the existing road is generally not sufficient to reconstruct the new road to the above specifications, without widening of the existing embankments. The necessary widening is minor and as the construction cost of widening on both sides of the existing embankments is significantly higher than a single side widening, the new road centre line has therefore where possible been shifted to one side only. This has had the added advantage that some of the existing lined side drains can be preserved and has minimized expensive rock cuts. However, through villages and trading centers the road has generally been kept at the centre of the existing road to avoid unnecessary demolition of structures and buildings.

The existing road comprises a bituminous surface dressing (patched) on a lime stabilised base and a natural gravel sub base. Typically the existing base will be pulverized and mixed with crushed stone to be incorporated in the new road as a sub base of G45 quality. A new crushed stone base will then be constructed on this sub base beneath the carriageway and shoulders.

The carriageway  will have a 90mm thick asphalt concrete binder course constructed on top of the crushed stone base and will be surfaced with a 60mm asphalt concrete wearing course. On the new road shoulders the crushed stone base thickness will be increased and the asphalt concrete binder course is omitted, but the asphalt wearing course is to be constructed flush with the carriageway. The asphalt mix design shall be based on Super pave procedures and specifications.

The road pavement along the Kisoro Link between Katuna Junction and the start of the new KabaleKisoroBunagana Road (2.35 Kms long), which runs through Kabale Town, is to be repaired and a new bituminous surface dressing is to be constructed.

Lot 2 project road project crosses four rivers[150] with existing bridges. The bridges are composite bridges with steel girders and a reinforced concrete decks. Only two rivers are crossed by existing bridges along Lot 3 project road. The bridge over the Nyakizumba River at Km 135.1 on the approach to Kabale Town is a composite bridge with steel girders and a reinforced concrete deck and the Muzhogo bridge at Km 139.5 near the beginning of the Kabale to Katuna Road section is constructed of reinforced concrete. The condition of all the bridges is relatively good and no overtopping has been reported by the UNRA. All the Both bridges are to be rehabilitated and steel pedestrian walkways are to be constructed on each side of the composite bridges. There are however no major swamp crossings along the project road with big catchment areas.

One hundred and ninety seven (197) and Two hundred and twenty (220) existing cross culverts are to be replaced or upgraded due to their poor condition, insufficient discharge capacity or length in Lot 1 and Lot 2 project roads respectively. Almost all existing cross culverts comprise corrugated metal pipes (CMP) and most of them will be replaced with larger diameter CMP. Twenty nine (29) new concrete box culverts are to be constructed and thirty six (36) existing cross culverts are to be to be retained and extended in Lot 2. Side drains are to be provided in cuts along the entire road length.

Bus bays and three (3) viewing points are to be constructed as well as safety measures such as gateway signs, rumble strips, speed humps, speed limits, road signs, road markings, improvement of junctions, etc. Junctions are to be improved and a new roundabout will be constructed in Kabale at the turn off to Kisoro.

[150] Km 71.6: Ahankondo River; Km 76.0: Kamira River ; Km 85.3: Rubaare River; Km 87.0: Rubanga River

Appropriate traffic signs and road marking have been included into the design in accordance with MoWT's Traffic Signs Manual, Draft 30 May 2004. To secure traffic safety for pedestrians and bicycle users the design has included the provision of sufficiently safe shoulders, i.e. 2m wide shoulders outside settlements and 3m wide shoulders in village sections and trading centres. Elevated (raised) pedestrian crossings formed as speed humps have been included in the major settlements.

The Table 3.7.5 below summaries of contract data for the two contracts and progress of the construction works on the road.

**Table 3.7.14: Reconstruction of MbararaNtungamoKabaleKatuna Section of the Nothern Corridor Route Summary**

| Project Title | Km 36 to 95 Lot No. 2 | Km 95 to 160 Lot No. 3 |
|---|---|---|
| Contract Number | 2010/259786 | 2010/259788 |
| Funding Agency | European Union (92%) and GoU (8%) | European Union (92%) and GoU (8%) |
| Supervisior | Uganda National Roads Authority (UNRA) | Uganda National Roads Authority (UNRA) |
| Supervision Consultant | COWI A/S, 2 Parallelvej, DK2800 Kongens Lyngby, Denmark | COWI A/S, 2 Parallelvej, DK2800 Kongens Lyngby, Denmark |
| Contractor | Reynolds Construction Company (RCC) | Reynolds Construction Company (RCC) |
| Length | 59 Kms | 65 Kms |
| Works Contract Price (Tender sum less 2.5% discount) | Euro 51,123,663.31 | Euro 65,808,558.08 |
| Estimated Final Amount | Euro 53,538,669.35 | Euro 67,211,118.08 (2.34% increase in contract value) |
| Supervision Contract Price | Not established | Not established |
| Commencement Date | 3rd August 2011 | 3rd August 2011 |
| Contract Period | 36 Months | 36 Months |
| Completion Date | 2nd August 2014 | 2nd August 2014 |
| Contract Time Elapsed (as of 31st August 2012) | 360 days (33.3% Time Progress) | 360 days (33.3% Time Progress) |
| Works Payments Certified | Euro 12,599,899.50 (26.64% Contract Price) | Euro 18,662,404.04 (28.25% Contract Price) |
| Payments to the Contractor | Euro 16,239,805.13 (31.76% Contract Price) | Euro 18,662,404.04 (28.25% Contract Price) |
| Payments to the Consultants | Advance payment for supervision services for Lot 2 and Lo3 combined on 20 December 2011 totaling EUR 736,400. | |
| Planned Progress | 18.59% | 15.74% |
| Actual Progress | 9.48% | 4.167% |

*Source: Respective Resident Engineers of Supervising Consultants as of August 2012.*

## Findings

At the time of monitoring done on 13th September 2012, the findings were as follows;

### i) Financial Performance

In FY2011/12, the project was allocated an amount on Ug. Shs. 70 billion from the Donor funding component with an estimated 20% completion of works in the same period. However, 15% out of 20% and 5% out of 20% was completed on the Lot 2 and Lot 3 sections respectively. Consequently, Ug. Shs. 22.88 billion (32.7% of budget) was released and expended.

On Lot 2 (59Kms between Km 36 and 95) financial progress was estimated at 31.76% of the original contract price. The contractor had submitted three certificates to the consultant amounting to 26.64% of the contract value and these were all certified. However, only two certificates had been paid. These included the advance payment and advance on plant and materials amounting to 31.67% of the contract price. It could not be established why the amount paid was more that that certified but is likely that advance payments have been included here.

On Lot 3 (65Kms between Km 95 and 160), the contractor had submitted six certificates to the consultant amounting to 28.25% of the contract value and all of which were certified and paid. The team was informed that the project had no issues with delayed payments. However, based on the current status of site survey works, detailed working drawing finalization, and laboratory investigation of cut slope and foundation soils it is estimated that there will be an increase in cost of the physical works totaling to EUR 1,402, 560 (including introduction of grassing and top soiling and allowing for 10% contingency on the estimate) equated to a total increase in contract value of 2.34%.

The Supervisor's Representative (COWI) received an advance payment for supervision services for Lot 2 and Lo3 on 20 December 2011 totaling EUR 736,400. The team could not however establish the contract sum for the supervision works.

A detailed review of changes in the estimated cost of the project will be undertaken as soon as the site surveys and designs are completed. The contractor expects that site survey work and cross section designs (working drawings) would be complete by end of October 2012.

**Table 3.7.15: Financial Performance of the Project for Reconstruction of MbararaKatuna road (115 Kms)**

| | **Source of funding** | **Approved Estimates *(Ug. Shs. Billions)*** | **Releases *(Ug. Shs. Billions)*** | **Expenditure *(Ug. Shs. Billions)*** | **% of Budget Released** | **% of Releases Spent** | **Contracts Contract Sum *(Euro)*** | **% Payment to the Contractor** | **Consultant's Contract Sum *(Euro)*** | **% Payment to the Consultant** |
|---|---|---|---|---|---|---|---|---|---|---|
| FY 2011/12 | GoU | 0 | 0 | 0 | n/a* | n/a* | n/a* | n/a* | n/a* | n/a* |
| | Donor | 70.00 | 22.88 | 22.88 | 32.7 | 100 | | n/a* | | n/a* |

***n/a*: Information not available*** ***Source: MoWT MPS, 2012/13; Supervising Consultant's Resident Engineer***

### i) Physical Performance

The following were the field findings on physical performance of the project:

### a) Lot 2: between Km 36 and 95 (59Kms)

- The main site camp facilities of the contractor at Rubare were essentially complete by the end of July 2012 and the mobilization status of plant and equipment for earthworks construction and pavement construction was satisfactory. The contractor's laboratories were substantially though still lacking in terms of equipment. However, they are sufficient to undertake testing related to the earthworks. These facilities were shared for both Lots.
- Survey work was started by the contract immediately after they were given "access to site" on 3 August 2011. As at the end of July 2012, the status of the survey works for the following activities was follows; excavation for the cross culvert and invert level between Km 81+094 and Km 83+594.78 was ongoing; joint survey for the new benchmarks, sub grade and sub base in a number of sections has been completed; and land compensation from km 95 to km 36 the start point of lot 2 is completed.
- The contract is required to maintain the existing road pavement from the date of being given "access to site" using pay items in the BOQ. During October 2011 the joint survey of all pavement defects (potholes, edge failures, etc) was completed and the contract was provided with a schedule for the road maintenance. The progress of the road maintenance was satisfactory at the beginning of the year (January 2012) and continued up to April when activities were slowed down due to the exceptional rains. Maintenance of mainly asphalt patch works has continued to date although it is affected by the weather. Shoulders have been graded in areas where the vegetation and siltation prevent the free flow of surface water.
- Earthworks have progressed satisfactory since commencement in December 2011; however the wet months of April and May severely affected the progress, but by June and July 2012 the contractor recovered. The progress by the end of July 2012 was as follows: clearing and grubbing  36%, removal of top soil  32% ; common excavation to spoil  26%; G15 Fill – 23%; G7 Fill – 23%; roadbed preparation  25%; subbase  6%; and aggregate base course  3%.
- 28 Corrugated Metal Pipe (CMP) culverts have been installed (19% of 147 CMPs) and the construction of headwalls and wingwalls was ongoing. The construction of 2 concrete box culverts was ongoing while 3 were completed.
- As of end of June 2012, the overall progress actual progress of works as at 9.48% against a planned progress of 18.59% and a time progress of 33.3%.

  

***(Left): Rock excavation works along slopes; (centre); Construction of a concrete box culvert across the road at Km 67+800; (right) the stone quarry that is already in production of aggregates.***

**b) Lot 3: from km 95 to km 160 at Katuna**

- Construction of the Lot 3 asphalt plant at Rwentobo Quarry was completed in during March 2012. This AC plant is to be shared by Lots 2, Lot 3 and the Kabale to Kisoro Road project until September 2012 when a second AC plant is planned to become operational.
- Production of crushed stone aggregate for the base and sub base course started in April 2012 and continued throughout to August 2012 at Rwentobo quarry. Crushed stone base course material was also produced during June and July 2012. The erection of a second crusher for the production of asphalt aggregates was started during July 2012. Production of asphalt aggregates was expected to begin by the end of August 2012. The contractor identified a number of borrow pits for supply of selected fill materials (G15) and natural gravel for sub base. Two large sources are currently supplying these construction materials.
- In regard to the survey works, final design cross sections had been approved by the end of July 2012 between km 95 and 120 and were being finalized up to km 130. The progress with survey work is not holding up the construction progress.
- The contractor is required to maintain the existing road pavement from the date of being given "access to site" using pay items in the BOQ. Repair works had been in sections of Km 105 to 160 and KabaleKisoro link in July 2012 and Km 138 to 160 in August 2012. During June 2012, the contractor did not implement any road maintenance activities and progress during July and August 2012 was disappointing. A new sub contractor was deployed during August 2012 so that the backlog maintenance requirement can be completed before the next wet season (expected to start towards the end of September 2012).
- A significant progress was made on earthworks in the months of July and August 2012 due to the relatively dry period. However, overall earthworks progress against the approved programme is considerably behind the target. Earthworks excavation and embankment fill construction was in progress between km 95 and km 112. The contractor reported that additional resources will be assigned to earthworks construction during September 2012 in order to recover lost progress.
- Mechanically stabilized sub base construction trials started in June 2012 and were concluded in early July 2012. The approved construction programme showed this activity was to be carried out in late April 2012. By the end of August 2012 sub base had been constructed between km 95+000 to km 100+000. Crushed stone base course construction trials started on 23 August 2012. Asphalt binder course construction was programmed to start on 14 May 2012, but it is expected to be delayed until October 2012.

- The replacement of 23 corrugated metal pipe (CMP) culverts was completed in August 2012 between Km 95 and km 103+199. One box culvert was completed at km 95+461and a second is under construction at km 100+488. The contractor is behind his approved construction programme targets. However, to address this problem more light compactors are to be mobilised and the construction team working in the quarry on the crusher and new AC plant foundations will be deployed on culvert construction during September 2012.
- At the end of August 2012 physical progress was 4.167% against the approved programme target of 15.74% (after 36.07% of the project period had elapsed). 4.0% physical progress was planned for the month of August 2012, but 1.8% progress was achieved. Physical progress to date has been affected by abnormal rainfall and the work stoppage (between 14 June and 22 June 2012) resulting from the court order concerning verification of compensation payments. However, even after taking account of these unavoidable delays progress is very delayed at this time.
- A substantial improvement in financial progress against the approved plan is only expected to be observed after the high cost asphalt pavement construction has commenced. The contractor promised to mobilize additional resources to speed up the earthworks and culvert construction in the subsequent months.
- The Contractor has issued a number of notifications of intention to claim for extensions of time. Apart from the 9 day work stoppage due to compensation verification during June 2012, the other claim notifications are largely unjustified at the current time and have little bearing on the poor physical progress achieved to date.

***(Left): Base course works ongoing at Km 98+650; (centre); Installation of a 1.5m by 1m high culvert crossing at Km 100+488; (right) filling of embankment. Take note of the safety precaution taken by the contractor for the traffic using the project road.***

### 3.7.3 Municipality Roads Maintenance Programmes

#### 3.7.3.1 Programme Background

Municipality roads make up 4,500Kms which represents 5.63% of the entire road network in Uganda. They are maintained by the respective local governments using central government funds from the consolidated fund through MTEF arrangement for road maintenance and to a limited extent using locally generated revenue. More than 80% of the municipality road network is however beyond maintenance level and necessitates rehabilitation which is carried out through a roads maintenance programme implemented by URF. The municipalities, to a limited extent, also utilise the non conditional grants from the central government under the LGMSD Programme and locally generated revenue. MoWT provides the collective technical support and supervision to the local governments under the DUCAR department

In FY 2011/12, planned activities on municipality roads included routine maintenance of 1,005Kms, periodic maintenance of 230 Kms and drainage works under URF[151]. A significant drop from 4,500kms to 27.4% in targeted outputs. The programme was allocated an annual budget of Ug Shs 13.294 billion under the DUCAR Agency (14.571% of the URF budget) but Total releases for the municipality roads maintenance for the FY 2011/12 amounted to Ug Shs 17.74 billion, for 22 municipalities comprising of releases under PAF of UShs 10.45 billion (58.9% of annual allocations); UShs 2.61 billion under RRP (14.7% of annual budget estimates); and UShs 4.68 billion (26.4% of annual budget estimates) under PRDP.

In the first quarter of FY 2012/13, the programme was monitored in four (4) municipalities namely: Jinja, Mbale, Mbarara and Tororo for the FY 2011/12. The findings were as follows in 3.7.3.2:

### 3.7.3.2 Findings

#### i) Financial Performance

At the time of monitoring, done in August/September 2012, financial performance of the monitored municipality roads maintenance programmes was as shown in Table 3.7.16, Performance in terms of absorption of the received funds was generally between 53% and 106%, with only Jinja district having over 100% at 106% absorption and Mbale having the lowest at 53.13%.

**Table 3.7.16: Financial Performance of Selected Municipality Roads Maintenance Programmes for FY 2011/12**

[151] Ministerial Budget Policy Statement, June 2012

| District | Funding Source | IPF *(Ug Shs Millions)* | Releases *(Ug Shs Millions)* | Expenditure *(Ug Shs Millions* | % of IPF Received | % of Receipts Spent |
|---|---|---|---|---|---|---|
| Jinja | URF | 1,104.31 | 1,090.14 | 1,089.90 | 98.72 | 99.98 |
| | LGMSD | 125.1 | 112.81 | 192.879 | 90.18 | 170.98 |
| | **Total** | **1,229.41** | **1,202.95** | **1,282.78** | **97.85** | **106.64** |
| Masaka | URF | 711.82 | 657.57 | 638.69 | 92.38 | 97.13 |
| | Revenue | | 30.31 | 30.31 | | 100.00 |
| | **Total** | **711.82** | **687.88** | **669.00** | **96.64** | **97.26** |
| Mbale | URF | 806.42 | 794.985 | 566.13 | 98.58 | 71.21 |
| | LGMSD | 120 | 110 | | 91.67 | |
| | PRDP | 427 | 145.63 | | 34.11 | |
| | Revenue | 80 | 15 | | 18.75 | |
| | **Total** | **1,433.42** | **1,065.62** | **566.13** | **74.34** | **53.13** |
| Mbarara | URF | 748.10 | 809.106 | 760.24 | 108.15 | 93.96 |
| | Revenue | | 34.8 | | | |
| | **Total** | **748.10** | **843.91** | **760.24** | **112.81** | **90.09** |
| Tororo | URF | 519.80 | 598.029 | 505.18 | 115.05 | 84.47 |
| | PRDP | 150.25 | 150.25 | | | |
| | **Total** | **670.05** | **748.28** | **505.18** | **111.68** | **67.51** |

Source: Respective District Engineers n/a*: information not availed

### ii) Physical Performance

### a) Jinja District

The municipality has a total road network of 133.185Kms of which 72Kms (54.1% of total road network) are paved and 42.6Kms (31.96%) are unpaved. Maintenance activities for the FY 2011/12 under URF were planned on a total length of 1.245Kms of which 0.07Kms[152] was to undergo routine maintenance (patch works) with force account intervention and 1.175Km[153] under periodic maintenance (upgrading) using contracts; and reconstruction of Madhvani road up to second bitumen seal under (LGMSD) by contract. The municipality had an IPF of Ug Shs 1.229 billion that was comprised of Ug Shs 1.104billiion (89.8%) funded under URF and Ug Shs 125.1 million (10.2%) funded under the Local Government Management and Service Development Programme (LGMSD).

**Table 3.7.17: Jinja Municipality Road Network/12**

| Description | Kms | %age |
|---|---|---|
| Tarmac | 72.025 | 54.08 |

[152] Mvule Cresecent (0.01 Kms), Iganga road (0.03 Kms), Lubas road (0.01 Kms), Bidco/Masese road (0.01 Kms), Radio road (0.01 Kms).

[153] Tobacco road (0.525 Kms) and Factory road (0.650 Kms)

| | | |
|---|---:|---:|
| Gravel | 42.57 | 31.96 |
| Earth | 7.61 | 5.71 |
| Unopened | 10.98 | 8.24 |
| **Total** | **133.185** | **100** |

In FY 2011/12, the municipality received a total of Ug Shs 1.202 billion (97.85% of total IPF) comprising of Ug Shs 1.09 billion(98.72% of IPF) under URF; and Ug Shs 112.81 million (90.18% of IPF) under LGMSD. A total of Ug Shs 1.282billion (106.4% of total receipts) was expended during the FY with Ug Shs 1.089 billion being expenditures under URF (99.98% of receipts) and Ug Shs 192.89 million expenditures under LGMSD (170.98% of receipts).

The monitoring team on 30th August 2012 visited the following roads intervened by contracts.

**(i) Madhvani road,**

This road is 0.55Kms in length and was rehabilitated up to second coat of bitumen (double surface dressed) with a total area of 3,050 $m^2$ and was contracted to M/s Multax Ltd under the LGMSD program at a contract price of Ug. Shs 210,929,000 for a period of 4 months starting on the 26th February, 2012. The scope of works included; scarify and reconstruction of 200 metres from Nile Avenue up to second bitumen seal, repairing of damaged areas of approximately 725 $m^2$ up to first bitumen seal and then apply a second seal over, drainage works (construction a new stone pitched drain and installation of 600mm diameter concrete pipes at all accesses, providing two stop sign posts at the accesses, fixing of precast kerbstones in areas required and environmental improvements (planting of grass).

At the time of monitoring, the first seal had been applied and drainage works (excavation and stone pitching) were on going. A total of Ug. Shs. 81.39 million (38.6% of contract price) had been paid to the contractor against works completed of Ug. Shs 91.079 million (43.2% of contract price), the difference was retained as per the provisions of the contract.

***First bitumen seal (left); Excavation of side drain (centre); and stone pitching of side drain (right) along Madhvani road***

**(ii) Tobacco road.**

Part of this road was being reconstructed (between Nileply and Tobacco road) up to second coat of bitumen with a total area of 7,000 $m^2$. This road is 0.525 Kms long and was contracted to M/s Axis Lines Ltd under the URF program at a contract price of Ug. Shs 461,043,400 for a period of 4 months starting on the 26th February, 2012.

The scope of works included; reconstruction of 6,576$m^2$ up to second bitumen seal and 244$m^2$ at the junction with Factory road to receive a reinforced concrete finish, installation of 3 lines of 600mm concrete culverts, desilting of blocked covered drains and replacing of missing manhole covers, construction of a stone pitched side drain on either side of the road for an average of 65metres, fixing of precast kerbstones in areas required and environmental improvements (planting of grass).

At the time of monitoring, the works were partially complete with the concrete works at the junction with Factory road not yet done and between Km 0.2 to 0.4 at the junctions. A total of Ug. Shs. 363.59million (78.9% of contract price) had been paid to the contractor against works completed amounting to Ug. Shs 406.875million (88.2% of contract price), with the difference of Ug. Shs. 43.284 million withheld as retention.

***Completed section of the road at Railway crossing (left); Junction with Factory road with unfinished reinforced concrete works (centre); and stone pitched side drain works (right)***

(iii) Factory road.

Part of this road was being reconstructed (between railway crossing and Kyabazinga road) up to second coat of bitumen with a total area of 10,264m$^2$. This road is 0.65Kms long and was contracted to M/s C&B United Civil Engineers and Contractors Ltd under the URF program at a contract price of Ug. Shs 527,000,320 for a period of 3 months starting on the 20$^{th}$ February, 2012. The scope of works included; reconstruction of 10,020m$^2$ of road and 8 accesses up to second bitumen seal; and 244m$^2$ at the junction with Tobacco and 10 central turning points to receive a reinforced concrete finish, desilting of blocked covered drains and replacing of missing manhole covers, providing six stop sign post at the accesses, fixing of precast kerbstones in areas required and environmental improvements (planting of trees, duranta and grass).

At the time of monitoring, the works were partially complete with the concrete works at the junction with Tobacco road where heavy trucks turn from not yet completed. A total of Ug. Shs. 470.329 million (82.2% of contract price) had been paid to the contractor against works completed amounting to Ug. Shs 526.32 million (92% of contract price), with the difference of Ug. Shs. 55.99 million withheld as retention.

***Concrete and second seal work at the Factory road junction (left); End of second seal works near Nile Ply (centre); and stripped surface in the island caused by heavy truck turning near Nile Ply (right)***

### b) Mbale Municipality

The municipality has a total road network of 121.2Kms of which 59.8Kms (49.34% of total road network) are paved, 29.1Kms (24.01%) are gravel, 5.5Kms (4.46%) are earth and 26.9 Kms (22.19%) are not yet opened up. Out of the 59.8 Kms of tarmac, 42.3 Kms (70.7% of the tarmac are under the municipal council and 17.5 Kms (29.3%) are under UNRA. The tarmac road net work maintained by the municipality is dilapidated.

Maintenance activities for the FY 2011/12 under URF were planned on a total length of 1.0Km of Kakungulu drive to undergo periodic maintenance (Double Surface dressing) using the contracts approach; the rehabilitation of the taxi park was done through contracting which involved application of the second bitumen seal and drainage works funded under LGMSD; under PRDP funding there was application of a low cost double bituminous surface dressing on 1Km of Nkonkojeru road by contract; and under Locally generated revenue was routine maintenance intervened by force account carried out as emergency works. Being emergency works though funding is constrained and the work plan for the latter is never followed.

The municipality had an IPF of Ug Shs 1.433 billion that was comprised of Ug Shs 806.42 milliion (56.3%) under URF ; Ug Shs 120 million (8.4%) under LGMSD; Ug Shs 427 million (29.8%) under PRDP; and Ug Shs 80 million (5.68%) under Local Revenue.

**Table 3.7.18: Mbale Municipality Road Network/12**

| Description | Kms | %age |
|---|---:|---:|
| Dilapidated Tarmac | 42.3 | 34.90 |
| Tarmac (Under UNRA) | 17.5 | 14.44 |
| Gravel | 29.1 | 24.01 |
| Earth | 5.4 | 4.46 |
| Unopened | 26.9 | 22.19 |
| **Total** | **121.2** | **100** |

Source: Municipal Engineer

In FY 2011/12, the municipality received a total of Ug Shs 1.215 billion (84.81% of total IPF) comprising of Ug Shs 934.98 million[154] (115.94% of URF IPF and 76.9% of total receipts) under URF; Ug Shs 120 million (100% of LGMSD IPF and 9.9% of total receipts) under LGMSD; Ug Shs 145.63 million (34.11% of PRDP IPF and 12% of total receipts) under PRDP; and Ug Shs 15 million (18.75% of LR IPF and 1.2% of total receipts) under Local Revenue. A total of Ug Shs 691.13 million (56.85% of total) was expended during the FY with Ug Shs 566.13 million (60.5% of URF release and 81.9% of total expenditure); Ug Shs 110 million (91.67% of LGMSD release and 15.9% of totals expenditure); and Ug Shs 15 million (100% of LR release and 2.2% of total expenditure).

At the time of the monitoring field visit on 27th August 2012, physical progress of the works planned in FY 2011/12 was as follows; under URF, works on Kakungulu drive were still ongoing with the road surface being prepared to receive the second seal and emergency works along access roads to Church of Uganda diocese (Malukhu drive) were completed; under PRDP, the low cost resealing of

[154] Ug Shs 794.88 million was through the usual quarterly releases and Ug Shs 140 million as an emergency release.

Nkokonjeru Court road (1km) was on going with the setting out in progress this project had delayed due to late release of funds; and under LGMSD, the application of the second seal surface dressing and drainage works in the taxi park was complete.

The monitoring team visited the following projects intervened by contracts.

(i) Nkokonjeru Court road

This road was rehabilitated by applying a low cost resealing surface using double surface dressing. This road is 1.0 Km long and was contracted to M/s Afroconstruction 2000 Ltd under the PRDP program at a contract price of Ug. Shs 424,164,744 for a period of 6 months from June to December 2012. The works had just started and were thus being implemented under the FY2012/13. This was due to delays in the procurement process caused by complaints about the administrative review during the awarding of the contract. This led to the readvertisement of the contract thus affecting the commencement of works. The allocated fund for the PRDP program were also never realised as only 34.11% of the IPF was released during the FY2011/12 and this was in the first and second quarter. At the time of monitoring, the setting out process was still ongoing and the road had been scarified and graded though the rains were affecting the road surface at the end. A total of Ug. Shs. 84.83 million (20% of contract price) had been paid to the contractor as advance payment. This contract was being supervised by M/s Blessed Investments Ltd.

(ii) Kakungulu drive.

The road with a total length of 1.2Kms accesses educational institutions and a residential corridor. It was last rehabilitated in 1954 and had long reached terminal age. All the surface dressing of 540 metres that had once been tarmacked was worn out at the time of the intervention. Periodic maintenance works planned for the FY2011/12 on the road under the URF programme including surface dressing of the entire road surface for a stretch on 1.0Kms was estimated at Ug Shs 724.83 million[155] (89.75% of URF IPF). The contract was awarded to M/s Afroconstruction 2000 Ltd under the URF program at a contract price of Ug. Shs 627,403,601 for a period of 6 months from February to August 2012.

At the time of monitoring, the works were still ongoing with the first seal of DBSD and drainage works completed. Surface preparation works for the second seal of DBSD were on going. A total of Ug. Shs. 433.79 million (69.14% of contract price) had been paid to the contractor. A number of factors have led to the project being behind schedule (1 month at time of monitoring) these were;

- time lost during the procurement process,
- lengthy rainy season,
- Material scarcity and inflation which led to escalating of prices at the time of project execution.

This contract was also being supervised by M/s Blessed Investments Ltd as under joint supervision contract for providing consultancy services for the designing and supervision of Kakungulu drive and Nkokonjeru Court road at a contract price of Ug. Shs. 32,400,000 funded by URF for a period of 6 months from March to September 2012. A total of Ug. Shs. 22.68 million (70% of supervision contract) had been paid to the consultant.

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[155] Ug. Shs. 683 million for construction works and consultancy services for the design and supervision at Ug. Shs. 40.83 million

***Graded section of Nkonkojeru Court road (left); Drainage works along Kakungulu drive (centre); and completed first seal of DBSD on Kakungulu drive (right)***

(iii) **Taxi Park.**

The project of surface dressing of the main taxi park was done in two phases with the road first phase of applying the first seal being implemented in the FY 2010/11. The second phase was carried out in FY 2011/12, using funding from the LGMSD programme and was referred to as the "second seal surface dressing of the Taxi park". The contract was awarded to M/s Elgon Special Hire & Taxi operators Ltd under the LGMSD program at a contract price of Ug. Shs 109,990,960 for a period of 4 months from April to August 2012. The design for these works were done by the Municipality Engineer and the supervision was done by consultant called M/s Blessed Investments Ltd. At the time of monitoring, the works (application of second seal and drainage works) were completed though the surface had some defects like bleeding arising from poor workmanship during execution. A total of Ug. Shs. 103.99 million (94.55% of contract price) had been paid to the contractor.

***Open channel drainage works in taxi park. (left); Finished second seal works (centre); and Finished second seal works and a manhole for underground drainage. (right)***

(iv) **Naboa Road**

The project for the double surface dressing of the Naboa road commenced in FY 2008/2009 and was awarded by MoWT as a contract in cluster form for the Eastern Region. The project cost was Ug. Shs 528 Million for a dual carriage of 0.8km bringing the total length to 1.6km and all the funds were released to the Mbale Municipal Works account. Supervision was by both the MoWT and Mbale Municipal Council and the contract period was 6months.

However, the contract is no longer performing due a number of issues and some have been referred to litigation. The main issue is that the contractor, Ms Omega Construction abandoned the works at the stage of priming and when he resumed works, he started placing stone chippings without repriming the road and hence stripping of the road as shown in the captions below. When the contractor was advised to make good he refused and this was treated as insubordination by the client and payment due to him were not made. Initially, certified payments of Ug. Shs. 403m was withheld but after arbitration it was later made in favour of the contractor. A balance of 125m of the contract amount is still on the Municipal works account and has been there for the last three years.

***Parts of Naboa road and at the end that have the chippings stripped off (left and right) and portholes have developed before the hand over of the road at Km 0+000 (Centre)***

This matter has been taken on by the IGG and at the time of inspection all project documentation was with then and MoWT had been instructed not to make any more payments until this matter is dispensed off. The contractor has however, put MoWT and Mbale Municipal council on notice for delayed payments and is charging interest for these actions.

The quality of works from the monitoring done is very poor and the road has started deteriorating after a very short time implying that the purpose for which the project was intended was never met hence the implementation was not effective as it was not delivered on time neither was it efficient as desired resource utilization was not achieved and to the desired quality.

**Challenges**

(i) The government has changed the policy of implementing works; that is, from contracts to force accounts and direct labour yet adequate equipment has not been provided given to the councils. Government has only supplied graders yet the municipalities have tarmac roads and these are not the only equipment that is required to implement such programmes. Instructions to start using them were yet to be received though the operators had been trained. Some of them were already having mechanical problems like in Mbale, the brake fluid tube of the grader was leaking and they were waiting for the supplier to rectify this.

(ii) The engineering departments are under staffed. Engineers do not have support staff and yet there is a ban on recruitment. These positions at the municipal councils do exist but are vacant.

(iii) Political interference: The municipal engineers prefer works to be contracted out rather than being implemented by force account since funds are most likely to be mismanaged.

**(iv)** The road networks have outlived their design life span. Mbale municipal road network was last designed in 1954 and construction works were executed in the same year. This implies that the network required reconstruction in 1974 which has not been done up to present day and this has come with increase in traffic and inadequate drainage structures due to increase in runoff. The road width is also wanting as long vehicles cannot easily manoeuvre through the town thus stripping the paved road surfaces. **Solution: there is need to review the designs; say replacing of roundabouts with traffic lights.**

(v) URF has a formula/parameters it uses when taking into account the releases they avail to municipalities which take into account the night population. So many people visit these centres during the day and yet the night population is very low but the latter is what is considered by URF. With the 121.2Kms of road network for Mbale municipality, this makes the funds released inadequate. Most of the municipalities can carry out works on 1Km of road every FY.

(vi) The availability of local materials for construction is inadequate. Like in Mbale, due to the nature of soils that is prone to landslides, NEMA has put a ban on nearby quarries so materials like aggregates and murram have to be brought in from places as far as Mukono and Soroti respectively.

(vii) The contractors' financial and managerial capacity is lacking. Contractors submit smart documents but on getting the contracts, they cannot perform and have no capacity to even access advance payments when you request for guarantees and this has been a major cause of delays on projects.

(viii) The weather pattern is changing all over the country. Of late it is not defined and yet the wet season comes with torrential rains. Thus with the lots of surface runoff and construction of hard surfaces in urban centres, the drainage systems capacity have been are surpassed, there is need to develop drainage master plans and designs for these urban centres otherwise the maintenance interventions will come to waste in a very short time.

**c) Tororo Municipality**

The municipality has a total road network of 169Kms of which 30Kms (17.75% of total road network) are paved, 24Kms (14.2%) are gravel, 63Kms (37.28%) are earth and 52Kms (30.77%) are not yet opened up as shown in table 3.7.9.10 below. Out of the 30Kms of tarmac, only 16Kms (53.3% of the tarmac) are in good condition, the rest are dilapidated and in dire need of rehabilitation but given that only 1km is allocated for rehabilitation each year under URF funding this may take more than 10years to have a functional network free of potholes.

Maintenance activities for the FY 2011/12 under URF were planned on a total length of 28.875Kms of roads of which 13Kms (45%) were to undergo routine maintenance and 15.875Kms (55%) to undergo periodic maintenance using both force accounts and contract interventions.

The municipality had an IPF of Ug Shs 519.8 million under the URF programme for road maintenance for the following activities; Ug. Shs. 104 million ( 20.01%) for routine maintenance; Ug. Shs. 320 million (61.56%) for periodic maintenance; Ug. Shs. 10 million (1.9%) for road safety works; Ug. Shs. 59.8 million (11.5%) for mechanical imprest; and Ug. Shs. 26 million (5%) for consultancy services, district road committee operations and monitoring and evaluation of designated agencies like DUCAR.

**Table 3.7.19: Tororoo Municipality Road Network/12**

| **Description** | **Kms** | **%age** |
|---|---|---|
| Paved | 30 | 17.75 |
| Gravel | 24 | 14.20 |
| Earth | 63 | 37.28 |
| Unopened | 52 | 30.77 |
| **Total** | **169** | **100** |

Source: Municipal Engineer

In FY 2011/12, the municipality received a total of Ug Shs 598.029 million (115.05% of total URF IPF) for the roads maintenance program. This was brought about by extra funds released to take care of emergency works during the FY. 84.47% of the URF release (Ug Shs 505.18 million) was expended during the FY2011/2012. The municipality had an unspent balance of Ug. Shs. 4.8 million.

At the time of the monitoring field visit on 29th August 2012, physical progress of the works planned in FY 2011/12 were completed apart from Togore and Obuya Lanes which had been contracted out to a contractor with no capacity and had on several occasions abandoned the site he is yet to complete the works.

The monitoring team visited the following projects intervened by contracts.

(i) **Togore Road West (0.2Kms) and Obuya (0.2Kms) and Park (0.15Kms) Lanes**

Works on Togore Road West were planned to be carried out under the routine mechanised maintenance program and involved mainly pothole patching; while works on Obuya and Park Lanes were planned under the periodic maintenance program whose scope of works involved pothole patching, gravelling and major drainage works (culvert installation).

The works on the three roads were done under one contract called “Gravelling and culvert installation of Park Lane; and Pothole sealing of Togore Road Westa and Obuya Lane” that was awarded to M/s Atubo (U) Ltd at contract price of Ug. Shs 47,828,000 for a period of 2 months from February to April, 2012. At the time of monitoring, the contractor had only achieved about 70% of the works and this slow progress was blamed to his lack of capacity to carry out the works.

Obuya Lane that had been blinded and filled with stabilised material but had taken long without being sealed so materials had been washed away and defects in the form of potholes had reappeared. The contractor should redo these works as the intended objective for the intervention has not been achieved

Togore Road West was experiencing stripping of the chippings yet the potholes had been filled with stabilised murram and the surface primed. However, Park Lane had to be regravelled and box culvert of 1.2m by 1.5 m had been installed. A total of Ug. Shs. 31.795 million (66.47% of contract price) had been paid to the contractor as against works done valued at Ug. Shs. 34.46 million (72% of contract price). This contract was being supervised by the Municipal Engineer.

***Stripping of surface on Tagore Road West (left); Pot holes appearing on Obuya Lane (centre); and the newly installed box culvert on Park Lane. (right)***

(ii) **A 100m Access road, Bukedi drive (0.85 Kms) and Hyena drive (0.75 Kms)**

Maintenance works for the FY2011/12 on the above three roads were planned to be carried out under the periodic maintenance and road safety activities program of the municipality. The works in this program involved grading of entire length of road, regravelling and drainage works. The works were contracted out under “Periodic maintenance of Bukedi and Hyena drive” which was awarded to M/s Fiona International Ltd at a contract price of Ug. Shs 29,000,000 for a period of 2 months from February to April 2012. At the time of monitoring, the works had been completed though the team could not establish how much had been paid to the contractor. The 100m access road had been well graded and gravelled with works completed in March 2012. The road surface was in good condition and LBC maintenance works of slashing were ongoing.

On Bukedi drive, grading and regravelling had been done for a length of 1 Km over the 7m  wide carriage way. 600mm culverts lines had been installed across the road and one of the them was observed to have been broken by heavy trucks that transport building materials due to the line not having the minimum cover required. Surface runoff from the Tororo rock was however observed as the main cause for gullies forming along the road due to lack of a comprehensive drainage system and this needed to be rectified through proper drainage designs and interventions.

On Hyena drive, grading, gravelling and drainage works (installation of culverts) had been done and works were complete and still intact. These works were also supervised by the Municipal Engineer.

***Well graded and gravelled 100m Access road (left); A newly installed culvert on Bukedi road. Note the depression at the far end of the culvert line which indicates a broken culvert. (centre); Hyena drive (right)***

During the FY 2011/12, the municipality carried out maintenance works on some roads using **Force Account** intervention. **Park Lane (0.5Kms)** and **Masaba road (0.9Kms)** are the roads that were monitored whose routine mechanised maintenance was intervened using Force Account. The implementation program on these roads was done with the aid of **JICA** plants. Works on Park Lane involved surface dressing to a width of 8m for 500m and were done for 6 months period and completed in August 2011. The road surface was still in good condition.

Surface dressing works on Masaba road was done for a width of 8m running for 900m started with part of East road (100m) up to the junction with Masaba road for continuity since the later is a steep gravel road that would have caused silting. The road surface was still in good condition and routine maintenance LBC works of slashing had been carried out. All this was done under the URF though the team could not establish the value of the works done since they were largely spill over works from the previous FY.

***Park Lanesurface dressing (left); Masaba roadsurface dressing and well slashed road side. (centre); and Part of East that was tarmarked road leading to Masaba road. (right)***

## Challenges

(i) The procurement system implemented at the local government level is quite challenging as it takes a long time to get the works implemented and this creates a lot of inefficiencies and it is hard to achieve any effectiveness with regard to implementing the work plan and often projects spill over into other financial years.
(ii) The contractors in the region have a lot of work and yet they are not organised. This has led to their failure to execute works on time as they have their resources over stretched and hence a major cause of delays and repetitive works.
(iii) The materials used for road construction in the region are scarce and this has led to their prices escalating. The municipality gets all the road construction material (aggregates) from as far as Kakiri on Hoima road in Kampala as there are no quarries in the region hence the biggest cost is met in haulage of materials.
(iv) There has been an issue of inadequate equipment units but this has been addressed with the new equipment that has been received from government.
(v) The money received from URF is entirely meant for maintenance works. This has left the municipality with no fund for construction of bridges which access a number of places and yet the terrain calls for these structures. The funding does not allow for new construction nor complete rehabilitation of roads nor opening up of roads yet 69% of the road network falls under this catergory
(vi) The municipality is faced with a lot of water coming as surface runoff from the Tororo rock. This has caused drainage problems for the municipality and yet the 4.5% of the URF release earmarked for such works is insufficient. The network generally needs a new drainage master plan that fits into the physical plans of the municipalities if the drainage issues are to be exhaustively addressed.
(vii) The engineers department is under staffed. The office lacks a surveyor, a superintendent of works. The engineer carries out all the work with a road inspector which is quite stretching.
(viii) The road network should also be digitized as more roads have been coming up and annual condition assessments of the road infrastructure done. This will ease prioritisation of interventions.

**d) Masaka Municipality**

The municipality has a total road network of 103.43Kms of which 49.27Kms (47.6% of total road network) are paved, 16.08Kms (15.5 %) are gravel and 38.08Kms (36.8%) are earth as shown in table 3.7.20. Most of the network is however in poor condition with a few roads, mainly those that are paved reasonably motorable.

Maintenance activities for the FY 2011/12 were planned under URF program on a total length of 6.4Kms of road of which 4Kms (62.5%) were to undergo routine maintenance and 2.4Kms (37.5%) to undergo periodic maintenance; and drainage improvements using contract interventions. There were also road safety works that were to be implemented with the use of force account. The municipality had an IPF of Ug Shs 711.87 million under the URF programme for road maintenance for the following activities; Ug. Shs. 120 million (16.91%) for routine maintenance; Ug. Shs. 430 million (60.4%) for periodic maintenance; Ug. Shs. 9.69million (1.4%) for road safety works; Ug. Shs. 59.81million (8.4%) for mechanical imprest; Ug. Shs. 80million (11.2%) for drainage improvements; Ug. Shs. 7.4million (1%) as retention fees carried forward from the previous FY2010/2011 works; and Ug. Shs. 4.9million (0.7%) for operational expenses.

**Table 3.7.20: Masaka Municipality Road Network/12**

| Description | Kms | %age |
|---|---|---|

| | | |
|---|---|---|
| Paved | 49.27 | 47.6 |
| Gravel | 16.08 | 15.5 |
| Earth | 38.08 | 36.8 |
| **Total** | **103.43** | **100** |

Source: Municipal Engineer

In FY 2011/12, the municipality received a total of Ug Shs 687.88 million (96.64% of total IPF) for the roads maintenance program comprising of a URF release of Ug. Shs. 657.57 million (95.6% of total receipts, 92.38% of URF IPF) and Local Revenue amounting to Ug. Shs. 30.31million (4.4% of total receipts). Ug Shs 638.69 million (97.13% of URF release) was absorbed in the URF program for maintenance works and Ug. Shs. 30.31 million used under the Local Revenue component bringing the total expenditure for works for the FY to Ug. Shs. 669million (97.26% of total release). The municipality had an unspent balance of Ug. Shs. 7.86 million from the URF component that was returned to the consolidated fund at the end of July 2012.

At the time of the monitoring field visit on 2nd September, 2012, physical progress of the works planned in FY 2011/12 were all complete. The monitoring team visited the following projects intervened by contracts and supervised by the Municipal Engineer.

(i) **Improvement of the Lorry Park.**

The scope of works for the improvement of the lorry and pickup park included; removal of debris, levelling of site, provision of granular material and compacting it into layers and minor drainage works. The project referred to as "Improvement of the Lorry Park" was funded using Local Revenue and was awarded to M/s Prestige Tech Works Ltd at contract price of Ug. Shs 27,172,000 for a period of 1 month from February to March, 2012. At the time of monitoring, the works had been completed though the works delayed for about two months due to shortcomings in receipt of the Local revenue. The contractor had cleared the site and provided murram which he stabilised and compacted. The contract that was supposed to continue in the FY2012/13 was cancelled because government has not resorted to force account intervention for road maintenance works at Local Government level. A total of Ug. Shs. 16.45 million (60.5% of contract price) had been paid to the contractor against 100% physical progress on the works.

(ii) **Drainage works along Ssese Street.**

The drainage improvement works to be done along Ssese street were allocated a budget amount of Ug. Shs 80million in the FY2011/12 under the URF maintenance programme. The scope of works in this project involved; demolition and removal of clearing of existing blocked culverts, installation of 114m and 130m of 600mm and 900mm diameter culverts respectively, construction of a line storm channel, providing 600 by 600mm inspection chambers along laid culverts and provision of reinforced concrete manhole covers to the inspection chambers. The drainage works contract referred to as "Drainage works along Ssese street" was awarded to M/s Wamala technical Services at a contract price of Ug. Shs 79,002,000.

Addition drainage works along Buddu Street valued at Ug. Shs. 11,740,000 that involved construction of a 600mm diameter culvert line for 60m and 10 inspection chambers was added onto the contract bringing the total contract price to Ug. Shs. 90,742,000. All this was to be done for a period of 4 months from February to June 2012. At the time of monitoring, the works had been completed. A big percentage of the project works, that is the culvert line, was underground so the team could not establish the quality of the works done. Only open channel was all what that team could see on this project. A total of Ug. Shs. 91,684,448 million (101% of total contract price) had been paid to the contractor as against 100% of the works done valued at the total contract price. No variation was seen for the extra amount of moneys paid to the contactor. The contract was supervised by the Municipal Engineer.  The team was informed that the project had a lot of political interference that resulted into shoddy works.

***Stabilised murram that was provided for the lorry (left); Surface drainage works around the lorry park. (centre); Drainage channel along Ssese street.***

The district contravened procurement procedures as there was no record of approval of the variation of almost 14.86% and further to this the contractor was paid above the contract amount without any approvals. The poor quality of the works should be blamed on the supervising engineer as there is no record of quality assurance reports or site inspections.

**(iii) Resealing of Victoria Road in Masaka Municipal Council.**

Victoria road has a length of 0.55Kms and a width of 20m. The periodic maintenance contract for the resealing works on this road spilled over from the previous FY, 2010/11. During the FY 2011/12, the works on this road were allocated an amount of Ug. Shs 280 million under URF funding. The scope of works in this project involved; resealing of the entire road surface and drainage works. The works contract referred to as “Resealing of Victoria road in Masaka Municipal Council” was awarded to M/s Axis Line Ltd at a contract price of Ug. Shs 398,557,550 for a period of 6 months from March to September 2011. The team was however informed the project had delayed because the contractor was instructed to redo some sections of the road.

At the time of monitoring, the works had been completed and the road surface was in good condition apart from the bleeding defects in a few areas that were arising from poor workmanship. A total of Ug. Shs. 415,354,303 million (104.21% of contract price) had been paid to the contractor against 100% of the works done valued at the Ug. Shs. 398,289,100. It must be noted that no variation was seen in the BOQs against the extra amount of money (Ug. Shs. 16,796,318) paid to the contractor.

(iv) **Periodic Maintenance of Noor Road.**

Noor road has a length of 0.16Kms and a width of 20m. The periodic maintenance contract for the resealing works on this road referred to as “Resealing of Noor road” was awarded to M/s Assured Engineering Services Ltd at a contract price of Ug. Shs 114,114,000 using funds from the URF maintenance program. The works commenced in February 2012 and were completed on May 2012. The works involved mainly applying the first seal coat of 80/100 bitumen penetration. A total of Ug. Shs. 116,932,000 million (102.46% of contract price) had been paid to the contractor against 100% of the works done valued at the contract price. It must be noted that no variation was seen in the BOQs against the extra amount of money (Ug. Shs. 2,818,000) paid to the contractor.

(v) **Repair of access road to Auditor General’s Office.**

The scope of works for this project involved; scarifying and compacting existing road surface, removing of unwanted material and provision of approved granular material and compacting it in layers on about 80m of road. The project referred to as "Repair of the access to the Auditor General's office" was awarded to M/s KAEM and Sons Construction at a contract price of Ug. Shs 8,420,000 using funds from the URF maintenance program. The works commenced in January 2012 and were completed on February 2012. Before the intervention of these works, this road was a dilapidated potholed tarmac access. At the time monitoring, gulleys hard stated forming on the road surface. These were caused by surface runoff that should have been diverted to a road side drainage. A total of Ug. Shs. 7,660,658 million (90.1% of contract price) had been paid to the contractor against 100% of the works done valued at Ug. Shs. 8,372,304.



***Resealing works on Victoria road (left); Noor road with first seal completed. (centre); Access to Auditor General's Office with gulleys forming on the road surface (right).***

**Note:** It was observed that payments in three of the completed contracts sampled were over paid on the certificates seen without any variations issued. This is illustrated in the table below and no clear explanation has been given we are meant to believe that these are arithmetical errors that should be corrected.

**Table:3.7.21 Contracts that were over paid without variations.**

| Project | Contractor | Contract sum (Ug. Shs.) | Previous payment (Ug. Shs.) | Payment due on Final Certificates (Ug. Shs.) | Total Amount Paid (Ug. Shs.) | % age of contract price paid | Excess amount paid (Ug. Shs.) |
|---|---|---|---|---|---|---|---|
| Drainage works along Ssese Street | Wamala Technical Services | 90,742,000 | 79,620,600 | 12,063,848 | 91,684,448 | 101.03 | 942,448 |
| Resealing of Victoria road in Masaka Municipal Council | Axis Line Ltd | 398,557,985 | 382,827,550 | 32,526,753 | 415,354,303 | 104.21 | 16,796,318 |
| Resealing of Noor road | Assured Engineering Services Ltd | 114,114,000 | 99,480,000 | 17,452,000 | 116,932,000 | 102.47 | 2,818,000 |

Source: Municipal Engineer – Final Payment/Final Completion Certificates

### e) Mbrarara Municipality

The municipality has a total road network of 161.53Kms of which 19.33Kms (11.975% of total road network) are paved, 47.6Kms (29.472%) are gravel, 16.6Kms (10.28%) are earth and 78Kms (48.29%) are not yet opened up.

Maintenance activities for the FY 2011/12 under URF program were planned on a total length of 11.565Kms of roads of which 9.14Kms (79%) were to undergo routine maintenance and 2.4Kms (21%) to undergo periodic maintenance using contract interventions. The municipality had an IPF of Ug Shs 748.10 million under the URF programme for road maintenance for the following activities; Ug. Shs. 60.84million (8.03%) for routine maintenance; Ug. Shs. 607.6million (81.22%) for periodic maintenance; Ug. Shs. 59.818million (8%) for mechanical imprest; Ug. Shs. 2million (0.26%) for the district roads committee; and Ug. Shs. 18.6million (2.5%) for monitoring and evaluation.

**Table 3.7.22: Mbarara Municipality Road Network/12**

| Description | Kms | %age |
|---|---|---|
| Paved | 19.33 | 11.97 |
| Gravel | 47.6 | 29.47 |
| Earth | 16.6 | 10.28 |
| Unopened | 78 | 48.29 |
| Total | 161.53 | 100 |

Source: Municipal Engineer

In FY 2011/12, the municipality received a total of Ug Shs 845.938 million (117.53% of total IPF) for the roads maintenance program which included; Ug. Shs. 691.1 million (81.75%) as the annual quarterly releases; Ug. Shs. 118 million (13.95%) for emergency works; Ug. Shs. 34.8 million (4.11%) from Local Revenue; and Ug. Shs 1.46 million (0.17%) as interest on the works account. A total of 760.24 million (90% of receipts) was expended during the FY2011/12. The municipality had an unspent balance of Ug. Shs. 85,695,573 million (10% of receipts) that was returned to the consolidated fund in September 2012.

The municipality had a total of seven contracts in the FY2011/12 and at the time of the monitoring field visit on 3rd October 2012, five of these contracts were completed and two were ongoing. The monitoring team visited the following projects intervened by contracts and supervised by the Municipal Engineer.

(i) **Markhan Singh Street.**

This street is 0.52Kms long with a width of 9.5m and stretches from the roundabout at the Highway from Masaka to Ntare road. Periodic maintenance activities on this street were allocated Ug. Shs. 112 million in the URF FY2011/12 budget to be intervened by contracting. The scope of works involved;, surface resealing of the second seal coat on 0.53Kms for a width of 11m, drainage works (provision and installation of reinforced concrete culverts, construction of storm water channels, head walls and wing walls ) and provision of road furniture. Works involving the application of the first seal coat had been done in the previous FY. The contract referred to as "Periodic maintenance (resealing) of Makhan Singh Street" was awarded to M/s Global technical Works Ltd at contract price of Ug. Shs 108,807,300. At the time of monitoring, the single surface seal had been applied and drainage works were still ongoing. Works had delayed because the contractor did not have the adequate amount of equipment to complete the works on time. The quality of the road works were however fair. Payments made to the contractor could not be established neither could they be confirmed as no documentation was accessed regarding this contract.

***Surface resealing works Street (left) and (centre); Storm water channel (right) on Makhan Singh***

### (vi) Major Victor Bwana road.

This is was earth road of 0.75Kms and with a width of 9m. This commercial road connects Ntare road to Kyamugorani road. Maintenance works for this road were not on the work plan for FY2011/12 but were implemented as emergency works with funding from URF. The scope of the works involved; grading, excavating and reshaping of the exiting road to 15m width; ancillary road works (road signs); construction and protection of a 545m side drain with stone masonry walls with 200mm thick top; and environmental works (planting and reinstating of trees and grass). Emergency works under the URF program were carried out under a contract referred to as “Emergency Drainage Improvement of Major Victor Bwana road” which was awarded to M/s KWED Construction Ltd at a contract price of Ug. Shs 49,423,500 for a period of one month from November to December 2011. At the time of monitoring, the works had been completed and the road surface and drainage faculties were still in a relatively good condition. A section of the open channel was however silting which was mainly brought about by the road side community that was dumping rubbish in the drains. These needed to be sensitised on better ways on how to dispose off their waste so as to keep the drainage in good condition. A total of Ug. Shs. 46,692,500 (94.47% of contract price) had been paid to the contractor against works done valued at Ug. Shs. 49,150,000 ( 99.45% of contract value).

***An open channel that is silting due to rubbish dumped in it. (left); A 600mm culvert line installed. (centre); The well graded, gravelled and shaped road surface. (right) on Major Victor Bwana road***

### (iii) Ntare road.

This is a 3Kms road with an 11m width serving a commercial community. This road links High Street to Fort Portal road at Kiyanja. The road, originally gravel was upgraded to a bitumen or paved road. The scope of works involved; resealing works of first and second seal for 1 Km length of road and 8m carriage way width; bush clearing and back sloping; grading and shaping of $9000m^2$; gravelling; subbase and base course stabilisation with road lime; drainage works (installation of reinforced concrete culverts and construction of storm water channels in critical areas; and environmental concerns (planting of grass and tress). Provision of the first seal coat of tarmac (1.0Kms by 8m) was executed in the FY 2010/11 and the second seal works were done in the FY 2011/12. The completion of the surface dressing 2nd seal coat and drainage works for 1Km on Ntare road was allocated Ug. Shs. 286 million in the URF budget of FY2011/12 under the periodic maintenance activities. The project referred to as “Periodic Maintenance (surface dressing) of Ntare road (1.0 Km)” was awarded to M/s Bekunika Mahaiso Construction Co. Ltd at a contract price of Ug. Shs 454,387,500. At the time monitoring, the project was at substantial completion with some sealing works yet to be done. A total of Ug. Shs. 412,224,000 (90.72% of contract price) had been paid to the contractor against works done valued at Ug. Shs. 433,920,000 (95.5% of contract price).

***Beginning of sealing works near Ntare School gate (left); Surface dressed road surface still in good condition. (centre); and Drainage works. (right) on Ntare road***

(iv) **Bananuka Drive.**

This is a 0.6Km bitumen road with a width of 9m serving a commercial community. Works done on this road during the FY2011/12 were under the emergency works in the URF maintenance program thus had no allocation in the annual budget. The scope of works for the Emergency Drainage Improvement of Bananuka Drive involved; repair of shoulder by sealing with bitumen and 14/20mm chippings; protection of a 100m section of an open drain channel with stone masonry walls of 200mm thick top; environmental concerns (planting and reinstating of trees and grass); and ancillary works (erecting standard road signs. The project was awarded to M/s Katcom Projects Ltd at a contract price of Ug. Shs 18,927,300 for a period of three weeks. Works commenced on the 14th November, 2011 and were completed on 30th December, 2011.

At the time of monitoring, the works were still in good condition except for the silting that was occurring in the open drainage channel. This was caused by soil running off an embankment that needed to be protected by planting grass on the slopes to avoid erosion. A total of Ug. Shs. 18,826,000 (99.5% of contract price) had been paid to the contractor against 100% physical progress of the works.

***Silting in an open channel (left); sealed road shoulder (centre); and the 100m open drainage protected with stone pitching. (right) along Bananuka drive.***

(v) **Rwizi Lane.**

This is a 2.08Kms gravel road with a width of 7m serving a commercial and residential community. Works done on this road during the FY2011/12 were intervened with the emergency release in the URF maintenance program. The scope of works for this project referred to as Emergency Drainage Improvement of Rwizi lane and Repairs of Katete bridge involved; replacing the existing timber decking for the Katete bridge with hard wood treated timber; construction and protection of a 350m section of an open drain channel with stone masonry walls of 200mm thick top; environmental concerns (planting and reinstating of trees and grass); and ancillary works (erecting standard road signs. The project was awarded to M/s Woodfix Technical Services Ltd at a contract price of Ug. Shs 49,570,500 for a period of one month. Works commenced on the 14th November, 2011 and were completed on 30th December, 2011. At the time of monitoring, the open channel drainages were silted with rubbish from the communities and some sections of the stone masonry walls were getting damaged. The timber decking was in good condition. The road was however getting damaged with gulleys forming alongside the drainages, an indication that a good portion of the surface run off was moving along the road. This was attributed to the poor design and construction method of the drainage works that were not able to curb or divert water off the road. A total of Ug. Shs. 46,768,500 (94.35% of contract price) had been paid to the contractor against works done valued at Ug. Shs. 49,230,000 (99.3% of contract value).

***Timber decking on Katete bridge (left); open drainage channel with rubbish (centre); and gulleys forming on the road surface alongside the drainage. (right) on Rwizi Lane.***

# 3.8 WATER AND SANITATION

## 3.8.1 Introduction

The Ministry of Water and Environment (MoWE) VF:019 contributes to the National Development plan (NDP) priorities which include growth, employment and socio-economic development transformation through the vote functions; Rural Water Supply and Sanitation-VF:901, Urban Water Supply and Sewerage-VF:902, Water for Production-VF:903, Water Resources Management-VF:904, Natural Resources Management-VF:905 and Weather, Climate and Climate Change-VF:906, Policy, Planning and Administration-VF949. The guiding policy objectives are:

(i) "To manage and develop the water resources of Uganda in an integrated and sustainable manner, so as to secure and provide water of adequate quantity and quality for all social and economic needs of the present and future generations with the full participation of all stakeholders"

(ii) To provide "Sustainable safe water within easy reach and hygienic sanitation facilities, based on management responsibility and ownership by the users, to 77% of the population in rural areas and 100% of the urban population by the year 2015 with an 80%-90% effective use and functionality of facilities"

(iii) "Promote development of water supply for agricultural production in order to modernize agriculture and mitigate effects of climatic variations on rain fed agriculture"

(iv) The objective of the natural resources sub-sector is "to increase productivity of the natural resource base and harnessing natural resources in a sustainable manner".

During the FY 2011/12 Vote Functions 901, 902, 903, 904 were monitored.

Under the Rural water supply Vote Function 20 districts were monitored for the conditional grant utilization in Q2, Q3 and end of FY. 79% of the districts had finished works while 11% had committed works save for a few like Otuke district citing procurement delays, low staffing, and sharing contractors among others. Piped systems under WSDFs and centrally done projects like Nakaseke, Tiririny Kibuuku, and Tororo Manafwa were monitored too.

Water for Production Valley Tanks of Mayikalo Dam and Nshenyi Valley tank were monitored during Q2. The team observed that the two projects had been completed and paid for in FY 2010/11 but were reported as existing projects. Payment Certificates, and reported outputs seemed to have been completed 2 years back but payments were still being made. The Water Resources Management monitoring largely focused on surface and ground water monitoring stations and issuance of permits by Directorate.

**Criteria used for projects and districts monitored**

1. The Ministerial Policy statement for Q4 was used to check on the works reported for the FY 2011/12. Special interest was taken for completed and nearly complete works.
2. For most projects monitored in Q3 and Q2 actual works had not begun. The follow up was to ensure utilization of monies and view outputs prior targeted.

3. The multiyear projects checked previously in FY 2010/11 like Tororo Manafwa GFS, Nakaseke and Kibuuku Tirinyi were monitored too.
4. The DWSCG, for the new districts of Kibuuku, Luuka, Bulambuli, Kiruhura and Otuke were considered to check up their performance.
5. The bulk water supply project by the Ministry of Water and Environment in Rakai district was monitored in the Financial Year.

**Rural Water Supply and Sanitation (VF 0901)**

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

Under this vote function the team monitored the quarterly releases and expenditures for water and sanitation activities. In the FY 2011/12 the districts received budget cuts and the average total released**.** The additional population served has been generally not increasing much in the years since 2002. However, since 2008, it has seen a down word trend as the money has not increased much given the high population growth rate of 3.4% p.a.

**District Sanitation Conditional Grant**

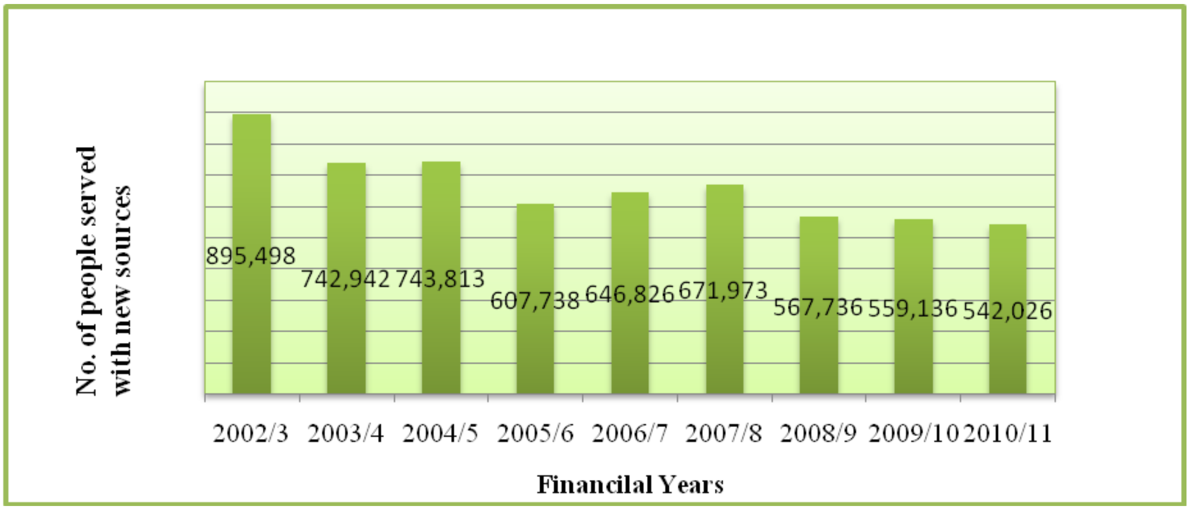
The monitoring too covered this Grant that was established in 2010 and its funding just started in FY 2011/12, where MWE allocated Ug Shs 2billion for use by the District Local Governments. An estimated Ug Shs 1.99bn was disbursed and used in the districts outside the Uganda Sanitation Fund (USGF)[156] project area; with most districts receiving Ug Shs 19 to Ug Shs 21 million. Districts visited received 88% to 94% budget releases and their expenditure was at 98%.

The districts with the help of the health inspectorate staff in two sub-counties were to carry out the following activities with the Grant;

1. Baseline surveys
2. Create demand for improved sanitation through either Home Improvement Campaigns and/or
3. Community Led Total Sanitation.
4. Promote hand washing as part of the demand creation, and
5. Sanitation Week activities

**Figure 3.8.2: Trend analysis of new people served with DWSCG**

[156] 15 districts where the Water and Sanitation Supply Collaborative Council (WSSCC) signed a funding agreement with MoFPED for 5 years to finance sanitation and hygiene activities



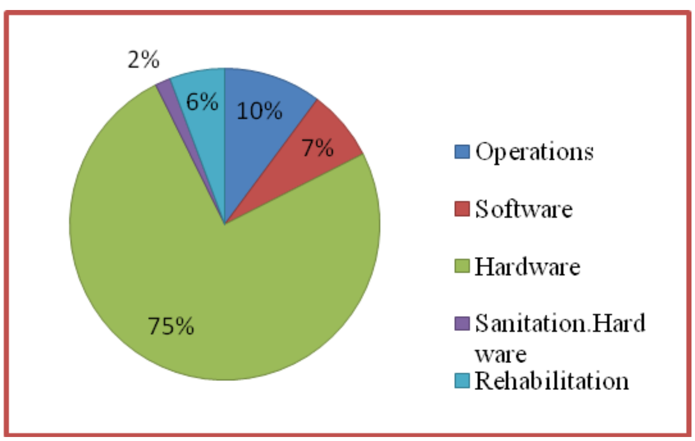

***Source: MWE annual report 2012 and district reports***

In FY 2011/12 a total of 20 districts were monitored in Q1, Q3 and at the end of the FY and below are the observations noted.

The District Water and Sanitation Conditional Grant (DWSCG) guidelines for the FY 2011/12 stipulate that the Grant be allocated as follows:

| | |
|---|---|
| Water Supply | not less than 70% allocation |
| Software activities | 8% |
| Office operations and monitoring | 6% |
| Sanitation hardware | 5% |
| Rehabilitation | 11% |

**Figure 3.8.3: Graph Showing Annual Expenditure Allocation of the DWSCG**




***Source: DWSCG reports and field findings***

Districts monitored allocated resources as follows: Water Supply allocation was at 75%, Software activities 7%, Office Operations and monitoring 10%, Sanitation hardware 2% and Rehabilitation 6% contrary to the recommended percentages given above. This partly explains the poor sanitation situation in districts and functionality of water facilities as the Engineers implement hardware in preference to software. Office operation was way beyond the recommended done at the expense of software activities.

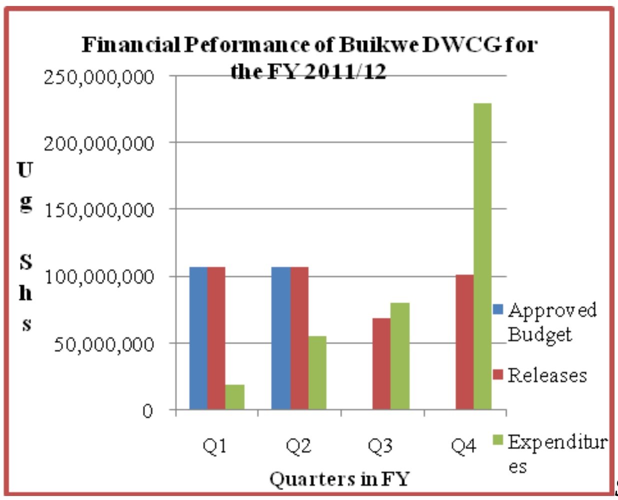
**Specific District performances**

**(i) Buikwe District**

**Financial performance**

The approved budget for the FY 2011/12 was Ug Shs 429,207,000; Released was 385,363,000 representing 90% of the budget. By the end of the FY Ug Shs 382, 366,887 had been spent reflecting a 99% absorptive capacity.

**Figure 3.8.4: Financial Performance of the District Water Conditional Grant (DWCG) for FY 2011/12**




| Quarter | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 107,302,000 | 107,302,000 | 18,756,828 |
| Q2 | 107,302,000 | 107,302,000 | 55,962,103 |
| Q3 | | 69,316,000 | 80,928,108 |
| Q4 | | 101,447,000 | 230,011,842 |
| **Total** | **429,207,000** | **385,367,000** | **385.658,881** |

***Source: IFMS and Buikwe DWCG Annual Report FY 2011/12***

**Physical performance**

The software activities implemented were 1 district Planning and advocacy for district area councilors and 8 Sub County meetings in Wakisi, Nyenga, Najja, Ngogwe, Ssi, Kawolo, Buikwe and Najjembe. Training Water User Communities (WUCS) in Wakisi, Nyenga, Najja, Ngogwe, Ssi, Kawolo, Buikwe and Najjembe was done.

The hardware activities undertaken are outlined in table 3.8.2 below;

**Table 3.8.2: Status on Capital Outputs and Expenditure in Buikwe District**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial Status 30th June 2012 | Comments on progress |
|---|---|---|---|---|
| **Construction of Public Latrines in RGCs** | 1 | 1 | Annual Budget:15,583,700<br>Exp:5,500,000 | 1 latrine was constructed in Najja sub county |

| | | | | |
|---|---|---|---|---|
| **Small spring protection** | 23 | 23 | Annual Budget:68,000,000<br>Exp: 61,205,112 | Completed in the sub counties of Najja, Nyenga, Ngogwe, Ssi, Kawolo, Buikwe and Najjembe |
| **Shallow well construction** | 10 | 10 | Annual Budget:50,000,000<br>Exp:42,653,260 | 10 shallow wells were constructed in Wakisi, Nyenga, Najja, Ngogwe, Najjembe, Buikwe and Kawolo. |
| **Deep borehole drilling** | 17 | 17 | Annual Budget:239,979,999<br>Exp:251,372,279 | Payment for 11 boreholes that had been constructed in FY 2010/11 was made in FY 2011/12 and so 6 were constructed and paid for in the FY 2011/12. |
| **Sitting and Supervision** | 6 | 6 | Annual Budget:15,000,000<br>Exp:13,260,000 | Sites were successfully surveyed in the sub counties of Wakisi, Nyenga, Najja, Ssi and Kawolo |
| **Borehole Rehabilitation** | 4 | 4 | Annual Budget: 27,372,000<br>Exp: 26,155,800 | 12 sites rehabilitated in the sub counties Nyenga, Najja, Ngogwe, Ssi, Kawolo, Buikwe, Najjembe,Wakisi and Buikwe TC |
| **Repair of Nangulwe GFS, Phase 11** | 1 | 1 | Annual Budget:17,634,000<br>Exp: 14,882,469 | Phase 1 and 11 completed but the scheme was vandalized by scrap dealers. |
| **Water quality** | 130 | 128 | Annual Budget: 13,000,0000<br>Exp:12,500,000 | 128 water sources were tested and the 2 sources had been broken and the e coli was below acceptable levels |

***Source: Buikwe District DWSCG Q4 Progress Report and Field Findings***

***A vandalized borehole in Najembe S/C Buikwe***

The district had carried forward Ug. Shs 129,389,000 from the previous year for borehole drilling which was spent by the 2$^{nd}$ quarter. By the time of the monitoring, 9/11 boreholes had been completed because of sharing contractors.

The district has a poor allocation procedure where sources are found close to each other especially boreholes and springs. There is need to revise this such that all communities can benefit and sources maintained well.

## Challenges faced during Implementation of the DWSCG

1. Vandalism of sources; Nangulwe Gravity Flow Scheme (GFS) is being vandalized by scrap dealers. Maintenance is also difficult due to treatment plant that requires a lot of money to run.
2. Weak Community Based Management systems (CBMS) are inadequate to promote improved water, hygiene and sanitation in the communities.
3. Budget cuts affected the implementation of the planned activities, the MoFPED does not communicate. 1 DWSCC Meeting, 1 extension worker's meeting, and follow up on Community Led Total Sanitation (CLTS) missed and 1 latrine construction was not paid for.

**Sanitation Conditional Grant Activities implemented**

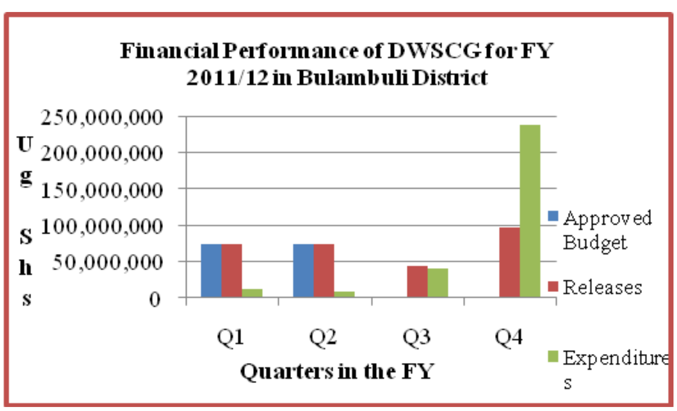
A budget of Ug Shs 19,600,000 was made and utilized. The district planned and held Household Sanitation and Hygiene situation analysis-Initial baseline survey on all new water sources (80) including NGOs'. House Sanitation and Hygiene situation analysis-Follow up on baseline surveys (Promotional Phase) was done in Wakisi, Nyenga, Najja, Ngongwe, Ssi, Kawolo, Buikwe, and Najjemba, and Sanitation Week Activities in Namulesa Parish, Ngogwe Village. Demand Creation Activities-CLTS triggering was carried in 2 different phases in Namabu and Namulese forming 25 villages. However, results of this were not presented.

**(ii) Bulambuli District**

**Financial performance**

The approved budget for the FY 2011/12 was Ug Shs 429,207,000; Released was 385,363,000 representing 90% of the budget. By the end of the FY 2011/12 Ug Shs.382, 366,887 had been spent reflecting a 99% absorptive capacity.

**Figure 3.8.5: Graphical Representation of the Financial Performance of the DWSCG for FY 2011/12**




| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 73,921,000 | 73,921,000 | 11,713,000 |
| Q2 | 73,921,000 | 73,921,000 | 8,613,000 |
| Q3 | | 44,738,000 | 40,894,662 |
| Q4 | | 97,075,000 | 237,895,971 |
| **Total** | | **289,655,000** | **299,116,633** |

*Sources: IFMS and DWSCG Annual Report FY 2011/12*

**Physical performance**

Software activities undertaken included an Planning and advocacy meeting held at the district, Sensitization of 30 communities to fulfill critical requirements in all Sub Counties, Training of WUCs in communities and primary schools, Post Construction support to WUCs done in Buginyanya and Bulago Sub Counties. No DWSCC meetings reported on.

**Table 3.8.3: The hardware activities undertaken and field findings are outlined in table**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Protection of springs** | 16 | 16 | Annual Budget: 32,058,000<br>Exp: 29,935,013 | This was 100% complete |
| **Drilling of Boreholes** | 4 | 5 | Annual Budget:73,252,654<br>Exp:64,000,000 | One extra borehole was drilled |
| **Design of 2 GFS** | 2 | 2 | Annual Budget:24,730,000<br>Exp: 25,000,000 | 2 Designs were completed for Sisiyi and Masira s/c. |
| **6 GFS Extension and tap stands** | 24 | 14 | Annual Budget: 72,000,000<br>Exp: 67,543,059 | One Extension is on-going and 14 taps constructed |
| **EIA for 2 proposed GFSS** | 2 | 2 | Annual Budget: 6,100,000<br>Exp: 6,000,000 | This activity was done for the two sub counties of sisiyi and masira |
| **Water Quality Testing for old sources** | 70 | 70 | Annual Budget:3,500,000<br>Exp:3,500,000 | Water Quality testing carried out for all old sources as planned. |

***Source: Bulambuli DWCG and Field work***

There is no procurement committee which delays the procurement process. The sanitation coverage is at 64% and most facilities are temporal due to flooding. Salvation Army NGO drilled 6 boreholes which were not numbered thus could be used for double accountability.

**Challenges in implementing DWSCG**

1. The district has a water stressed area of Simu which requires specialized technology or GFS and given the grant allocation they cannot implement it.
2. The district lacks an Assistant District Water Officer yet districts are barred from recruitment. The thin staff levels are constrained to monitor and supervise works.
3. Lack of Transport for the field officers to carry out the activities. The DWO got an accident on a motorbike so it is very difficult for him to go to the field.

4. Sanitation grant was being posted to the Natural Resources account which was difficult for the District Water Officer (DWO) to account for.

**Recommendations**

1. The MWE should increase the district grant to exploit the GFS potential in Simu area.
2. The district was advised to promote ecosans to cope with the challenge of sanitation.
3. The team advised the CAO to write for reallocation of sanitation grant from the NR account.

**Sanitation and Hygiene Conditional Grant**

The FY 2011/12 approved budget was Ug Shs, 21,000,000; Release was 19,320,000 which were approximately 92% of the Budget. Ug Shs 19,320,000 was utilized for sanitation activities reflecting 100% absorption capacity.

**Sanitation Conditional Grant Activities implemented**

The district planned Initial Baseline Survey in the sub counties of sisisyi and Muyembe, Follow up on the baseline survey was done for all communities around the new water sources had sanitation baseline survey conducted. Home Improvement and Hand Washing Facility promotion held in sisisyi and Muyembe too. Sanitation Week Activities were held in Muyembe.

**(iii) Kibuuku District.**

The district failed to produce an acceptable Annual Report and account for the utilization of the funds. The DWO had failed to account for his expenditures in the different quarters and was consequently interdicted.

This had a hitch on the performance of the Grant and monitoring of the planned activities in the FY 2011/12 by the new DWO as there were hardly any reports to follow. However the monitoring team used previous OBT reports to assess district performance and establish the status of outputs activities as highlighted below.

**Financial Performance**

The Release was 451,337,363 for the FY 2011/12 but it was not possible establish how much of this had been utilized or absorbed.

The software activities reported achieved included 2 DWSCC meetings, Sensitization of 14 communities to fulfill critical requirements, and Reformation and Retraining of 20 WUCs.

**Table 3.8.4: Status on Hardware and Expenditure in Kibuuku District**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Construction of Public Latrines in RGCs** | 2 | 2 | Annual Budget:18,400,000<br>Exp:16,112,250 | These were constructed in Kagumu and Nabiswa Rural Growth Centers |
| **Medium Spring Protection** | 4 | 4 | Annual Budget: 0<br>Expenditure:8,684,528 | These were protected in Bulangira subcounty(2),Kagumu(2) |
| **Deep Borehole drilling-Hand Pump** | 19 | 19 | Annual Budget:323,000,000<br>Exp:323,000,000 | These were drilled in all sub counties of Bulangira(2),Kabweri(2),Kagumu (2),Kadama(2),kibuku(2),kIrika(2),Tirinyi(3) |
| **Borehole Rehabilitation** | 14 | 14 | Annual Budget:35,977,400<br>Exp:35,977,400 | The boreholes were rehabilitated in the sub counties of Kibuku, Kagumu, Tirinyi, Buseta and Bulangila |

***Source:Kibuku DWCG and field findings***

There is double accountability in terms of reporting sources done the previous year and rehabilitated sources which are still in a good status. The reported Advocacy meetings, DWSCC meetings and extension worker's meeting to have been held were not.

### Sanitation and Hygiene Conditional

There was no sanitation and hygiene report received.


***A borehole in Kagumu with a chlorine dozer (left), a spring in Bupalama Kagumu S/C made in 2010/11 and reported on in 2011/12(middle); a 4 stance latrine at Kagumu RGC. The O&M of the latrine is poor already.***

### Challenges:

1. Lack of transport to ease the monitoring and supervision of the implementation of activities in the district.
2. Poor hygiene and sanitation of sanitation facilities that renders them un usable.

### Recommendation

District should hold the former DWO accountable as he is working in Town Council.

### (iv) Kiruhura District

#### Physical Performance

1 advocacy meeting was held at the district, 3 meetings held at Sanga, Burunga and Kenshunga sub counties. 3 WUCs established for the 3 valley tanks, 3 shallow wells at valley tanks, and 9 hands dug shallow wells. Post construction support to WUCs was provided at rehabilitated sources.

The hardware activities undertaken are outlined in table 3.8.5 below

**Table 3.8.5: Status on Hardware and Expenditure in Kiruhura District.**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Shallow well construction-Hand augured** | 3 | 3 | Annual Budget:12,000,000<br>Exp: 16,851,000 | 3 Shallow wells were constructed in the sub counties of Kitura, Kashongi, Buremba and Engari |
| **Deep boreholes drilling-Hand pump** | 6 | 5 | Annual Budget: 144,000,000<br>Exp: 118,275,000 | 7 sites were drilled but Only 5 were successful and functioning.2 boreholes did not yield. |
| **Rehabilitation of Boreholes** | 9 | 12 | Annual Budget: 40,500,000<br>Exp:47,020,000 | Rwanyangwe-Kashongi s/c ,Rugaga-Kikatsi s/c, Sangamkt-sanga TC, Rwobuhura-Kitura and Kanoni P/S-Kanoni s/c. |
| **Construction of 10m3 ferro cement tanks at schools** | 10 | 10 | Annual Budget:25,000,000<br>Exp:24,730,000 | 5 were constructed and 5 were rolled over to the FY 12/13 |
| **Construction of 6m3 ferro cement tanks** | 64 | 63 | Annual Budget: 42,240,000<br>Exp:46,483,000 | Promoting rainwater harvesting. 63- 6m3 Ferro cement tanks disbursed to 8 S/Cs of Burunga, Buremba, Kanoni, Kashongi, Kitura, Nyakashashara, Kikatsi and Kazo and one demonstration tank at Kanoni for best household sanitation. |
| **Construction of Valley Tanks with attached shallow wells** | 3 | 3 | Annual Budget: 132,000,000<br>Exp: 141,394,000 | Constructed in Rwetamu, Ruzizi, and Rwabihera |
| **Water Quality Testing** | 70 | 70 | Annual Budget:3,500,000<br>Exp:3,500,000 | Water quality tests all newly constructed |

***Source: Kiruhura DWCG Annual Report and Field findings.***

The district constructed 3 Valley Tanks of 10m3 capacity with attached shallow wells at a contract sum was Ug. Shs.148, 836,000/= in Ruzizi site Nshwere (Parish) Kensunga S/C, Kyemanyire site Magondo (Parish)-Burunga S/C, and Bugwairaro site Rwetamu (parish)-Kinoni S/C: Valley tank of 5544m3 capacity, 1 Shallow well with filtration gallery, 1 Motorised pump, 1 Trough, 1Ferro cement tank of 6m3 Capacity with plumbing works to trough, Fencing the valley tank with treated poles and 4lines of barbed wire. The cost of each Tank was approximately Ug Shs 50m.

**Sanitation and Hygiene Conditional Grant**

The FY2011/12 approved budget was Ug Shs 21,000,000; Cumulative Release for FY 2011/12 was Ugsh19, 320,000 reflecting 92% of the approved budget. There was 100% absorption of the fund with an expenditure of Ug Shs 19,320,000.

Activities undertaken included Household Sanitation and Hygiene situation analysis-initial baseline surveys in the sub counties of Kanoni and Kitura targeting Nyabihere, Kanoni, Kitura and Rubigo Villages. Household Sanitation and Hygiene situation analysis-Follow up baseline surveys, Demand Creation Activities (CLTS- Triggering), Home improvement Campaigns with promotion of hand washing and sanitation week activities.

**Challenges During implementation**

1. Implementation was difficult especially in the household where the heads of the family graze from distant places.
2. Kiruhura District is vast and yet the release was little which makes implementation very difficult.
3. Un-cooperative LC1s and members of the community who escape upon recognizing the presence of inspectors in the villages

**Recommendation**

1. General Sanitation and Hygiene in communities should be maintained by all stakeholders with local leaders physically involved.
2. Enforcement of sanitation laws should be opted for to deal with non compliant members of the communities.

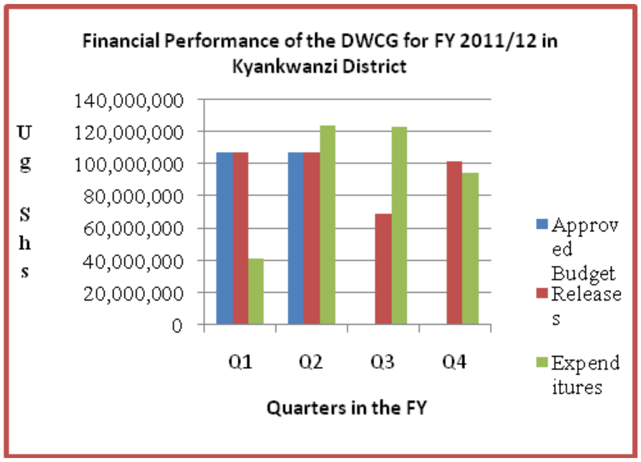
**(v) Kyankwanzi District**

**Financial performance**

The Approved Budget for FY 2011/12 was Ug Shs.429, 207,000. The amount released was Ug. Shs 385,363,000 reflecting 89.8% of the approved budget. Of the total release, 385,363,000 was utilized representing 99.5% absorptive capacity.

The district had low absorption in the 1$^{st}$ quarter, utilization increased in the subsequent quarters as in other districted earlier noted. Below are the both software and Hardware activities that were implemented in the Financial Year 2011/12.

**Figure 3.8.6: Graphical Representation of the Financial Performance of the DWSCG for FY 2011/12**




| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 107,300,000 | 107,300,000 | 41,253,800 |
| Q2 | 107,300,000 | 107,300,000 | 123,876,552 |
| Q3 | | 69,316,000 | 123,238,260 |
| Q4 | | 101,447,000 | 94,998,275 |
| **Totals** | | **385,363,000** | **383,366,887** |

***Source: IFMS and DWCG Annual Report FY 2011/12***

### Physical performance

Soft ware activities implemented include; 3 DWSCC meetings, 1 planning and advocacy meetings at district and sub county, Sensitization of 25 communities to fulfill critical requirements, and 29 WUCs trained on the O&M issues at the source. These activities assist in community continuous participation in the project after construction, functionality of existing WUCs and proper O&M of point water sources.

The hardware activities undertaken in the FY 2011/12 are reflected in the table 3.8.6.below;

**Table 3.8.6: Status on Hardware Activities and Expenditure in Kyankwanzi District**

| Output Description | Annual Planned Output | Achievement by 30th June 2012 | Financial Status | Comments on progress |
|---|---|---|---|---|
| **Construction of Ecosan Demo Latrine** | 1 | 1 | Annual Budget:3,650,000<br>Exp:3,650,000 | A two stance Ecosan toilet was constructed in Bukwiri sub county as a demonstration for the communities. |
| **Shallow well construction-Hand dug** | 11 | 11 | Annual Budget:65,450,000<br>Exp:54,053,275 | All 11 were successfully completed in the sub counties of Mulagi (3), Ntwetwe(3), Gayaza(2), Wattuba(1), and Butemba(2) |
| **Deep Boreholes drilling-Hand Pump** | 11 | 10 | Annual Budget: 215,765,000<br>Exp: 199,822,167 | 10 sites were successful in the sub counties of Nsambya(2),Butemba(3),Kyankwazi(1),Gayaza(1),Wattuba(3) and 1 borehole failed to yield at Bukomero Village. |
| **Design of Piped water system (GFS, Borehole, Surface)** | 2 | 2 | Annual Budget:31,000,000<br>Exp:30,635,000 | Designs for Lusozi RGC completed and Butemba TC on-going. |

| | | | | |
|---|---|---|---|---|
| **Promoting of Rainwater Harvesting** | 11 | 11 | Annual Budget:17,710,00<br><br>Exp:20,442,000 | 11 6m3 capacity tanks were supplied and installed in the sub counties of Kyankwanzi(6), Wattuba(2), Nsambya(1), Butemba(1),Gayaza(1) in promotion of rainwater harvesting.<br><br>This activity was in support of the water stressed households to accessing safe water supply. Each beneficiary household contributed 500,000shs towards procurement and installation of the tank. |

***Source: Kyankwazi DWSCG FY 2011/12 Annual Report and Field Findings***

The District implemented all the above activities although the most outstanding were the domestic Rain Water Harvesting Tanks (RWHTs) that were distributed to the areas of the cattle corridor which are dry and have no potential for any other technology. However, the criterion for allocation is not benefitting the poor.

### Sanitation Conditional Grant

#### Financial performance

The total approved budget for the sanitation grant in Kyankwazi was Ug Shs 20,000,000. The total release for the FY 2011/12 was 18,400,000 and the expenditure of 18,326,700. This represents 99.6% absorptive capacity of the sanitation grant.

#### Physical performance

Household sanitation and Hygiene situation analysis- Initial Baseline Household Sanitation and Hygiene situation analysis-Follow up baseline surveys were held in Butembe and Ntwetwe s/cs. Demand Creation Activities (CLTS Triggering) Home Improvement Campaigns with promotion of Hand washing and celebration of Sanitation Week Activities was done. Sanitation and Hygiene 2 Promotion Radio talk shows and 1Drama shows in promotion of good hygiene and sanitation practices were held in Butemba during the International sanitation week.

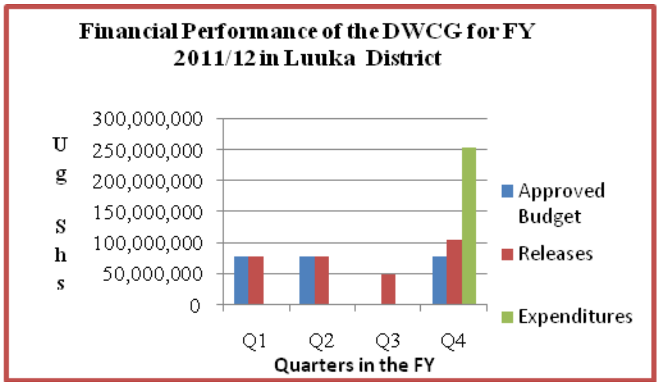
The sanitation and hygiene strategies were implemented in the sub counties of Ntwetwe and Butemba. The emphasis was put on follow up to those communities that had been previously served with public nuisance notices for not having sanitary facilities in their homes.

### (vi) Luuka District

#### Financial Performance of the DWSCG in Luuka District

The Approved Budget for FY 2011/12 was Ug Shs.406, 235,000. The amount released was Ug. Shs 401,868,166 reflecting 99% of the approved budget. Of the total release, Ug Shs 401,868,000 was spent representing 97.4% absorptive capacity.

**Figure 3.8.7: Graph showing the Financial Performance of Luuka DWSCG for FY 2011/12**




| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 102,192,575 | 102,192,575 | 19,649,500 |
| Q2 | 101,559,000 | 101,559,000 | 17,705,104 |
| Q3 | | 60,606,000 | 130,116,256 |
| Q4 | | 137,510,000 | 223,793,729 |
| **Totals** | | **401,867,575** | **391,264,589** |

***Source: IFMS and Luuka DWSCG Annual Report FY 2011/12***

Absorption of funds was mostly in Q3 and Q4 while in the first two quarters low absorption of funds was registered. Past monitoring for Q2 and Q3 in this district highlights long procurement procedures as the reasons for the low utilization in the first quarters and rather higher utilization in the last quarter's when contractors come on board. The district has a low coverage of 60% which is below national coverage.

### Physical Performance

Software activities implemented include, Sensitization of communities to fulfill critical requirements; achieved 14 out of 20 planned, Establishing WUCS; planned 20, achieved 14. Training 12 of the 20 WUCs in communities and primary schools on O&M; Post construction support to WUCs, planned 59, achieved 39 Activity was carried out successfully in Ikumbya Bukooma, Bukanga, Bulongo, Nawampiti Sub Counties. Some planned activities not achieved due to budget cuts.

**Table 3.8.7: Luuka Sanitation Conditional Grant Activities implemented**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Construction of Public Latrines in RGCs** | 2 | 2 | Annual Budget:18,400,000<br>Exp:16,112,250 | These were constructed in Nawampiti S/C, Ionia T/C and Become S/C in Behoove Trading Center. However at the time of monitoring, the doors were not yet fixed. |
| **Medium Spring Protection** | 4 | 4 | Annual Budget: 0<br>Expenditure:8,684, 528 | These were protected in the Bukooma S/C in Bukooma village,Irongo in Nakabale Kunyanya,Nawampiti S/C in Buwanda LC1 and in Nawankompe |
| **Shallow well construction- Motorized drilled** | 6 | 7 | Annual Budget: 60,900,000 | 6 motorised had been planned to be drilled in the S/Cs of Cumby, Bukooma, Nulongo, Waibuga, Nwampiti and Bukanga. 1 extra borehole was |

| | | | | |
|---|---|---|---|---|
| | | | Exp: 65,075,540 | made using retention funds as resolved by the council. |
| **Deep Borehole drilling** | 14 | 16 | Annual Budget:238,000,000<br>Exp:220,905,682 | The activity was carried out as planned with two extra boreholes drilled in the S/C of Ikumbya ,Bukooma, Belong, Iron go, Bukanga, Waibuga, Nawampiti |
| **Borehole Rehabilitation** | 9 | 9 | Annual Budget:15,600,000<br>Exp:19,916,000 | Nine boreholes were rehabilitated in the S/Cs of Bukooma, Ikumbya, Belong, Bukanga and Irongo. Motor drilled shallow wells in the S/Cs of Waibunga, Bukanga, Nawampiti and Irongo and 1 spring in Waibuga were rehabilitated. |

***Source: Luuka District water conditional grant Annual report fy 2011/12***

The district commisioned completed sources for the 2010/11 FY which is  a good practice that ensures improved O&M of facilities and the team managed to see copies of commissioning certificates.

**Challenges faced during the Implementation of the DWSCG.**

1. Failure by the user communities to pay O&M for the facilities. This has led to a higher rate of non functional facilities in the district.
2. Lack of tools by the trained Hand Pump mechanics undermines operation and maintenance of the instituted facilities.
3. Abandoning of duties by the elected water user communities due to continuous abuse and insults from the water users.

**Recommendation**

1. The district should procure tool kits for the S/Cs

**Sanitation Conditional Grant**

**Financial Performance**

The total approved budget for the sanitation grant in Luuka was Ug Shs 20,000,000. The total release for the FY 2011/12 was Ug Shs.20, 000,000 and the Expenditure of Ug Shs 20,000,000. This represents 100% absorptive capacity of the sanitation grant.

**Physical performance**

Activities involved Household sanitation and Hygiene situation analysis- Initial Baseline carried out in Butembe and Ntwetwe S/Cs.  Household Sanitation and Hygiene situation analysis-Follow up baseline surveys, Demand Creation Activities (CLTS, Home Improvement Campaigns with promotion of Hand washing; Sanitation Week Activities, 2 Sanitation and Hygiene Promotion Radio talk shows, 1 Drama shows in promotion of good hygiene and sanitation practices.

Using this Grant enabled the district to increase its sanitation levels to increase from 55.4% to 57%. Though the sanitation levels are quite below the national one which is at 74%, therefore more efforts are needed to improve on this.

### (vii) Luweero District

#### Financial performance

The Approved Budget for FY 2011/12 was Ug Shs.420, 673,000. The amount released was Ug Shs 393,979,000 reflecting 94% of the approved budget. However, the Monitoring Team failed to access Expenditure figures for financial analysis. The district was hampered by the IFM system as it had just been introduced and could only access ¼ of the money released.

#### Physical performance

Both software and Hardware activities are implemented under the DWSCG. The software activities include: 1 Advocacy meeting was held for all sub counties in the district, 32 water user committees were established and trained for new sources. 6 Hand pump mechanics were trained for the sub counties of Bamunanika, Kalagala, Katikamu, Kikyusa and Zirobwe. 72 water user communities were assessed, re-activated and re-established.

The hardware activities undertaken are outlined in table 3.8.8 below;

**Table 3.8.8: Status on Hardware Activities and Expenditure in Wakiso District**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Comments on progress |
|---|---|---|---|
| **Rehabilitated Boreholes** | 28 | 28 | Rehabilitated Boreholes in the S/Cs of Katikamu, Nyimbwa, Bamunanika, Kamira, Butuntumula and Luwero |
| **Shallow well construction** | 30 | 30 | These were constructed in Luwero; Kalagala, Makulubita, Butuntumula, Zirobwe, Katikamu and Nyimbwa S/Cs |
| **Construction of Valley Tanks** | 2 | 2 | Two valley tanks of 4000m3 were constructed in Kamira S/C and Butuntumula S/C. |

***Source: Field Findings and Luweero DWSCG Annual Report FY 2011/12***

There was good quality work done in rehabilitation of sources where the outer parts like aprons, drainage channels were included. There is no post construction support which weakens the CBMS.

**Challenges**

1. Vandalizing of boreholes parts for sale as scraps by some. 4 boreholes were vandalized in Butuntumula and the culprit was arrested and killed by the community.
2. Poor attitude towards ownership of the constructed facilities leading to increasing numbers of non-functional facilities.

**Recommendations**

1. Encourage participatory monitoring by stakeholders.
2. More post construction support needed to mobilize and sensitize communities to own, operate and maintain the facilities for sustainable facilities.

**Luweero Sanitation Conditional Grant**

**Financial Performance**

The total approved budget for the sanitation grant in Luweero was Ug Shs 21,000,000. The total release for the FY 2011/12 was Ug shs19, 320,000 and all of it was spent. This represents 100% absorptive capacity of the sanitation grant.

**Physical performance**

The district planned and implemented Sanitation Baseline Survey and Household sanitation improvement in 2 S/Cs of Kamira and Kalagala.; Community Led Total Sanitation was carried out in 3 parishes of Kawagoe, Nambe ere and Maze located in Kamira S/C. Sanitation and Hygiene Improvement was implemented using drama shows staged in 3 S/Cs of Zirobwe, Katikamu and Kikyusa. The shows targeted 5 selected parishes within the S/Cs based on their latrine coverage. Follow up on Hygiene and Sanitation was made on the triggered parishes of Kamira S/C in Kawagoe parish to further improve household sanitation and strengthen impact of sanitation. Sanitation Week Activities were carried out in Katagwe parish, Kamira S/C with specific attention to Bukiibi Village in trading centre.

**(viii) Lyantonde District**

**Financial Performance**

The approved budget for FY 2011/12 was Ug Shs 415,563,000 and the amount released to the District; Ug Shs 412,276,000 and the Expenditure was Ug Shs. 406,072,000.This reflects 98% absorption for the district. The district received Q4 money late on 23rd June 2012 and Ug Shs 6,200,000/= was returned.

**Physical performance**

Of the 20 planned sensitization and trainings for the WUCs, only 14 were achieved due to budget cuts and late release of monies.

Below are the Hardware activities that were undertaken in FY 2011/12

**Table 3.8.9: Status on Hardware Activities and Expenditure in Lyantonde District.**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **No. of shallow wells constructed (Hand Dug, Hand Augured, Motorized Pump)** | 3 | 3 | Annual Budget:<br>Exp: 26,898,000 | 03 (03 shallow wells constructed at Kyaryandemu in Kaliiro Sub County, Nakasetta in Mpumudde Sub County and Kabetemere in Lyantonde Sub County |
| **Promoting Domestic Rainwater Harvesting** | 30 | 30 | Annual Budget:<br>Exp: 84,437,000 | Procured and supplied 10 ferro cement tanks of 6m3 to the model village of Bikokola and distributed 10 HDPE tanks of 10 m3 and constructed 13 ferro cement tanks of 10 m3. |
| **Deep Borehole drilling-Hand Pump** | 2 | 2 | Annual Budget:192,500,000<br>Exp:192,500,000 | 02 (02 bore holes drilled at Lyakajura parish in Mpumudde subcounty and Kaliiro in Kaliiro Parish in Kaliiro sub county |
| **Valley Tank construction** | 1 | 1 | Annual Budget:63,000,000Exp:38,611,800 | One dam constructed at Kalagala village in Kalagala parish in Lyantonde (sub county) |

***Source: Lyantonde DWSCG annual Report FY 2011/12 and Field findings***

***Kalagala Valley Tank in Lyantonde S/C with a capacity of 3000m3, a shallow well and Cattle trough. The soil is likely to get back to the tank in case of a heavy down pour. The shallow well is broken and needs backfilling with concrete to avoid breakdown.***

Lyantonde DLG constructed a valley tank at Kalagala in Lyantonde Rural S/C with the capacity of 3000m3 with a shallow well and Cattle trough. However, at the time of monitoring, the tank was not yet functional as it had not yet received enough water. The skirting for the shallow was hanging out thus needed back filling. The Contractor was BIK Water systems Ltd and it cost of Ug Shs **52, 053,600.** The soils are likely to fill back if it rains heavily.

**Recommendation**

The contractor should be called to fill work on the shallow well before it breaks completely.

**Sanitation Conditional Grant**

**Financial Performance**

The total approved budget for the sanitation grant in Lyantonde was Ug Shs.21; 000,000.The total release for the FY 2011/12 was Ug Shs.19, 320,000 and the Expenditure of Ug Shs.19, 320,000. This represents 100% absorptive capacity of the sanitation grant.

**Physical Performance**

Sanitation and hygiene improvement Sanitation and hygiene improvement and Baseline survey and household sanitation and improvement were planned in the sub counties of Mpumudde and Kasagama. This was rather well planned like in other districts where sanitation week activities were promoted and CLTS triggering. The district spent a lot of money on sanitation and hygiene improvement, yet only 2 Sub Counties were considered.

**Recommendations**

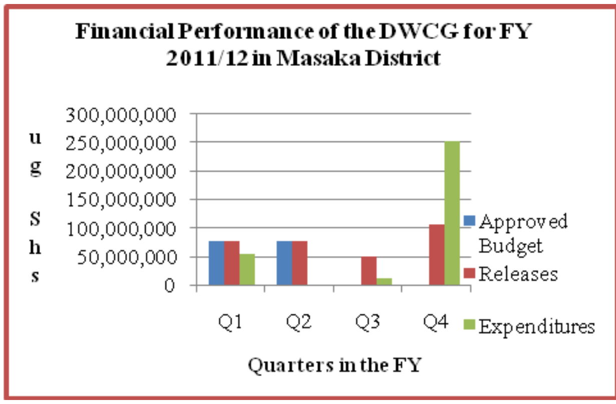
1. Districts which have the Government equipment may not plan for water for production facilities. The famers can utilize the equipment as the grant is planned for other activities.
2. Sources which had defects should be recalled be rectified by the contractor since they still lie within the defects liability period.

**(ix) Masaka District**

**Financial performance**

The district had 20,440,210 unutilized funds which were returned back to the consolidated fund. It reflects 93.4% absorptive capacity of the funds released to the district in the Financial Year 2011/12.

## Figure 3.8.8: Graphical Representation of the DWSCG for FY 2011/12




*Source: IFMS and DWSCG Annual Report FY 2011/12*

| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 77,746,000 | 77,746,000 | 53,533,066 |
| Q2 | 77,746,000 | 77,746,000 | 0 |
| Q3 | | 50,223,000 | 12,396,367 |
| Q4 | | 105,269,000 | 253,494,188 |
| **Totals** | **310,985,860** | **310,984,000** | **290,444,000** |

### Physical performance

The hardware and software activities undertaken are outlined in table 3.8.9 below:

**Table 3.8.10: Status on Capital Outputs and Expenditure in Masaka District**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Protection of Extra Large Springs** | 3 | 3 | Annual Budget: 8,880,639<br>Exp: 16,939,606 | The activity was successfully carried out. |
| **Shallow well construction-Hand Dug** | 15 | 15 | Annual Budget: 63,075,000<br>Exp: 103,088,861 | These were constructed in the S/Cs of Kyanamukaka(7), Mukungwe(6), Buwunga(2) |
| **Shallow well construction-Hand augured** | 12 | 12 | Annual Budget: 8,880,639<br>Exp: 16,939,606 | Constructed in Kyanamukaka, Mukungwe, Kabonero and Buwunga |
| **Shallow well construction-Motorised drilled** | 9 | 9 | Annual Budget: 43,214,736<br>Exp: 53,841,204 | This activity was carried out in the S/Cs of Kyanamukaka(2) and Bukakata(7) |
| **Promoting Rainwater Harvesting** | 30 | 30 | Annual Budget:53,245,440<br>Exp:37,823,006 | The 6,000liter RWHTs were given out to communities. However, the distribution was not fair as they were mainly near the town. |
| **Borehole Rehabilitation** | 25 | | Annual Budget:<br>Exp: 35,709,800 | There was community mobilization towards rehabilitation of 25 boreholes in Mukungwe, Kabonero, Kyanamukaka, Buwunga and Bukakata S/Cs |

*Source: Masaka DWSCG Q4 Progress Report and Field Findings*

***Boreholes in Mpugwe S/C***

The district had a poor resource allocation where sources were allocated close to each other within a few meters.

***Challenges***

1. Failure by water users to contribute to O&M as they claim to be so poor. Sometimes hand pump mechanics overcharge the communities more than their ability to pay.

2. Political interference in the operation and maintenance of existing water and sanitation facilities in the payment of user fees and enforcement of sanitation policies.
3. Insufficient information on the activities of NGOs in the district.
4. Lack of local spare parts dealers. This does not only undermine the Operation and Maintenance of facilities, it also constrains on resources

**Sanitation Conditional Grant in Masaka District**

Before the intervention of the district sanitation and hygiene conditional grant, available data in the DHI's office showed Kabonero and Bukakata sub counties with the lowest sanitation coverage of 63% and 35.1 % respectively. In the DWSCC meeting it was agreed to concentrate on these two sub counties for the utilization of the grant. The activities included; an Initial Baseline Survey; Sensitization of data supervisors; Data collection; Data Analysis; Feedback meetings on analyzed data; School improvement sanitation and Hygiene visited in 18 schools. All these were carried out in 75 villages both in Kabonero and Bukakata sub counties.

**Challenges Faced during the implementation.**

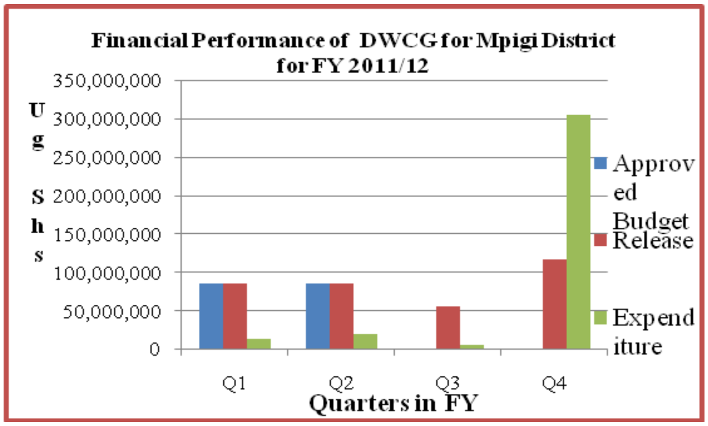
1. Political interference in the enforcement of Sanitation policies and laws.

**(x) Mpigi District**

**Financial Performance of the Mpigi District**

The amount released was Ug. Shs 345,171,000, of which 345,171,669 was utilized representing 101% absorptive capacity. There was much utilization of the grant in the last quarter of the FY 2011/12 than was in the previous quarters. Its recommended that the district starts procurement in the 2nd quarter such that activities are not rolled over to the other quarters.

**Figure 3.8.9: Graphical Representation of the Financial Performance of Mpigi District**




| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 86,293,000 | 86,293,000 | 13,901,552 |
| Q2 | 86,293,000 | 86,293,000 | 21,020,378 |
| Q3 | | 55,744,000 | 6,336,673 |
| Q4 | | 116,841,000 | 303,913,066 |
| **Totals** | | **345,171,000** | **345,171,669** |

***Source:IFMS and Annual DWSCG Annual report 2011/12***

**Physical Performance.**

The software activities achieved included: 6 advocacies at the district and subcounties planned, and achieved. Sensitization of all 36 planned WUCs to fulfill critical requiremnet; training of all 36 planned WUCs around new sources,and 36 Post construction support to water user committees.

**Table 3.8.11: Status on Hardware Activities and Expenditure in Mpigi District.**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Construction of Public Latrines in RGCs** | 2 | 2 | Annual Budget:13,000,000<br>Exp:12,360,819 | 2 latrines constructed at Jalamba trading centre in Buwama and Bukemba Trading centre in Kituntu sub county respectively. |
| **Shallow well construction-Hand Dug** | 17 | 22 | Annual Budget: 93,500,000<br>Exp: 107,817,019 | More hand dug shallow wells were drilled from the un utilized funds. Kirigente(3), Muduuma(8), Kammengo(2), Buwama(9) |
| **Shallow well construction-Motorized drilled** | 15 | 15 | Annual Budget: 112,500,000<br>Exp: 105,910,393 | The activity was successfully completed in Kituntu(6), Nkozi(6), Buwama(3) sub counties |
| **Deep Borehole drilling-Hand Pump** | 3 | 3 | Annual Budget:57,000,000<br>Exp:53,543,676 | Done in the S/Cs of Kituntu Watuba T/C, Kammengo, Ssenyonjo and Kasuubo in Nkozi s/c. |
| **Water Quality Testing** | 31 | 31 | Annual Budget: 6,825,000<br>Exp: 6,825,000 | The activity was successfully completed |

***Source: Mpigi DWSCG Annual Report 2011/12***

**Challenges Faced During the Implementation of the DWSCG**

**V*andalised BH pumphead at Kanani Buwama S/C.***

1. A good number of drilled boreholes and shallow wells are vandalised and the facilities have lost their pump heads to thieves.
2. Late release of funds. Funds do not flow according to the districts workplan and budget.

The source is likely to be contaminated as it has developrd a hole around the skirting. There was no fence on the source.

**Recommendations**

1. MoFPED should try to release the planned for monies or else try to inform districts about the budget cuts.
2. The district should do an investigation into vandlisms and culprits be taken to court.

**Sanitation Conditional Grant**

**Financial Performance**

The approved budget was Ug Shs 21,000,000 and  Ug Shs 19,320,000 was received as the sanitation grant while 19,313,000 was utilized reflecting 98% absorptive capacity.

**Physical Performance for the sanitation Grant**

This was implemented in the subcounties of Kiringente and Nkozi in Mpigi District. Activities involved include; Sanitation week promotional activities; Household sanitation and Hygiene situation analysis- Initial Baseline surveys and follow up survey; Home improvement campaigns with promotion of hand washing in 74 villages; Demand creation activities (CLTS Triggering) and follow up in 4 villages were covered in 2 sub counties.

**(xi) Otuke District**

**Financial Performance of the Otuke DWSCG**

The Approved Budget was Ug Shs.536, 904,000 for the DWSCG. The amount released was Ug. Shs 517,799,000 representing 96% of the approved budget. The expenditure was Ug Shs 369,861,000 reflecting 71% absorptive capacity of the funds which is very low. However, financial data on how much was spent per Quarter could not be easily accessed to enable a better analysis of the performance of the Grant. There was a DWO who was 2 days old and a HPM volunteer who made the report.

### Physical Performance.

This involves both software and hard ware activities being implemented.the software activities achieved included: Sensitization of WUCs to fulfill critical requiremnets;17 were planned,17 were achieved.Training of WUCs;17 were planned and 17 were achieved around new sources, and Post construction support to water user committees;59 were planned and 36 were achieved.

**Table 30.8.12: Status on Hardware Activities and Expenditure in Otuke District.**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Construction of VIP Latrines in RGCs** | 2 | 2 | Annual Budget:16,100,000<br>Exp:15,101,300 | Public latrines in RGCs and public places constructed at Otuke District H/Q and Patoali market in Adwari Sub county. |
| **Deep Borehole drilling-Hand Pump** | 20 | 10 | Annual Budget:266,116,537<br>Exp:199,544,537 | Deep boreholes drilled at Agweng Olilim S/C, Odero Ogor S/C, Olec Community School Otuke T/C and Oyuo Orum s/c |
| **Deep Borehole siting and drilling supervision** | 4 | 4 | Annual Budget;14,000,000<br>Exp: 7,400,000 | The siting and supervision for the borehole drilling was successfully done. |
| **Promoting Rainwater Harvest in** | 3 | 3 | Annual Budget: 16,800,000<br>Exp:14,991,684 | Ferro-cement tanks were constructed at Barocok P.S, Adwari P.S. and Olilim<br>P.S. |
| **Borehole Rehabilitation** | 10 | 10 | Annual Budget:40,000,000<br>Exp:39,699,000 | |
| **Water Quality Testing** | 40 | 40 | Annual Budget: 6,000,000<br>Exp: 6,000,000 | Reports on water quality testing were not gotten |

***Source: Otuke DWCG and field findings***

### Sanitation and Hygiene Conditional Grant

The approved budget for this grant was Ug Shs.21, 000,000. The district received Ug Shs.21, 000,000 reflecting 100% realization of the grant.

Data Collection through sanitation Baseline survey were carried out in the sub counties of Adwari and Akwang in the villages of Arwatongo, Opejal, Amoyai, Barocok, Olworongu. Triggering of identified Villages communities/Manyatas was done in the some selected S/Cs Follow up visits on triggered villages done. Open Defecation Free (ODF) verification by sub county team and certification of ODF by the district.

The selection of the two sub counties of Adwari and Okwang was based on fact that these two sub counties were left out as NGOs were implementing CLTS Approach. So the district decided to take them on and there sanitation and hygiene grant was utilized in these sub counties.

**Challenges Faced During Implementation**

1. Lack of commitment from the Local Councils to implement sanitation activities.
2. Lack of motivation to the Village Health teams affects implementation especially to distant villages whose transportation is poor.
3. Lack of enforcement officers for Public Health act jeopardizes the implementation and success of the sanitation and hygiene activities.

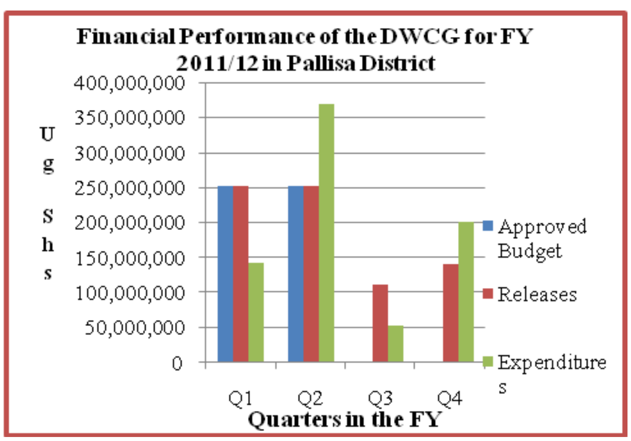
There was Delayed procurement of works which led to carrying forward activities and returning the money to the treasury. Staffing is a very big issue with one substantive DWO who was new in office and a volunteer that took over from the DWO who deserted.

## (xii) Pallisa District

### Financial Performance

The approved budget for FY 2011/12 was 1,010,107,175; the release was 756,739,000 which is 74.92% of the approved budget. 766,390,636 was utilized reflecting 101.28% absorptive capacity. The district too receives PRDP funds.

**Figure 3.8.9: Graphical Representation of Financial Performance of the DWSCG in Pallisa District**




| Quarters | Approved Budget | Releases | Expenditures |
|---|---|---|---|
| Q1 | 252,527,000 | 252,527,000 | 142,521,766 |
| Q2 | 252,527,000 | 252,527,000 | 369,331,321 |
| Q3 | | 111,785,000 | 53,011,110 |
| Q4 | | 139,900,000 | 201,526,442 |
| **Totals** | | **756,739,000** | **766,390,639** |

*Source: IFMS and DWSCG Annual Report FY 2011/12*

### Physical Performance

The software activities included the following; Planning and Advocacy meetings at the district and sub county; 18 were planned but 19 were achieved. Sensitize communities to fulfill critical requirements but priority was given to PRDP sites, planned 47 but achieved 33. Establishment of WUCs; planned 47, achieved 33. Post Construction of Support to WUCs, planned 47 and achieved 9, Reformation and training of WUCs on existing sources was done where 100 were planned and achieved. Some activities were not done because of budget cuts.

**Table 3.8.13: Status on Hardware and Expenditure in Pallisa District.**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Construction of Public Latrines in RGCs** | 4 | 0 | Annual Budget:33,600,000<br>Exp:9,100,000 | This was implemented. |
| **Extra Large Protection** | 5 | 2 | Annual Budget: 20,577,000<br>Exp: 10,819,000 | This was implemented. |
| **Deep Boreholes Drilled** | 17 | 16 | Annual Budget: 306,000,000<br>Exp: 257,112,200 | 9 boreholes were rolled from Last FY |
| **Borehole Rehabilitation** | 15 | 0 | Annual Budget::40,357,500<br>Exp:2,096,000 | Only verification was done. |
| **Water Quality Testing for Old sources** | 45 | 41 | Annual Budget:: 2,925,000<br>Exp:2,638,000 | This was successfully implemented. |

***Source: Pallisa DWCG Annual Report FY 2011/12 and field findings***

The district coverage is way below the national coverage at 61%. The district budgeted for software activities at 7.9% which is the recommended. The Unit cost for the boreholes was Ug shs17.5 millions. The district shares contractors with other districts which delays works.

**Challenges during implementation**

1. E. Plus contractor was given advance 25% advance money for 25 Boreholes but did only 5. The works were retendered out and only 8 of the remaining 11 will be done because the money is not enough.
2. Drilling capacity of drillers is dwindling
3. Some spare parts like the gear box are hard to get within the country.
4. The arrangement for contracts where only successful wells are paid for is demoralizing contractors yet the success rate is at 80% which leaves them at a 20% loss.

**Recommendation**

1. Train the DWO staff in drilling in order to site and supervise works well.

### Sanitation Conditional Grant

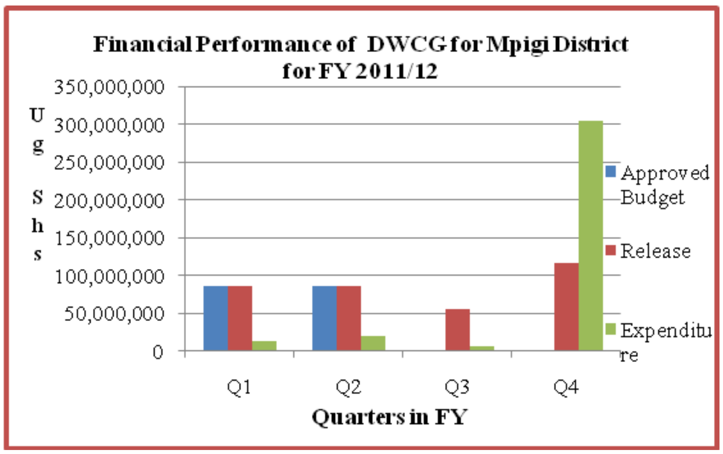
The district does not receive sanitation grant because it receives global fund under the Uganda Sanitation Fund.

### (xiii) Wakiso District

### Financial performance

The Approved Budget for FY 2011/12 was Ug Shs.579, 208,000. The amount released was Ug. Shs 520,044,000 reflecting 90% of the approved budget. Of the total release, 520,044,000 was utilized representing 100% absorptive capacity.

**Figure 3.6.10: Graphical Representation of Financial Performance of the DWSCG in Wakiso District**




| Quarter | Approved Budget | Release | Expenditure |
|---|---|---|---|
| Q1 | 144,802,000 | 144,802,000 | 14,788,000 |
| Q2 | 144,802,000 | 144,802,000 | 45,015,554 |
| Q3 | 144,802,000 | 93,540,000 | 77,881,100 |
| Q4 | 144,802,000 | 136,900,000 | 382,359,346 |
| **Total** | **579,208,000** | **520,044,000** | **520,044,000** |

***Source: Wakiso DWCG and Field findings.***

There is low absorption of the funds in Q1-Q3 low. Utilization was substantial in Q4 with the highest absorptive rate. This is attributed to among other reasons long procurement procedures where planned activities can not start as per the work plans.

### Physical performance

Software activities implemented included the following. Planning and advocacy meetings at district and sub county levels were all achieved, WUCs at new point sources, 27 were planned but 25 were achieved. WUCs, communities and primary schools, planned 27 but only 25 were realized. Post-construction support to WUCs beneficiary community meetings promoting water sources construction were 27 were planned but achieved 29.

The hardware activities undertaken are outlined in table 3.8.14below;

**Table 3.8.14 Status on Hardware Activities and Expenditure in Wakiso District**

| Output Description and Location | Annual Planned Output | Achievement by 30th June 2012 | Financial status at end of FY 2011/12 | Comments on progress |
|---|---|---|---|---|
| **Shallow well construction-Hand dug** | 26 | 26 | Annual Budget: 127,500,000<br>Exp: 112,081,604 | These were constructed in the S/Cs of Namayumba(2), Kakiri(3), Wakiso(2), Nangabo(5),Busukuma(5) Masulita(5) and Menda (4) |
| **Shallow well construction-Motorised drilled** | 12 | 11 | Annual Budget: 72,000,000<br>Exp:68,065,604 | Motorised drilled shallow wells were drilled in the S/Cs of kakiri, Masulita and Gombe |
| **Medium Spring Protection** | 1 | 1 | Annual Budget:<br>Exp: | A medium spring was dug in Kikajjo, Namasuba in Makindye Nangabo subcounty. |
| **Deep Borehole drilling-Hand Pump** | 11 | 11 | Annual Budget:192,500,000<br>Exp:192,500,000 | 11 boreholes were drilled in the S/Cs of Masulita(2), Namayumba(2), Kasanje(1), Mende(1), Wakiso(2), Busukuma(1) and Nangabo(2) |
| **Borehole Rehabilitation** | 18 | 16 | Annual Budget:63,000,000<br>Exp:38,611,800 | Rehabilitation was done in the S/Cs of Busukuma(3), Gombe(2), Masulita(1) Namayumba(1) Mende(1) Wakiso(1) Katabi(1) and Makindye(1) |
| **Water Quality Testing** | 70 | 70 | Annual Budget:2,000,000<br>Exp:2,000,000 | This was carried out on both old and new sources |

***Source: Wakiso DWSCG Q4 Progress Report and Field Findings.***

## Challenges

1. Some communities in the district still walk long distances of more than a km to collect water for domestic use. Such places have no potential for springs and shallow wells construction. Sanitation Conditional Grant.
2. Low community participation towards construction, operation and maintenance in some parts of the district.

## Sanitation and Hygiene Conditional Grant

### Financial Performance of the Sanitation Grant in Wakiso District

The District budgeted for Ug Shs 21, 000,000 and received Ug Shs 18,430,000 reflecting 88% of the budget. Ug Shs 18,430,000 was utilized representing 100% absorptive capacity.

**Physical Performance**

Kakiri Sub County was selected as the model for sanitation activities in Wakiso District for the FY 2011/12.

Baseline survey and household sanitation and improvement in Kakiri S/C and around 47 water sources and Follow Survey was done. Sanitation Week activities were carried out with a theme on ODF and Hand washing practices. The district used only one S/C whereas the guidelines were to choose 2 S/Cs for piloting the grant.

**Rural Water Supply Projects implemented by MWE**

The rehabilitation/construction of Tororo Railway Gravity Flow Scheme in Tororo and Manafwa districts phase 1 was supposed to be completed in February 2012 but progress was at 95% at monitoring. It is estimated to serve a population of 30,000 people in 2 sub-counties of Manafwa District and three sub-counties of Tororo District. Phase II is designed to cover Mella S/C and Bunyinza areas and is estimated to serve an existing population of 4,000. The procurement process for construction supervision services and construction works is ongoing. The physical progress- river Gabion at Lwakhaka was completed, intake structure, raw water main, treated water main and Soono treatment works completed.

**Table 3.8.15: Summary of Contract details**

| Project Title | Construction of a Pilot Bulk Water Supply Scheme in Rakai District. |
|---|---|
| **Contract No.** | MWE/WRKS/08-09/00603 |
| **Client** | Ministry of Water and Environment |
| **Contractor** | Vambeco Enterprises Ltd |
| **Supervising Consultant** | Alliance Consultants Ltd/Infra-Consult Ltd |
| **Funding Agency** | Government of the Republic of Uganda. |
| **Contract No.** | MWE/WRKS/08-09/00603 |
| **Date of Site hand-Over to contractor** | 14th January 2010 |
| **Contractual commencement date** | 28th January 2010 |
| **Contract completion date** | 29th April 2012 |
| **Contract duration** | 27 Calendar months |
| **Percentage construction time elapsed** | 100%* |
| **Percentage progress to date** | 99.8% |
| **Time elapse to date** | 8 months |
| **Contract sum** | Ug.shs. 7,591,236,901 (exclusive of VAT) |
| **Amount certified to date** | 7,579,501,617 |

***3 months extension period was granted***

***Source: Contractor's report and field findings***

The distribution network will be 60.7 km. with an existing transmission main that is being re used which is 19 km and has been rehabilitated to run concurrently. A with a 21 km long new transmission main is laid parallel to it.

### Customer connections and service pipes

The demand response approach is what has been used where yard taps have been installed at households to serve individuals or groups for people who have met the sanitation guidelines and paid a nominal fee. A total of 430 yard taps are to be installed in the running contract. However, the challenge of people who cannot afford the nominal fee rules out the equity principle.

***The Chemical dozer Unit, the Gabion protection at intake, the solar panels and tap with water running (Tororo-Manafwa GFS)***

### Table 3.8.16: Payments made against Works

| Certificate No. | Date Raised | Date Certified | Date of Payment | Amount Certified | Amount Paid (cumulative) | Delay in Payment |
|---|---|---|---|---|---|---|
| Advance | 18th Dec. 2009 | | 2nd Feb.2010 | 1,518,809,225 | 1,518,247,380 | 0 |
| **Cert. No. 1** | 26th Feb. 2010 | 4th Mar. 2010 | 26th April.2010 | 319,422,720 | 1,805,727,828 | 22 days |
| **Cert. No. 2** | 10th May. 2010 | 19thMay. 2010 | 25th Aug. 2010 | 72,700,276 | 1,878,428,104 | 6 days |
| **Cert. No. 3** | 20th Jul. 2010 | 29th Jun. 2010 | 15th Sept. 2010 | 211,393,204 | 2,089,821,308 | 3 days |
| **Cert. No. 4** | 8th Sept. 2010 | 9th Sep. 2010 | 18th Sept. 2010 | 482,825,046 | 2,572,646,354 | 17 days |
| **Cert. No. 5** | 12th Sept. 2010 | 13th Oct. 2010 | 18th Sept. 2010 | 1,105,125,490 | 3,677,771,845 | 6 days |
| **Cert. No. 6** | 24th Nov. 2010 | 29th Nov. 2010 | 23rd Dec. 2010 | 481,768,256 | 4,159,540,100 | 0 days |
| **Cert. No. 7** | 15th Feb. 2011 | 25th Feb. 2011 | 9th May. 2011 | 268,814,444 | 4,428,345,544 | 1 ½ months |
| **Cert. No. 8** | 4th May. 2011 | 11th May 2011 | 1st Jul. 2011 | 465,147,452 | 4,893,501,996 | 21 days |
| **Cert. No. 9** | 11th Jul. 2011 | 14th Jul. 2011 | April. 2012 | 574,336,909 | 5,467,838,905 | 8 months |
| **Cert. No. 10** | 20th Sep. 2011 | 27th Sept. 2011 | 22nd Dec. 2011 | 554,404,745 | 6,022,243,650 | 21 days |
| **Cert. No. 11** | 9th Dec. 2011 | 27th Jan. 2012 | 7th Jun. 2012 | 79,519,376 | 6,101,763,026 | 2 months |
| **Cert. No. 12** | 12th Mar. 2012 | 19thMar. 2012 | 1st Jan. 2012 | 229,664,268 | 6,316,780,034 | 1 ½ months |
| **Cert. No. 13** | 11th Jul. 2012 | 13th Jul.2012 | N/A | 504,771,422 | **6,821,551,456** | N/A |
| | | | | **6,868,702,833** | | |

***Source: Contractor's report and field findings***

Certificate 13 was raised late so could not be effected in the FY. However, there are variations in payments according to certified works at all levels as even noted in the Q2 monitoring. It appears like the consultant was being paid up front for works not yet done. The cumulative amount paid out at certificate no.12 was Ug Shs **6, 363,931,411** compared to **Ug. Shs.6, 316,780,034** owed by the contractor. The variation of Ug.Shs.**47, 151,377 (6,363,931,411-6,316,780,034)** could not be explained by either the contractor or the client (MWE).

**Status of works**

1) Lwakhaka River wire– completed
2) Intake structure – concrete, pipe work and fencing complete
3) Raw Water Gravity Main – pipe work and support pedestals completed
4) Soono Treatment Works – structures and pipe work complete awaiting testing of treatment process
5) Treated Water Main (Transmission Main 1) – pipeline OD250/OD125 completed including break pressure tanks (1, 2, 3) at Soono, Kongoli and Butsemayi villages each at A 5 $m^3$ and A 100 $m^3$ reservoir at Bubutu village.
6) Bubutu Supply – transmission main, 100$m^3$ storage tank and primary distribution pipe work completed.
7) Kalait Distribution – pipeline completed
8) Supply to Kwapa – pipeline completed
9) Water office Blocks
    - At Bubutu for Manafwa District – Buildings completed but deficiencies not yet carried out
    - At Kalait for Tororo District – Building works completed
10) Existing steel pipeline
    - Pipeline from Soono to BPT 2 has been abandoned; the employer's approval for additional work to remove the pipes has been sought
    - Pipeline from BPT2 (Ch. 7+200) has been repaired
11) Service connections:
    - Secondary distribution and yard taps- 370 out of 430 yard taps have been installed.

**Sanitation Component**

The project has 2 latrines each with 1 stance at the office blocks in Manafwa and Tororo offices which were monitored and are of good quality.

**Remaining works:**

Complete installation of service connections and rectifying deficiencies, test pumping which is at 75% and commissioning. The Ministry is contracting out other extensions works in the FY 2012/13.

**Challenges**

1. The major challenge of the project has been timing whereas the project is meant to have ended in February, it is not yet complete. The works so far done are for Kwapa Sub County which leaves out Mella people as prior arranged.
2. The project first phase is in the final stages but there is no Private Operator on ground. Pump testing is ongoing but this would be the time for the PO to familiarize himself on ground. During monitoring it was noted that procurement of the same is ongoing at MWE instead of the Authority which contravenes the policy guidelines.

**Recommendation**

1. The pro poor people strategy should be applied for the benefit of the people who cannot afford to pay the nominal fee so that they can benefit.
2. The Mowed should have let the Board to procure their own Private Operator to manage the project to avoid conflict of interest.

**Minakulu piped Water Supply System**

At the time of monitoring, Minakulu Water Supply which was completed and technically commissioned in FY 2011/12 was non functional. The problem was thought to be non compliance of the mono pump with the generator supplied. The team was told the system worked for around 2 weeks only. Despite efforts the team failed to get any reports on the project either from the Centre (MWE) or at the S/C.

The project put up an office block, a pump house with a 2 stance Ecosan toilet, and a reservoir tank a mono pump.

***On the left is a dry tap stand in Minakulu T/C and on the right a mono pump.***

The team was not able to access the pump house as the officer in charge was not available. The spare parts are difficult to get thus the team was told MWE is planning for a replacement.

**ii) Urban Water Supply and Sanitation (WSDFs)**

The Water and Sanitation Development Facilities (WSDFs) were established as a facilitating mechanism to provide funding as well as supporting the water authorities with implementation management, capacity building and quality assurance for water supply and sanitation investments in Rural Growth Centres (RGCs) and small towns. In the FY 2011/12 the

**WSDFs** (South West, Central, East and North) were monitored.

**Table 3.8.17: Overall Budget performance of WDFs in the FY 2011/12**

| | Donor | | GoU | | % Released |
|---|---|---|---|---|---|
| | **Budget** | **Release** | **Budget** | **Release** | |
| **SW** | 4.5 | 2.62 | 1.2 | 1.1 | |
| **WSDFN** | 11 | 8.57 | 1.66 | 1.65 | |
| **WSDF E** | 5.66 | 2.99 | 1.66 | 1.55 | |
| **WSDFC** | 1.24 | 1.1 | 4.27 | 3.96 | |
| **Total** | **22.4** | **15.28** | **8.79** | **8.26** | **75** |

***Source: MWE Q4 Report and field findings***

75% of the budget was released where Gou released 94% and the donor released 68% of the expected funds. This made a 75% overall budget release; generally accounting to poor performance of the facility. Besides, KfW/Germany did not release any funds as finalization of MoU with MoFPED delayed.

**Jezza/Muduma**

Jezza-Muduma Water Supply Project is at around 95% completion save for power connection for water to begin flowing. Efforts to get reports and designs for Jezza-Muduma project from the MWE officials were in vain as it was said they were given to the consultant and could not retrieve information despite constant reminders.

***One source at Jezza, office block at the sub county and reservoir tank meant to supply both Muduma and Jezza towns.***

The works are of good quality and the population is eagerly waiting for water to start flowing. At one of the sources, someone is trying to construct a latrine as he owns the plot. The sub Count may have to look for a way of compensating him or the project provides him with an Ecosan.

**Water and Sanitation Development Facility –West (0160)**

**Table 3.8.18: Financial analysis of WSDF-W**

| | Annual Budget | Funds released | QI – Ug Shs. Million | | Q2 –Ug Shs Million | | Q3 – Ug Shs. Million | | Q4- Ug Shs. Million | | Total % received |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Approved | Received | Approved | Received | Approved | Received | Approved | Received | |
| Donor | 4.50 | 3.05 | 1,325.01 | 1,325 | 1,324.99 | 1,324.99 | 925.01 | 400.0 | 924.99 | - | 3,049.99 |
| GoU | 1.20 | 1.08 | 367.51 | 295.998 | 277.49 | 303.0 | 277.51 | 202.006 | 277.49 | 281.98 | 1,082.984 |
| **Total** | **5.70** | **4.13** | **1,692.52** | **1,620.998** | **1,602.48** | **1627.99** | **1,202.52** | **602.006** | **1,202.48** | **281.98** | **4,132.974** |

***Source: WSDF-W Quarter 4 Progress Report***

Out of the total budget of Ug Shs **5.70 4,132.974,** Ug Shs **4,132.974** was received which is a 62% release and a short fall of 38% partly responsible for unfinished works.

The unspent balances in the subsequent quarters were due to the delayed disbursement of funds to the WSDF-C A/c. The shortfall in the budgets meant that some planned activities/outputs were not achieved or certificates were not paid on time which slowed progress of works. There was a Bank balance of **Ug Shs 6,401,699** and **Donor Ug Shs 44,721,818** (**Total 51,123,517**) by the end of Q4. The permission to retain this money was not sought for. The Q1 expenditure too shows balance of Ug Shs.**446.43** from the previous year.


***Photos 10, 11& 12 for the Kakyanga office block still under construction and Reservoir tank ;( inset people collecting water at no cost).***

Works in Kakyanga have stalled for some time and contractors have abandoned sites. At the source house for Kakyanga Water supply does not have a toilet rendering the guard to usage of the bushes around. This may end up contaminating the very source that is being protected.

**Table 3.8.19: Progress on outputs/projects that were monitored in FY 2011/12**

| Project code:0160 | Brief description (project size including population served, works done so far -implementation status and explanation for progress) | Remarks |
|---|---|---|
| **Kazo Town WSS** | Current population served: **2,224** while design population: **4,025**<br><br>**Scope of works:**<br><br>Source development, reservoir Tank, Pipeline, Connections, Electromechanical works, Office block- 92% Complete.<br><br>Reason: Delayed payments to the Contractor **Lexman Ltd;** Total contract sum **899,378,394**; amount paid so far is Ug Shs **480,196,375** with a balance of **419,182,019**. | The project is almost complete save for power connection and commissioning |
| **Kiruhura Town WSS** | Current population: **4,238** while design population: **7,670**<br><br>**Scope of works:**<br><br>Source development, Reservoir Tank, Pipeline, Connections, Electromechanical works, Office block- 95% Complete. Contractor is **Ideal Engineering Services Ltd;** contract sum: **738,564,825.** Money so far paid is **Ug Shs 294,732,527** remaining with **Ug Shs 443,832,298** | Works Still ongoing |
| **Kakuto Town WSS** | Current population served: **3,744** and design population**: 6,780**<br><br>**Scope of works:**<br><br>Source development, reservoir Tank, Pipeline, Connections, Electromechanical works, Office block- **70%** Complete. Contractor: **Norrkoping (U) Ltd.** Contract Sum **Ug Shs 950,237,116.** Amount so far paid **Ug Shs 422,724,539** and balance **Ug Shs 527,512,577.** | Delayed start of works by contractor and delayed payments |
| **Kakyanga Town WSS** | Current population served: **3,705** while design population: **6,706**<br><br>**Scope of works:**<br><br>Source development, reservoir Tank, Pipeline, Connections, Electromechanical works, Office block- 80% Complete. Reason: Delayed start of works by contractor and delayed payments. Contractor: **Kombi Technical Services;** contract sum **Ug Shs 572,459,356;** amount paid out so far **323,181,910** and balance is **Ug. Shs 249,277,446** | Works have stalled but people are getting water from the Reservoir Tank |

| | | |
|---|---|---|
| **Lyantonde Town WSS** | Current population served: 15,053 while design population: 28,816<br><br>**Scope of works:**<br><br>Source development, Treatment plant, Pipeline, Electromechanical works- 80% Complete.<br><br>Reason: Delayed start of works by contractor and delayed payments. Contractor: **Sumadhura Technologies ltd;** Contract sum: **Ug Shs 1,500,000,000.** Amount paid so far **Ug Shs 434,865,834** and balance is **Ug Shs:1,065,134,166** | The project was an overhaul of the existing project since could not meet the current population |

**Source:** ***WSD W Annual report and field findings***

Lyantonde Water supply system remains with laying the pipes, as the trenches are already excavated and finishing works for the sedimentation tank and reservoir. The contractor has put in his money but the repayment is over delayed thus delaying finishing.

***New Reserviour, aerial & sedimentation tank, sand driers and old reservoir for Lyantonde town water supply***

The facility did not receive any funds for Q4 from the Donor and during September monitoring works were said to have stalled since Q3. Contractors abandoned site and the little money received from GoU which contributes 10% is just paid to contractors.

**Sanitation component**

The Water supply systems are provided with a 1 stance at the source and 2 stance ecosans at the office blocks.

**General challenges faced during the FY/Constraints**

1. Excessive lack and delay of funds to implement planned activities
2. Slow progress of works as contractors abandon sites due to non payment

**Recommendations**

1. Funds should always be disbursed in time in order not to inconvenience planned implementation of works

**Water and Sanitation Development Facility –Central (1130)**

**Table 3.8.20: Financial analysis of WSDF-C**

| | Annual Budget | Funds released | **Q1 - UGX. Million** | | **Q2 - UGX. Million** | | **Q3 – UGX. Million** | | **Q4- Ug shs Million** | | **Total % received** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Approved | Received | Approved | Received | Approved | Received | Approved | Received | |
| Donor | 1,000,000,000 | 447,000 | 115,000 | 115,000 | 115,000 | 115,000 | 317,000 | 217,000 | 453,000 | - | 44.7% |
| GoU | 4,266,000,000 | 3,954,068 | 1,066,500 | 1,066,500 | 1,004,249 | 994,249 | 837,880 | 836,870 | 1,056,449 | 1,056,449 | 92.6% |
| **Total** | **5,266,000,000** | **4,401,068** | **1,181,500** | **1,181,500** | **1,119,249** | **1,109,249** | **1,154,880** | **1,053,870** | **1,509,449** | **1,056,449** | **83.6%** |

***Source: WSDF-C Quarter 4 Progress Report***

Only 84% of the total budgeted money was received where the Donor contributed 93% and Gou 44.7% which slowed down works. MoFPED should try to release more money to avoid cost overruns. Bank balance as of end Q4: was Donor Ug Shs **323,581 and GoU 1,216,934** total of **1,540,515** Uganda Shillings in un-presented cheques.

**Table 3.8.21: Progress on outputs/projects that were monitored in FY 2011/12**

| **Project code:160** | Brief description (project size including population served, works done so far -implementation status and explanation for progress) | **Remarks** |
|---|---|---|
| **1130 WSDF-C** | Current population served:**7,296** while design population: **10,800**<br><br>**Scope of works:** Wakiso Water Supply Improvement: Construction of Borehole pump house completed, site cleared and leveled, 2.5 km of pipeline laid. Contractor **SARRICK Construction Ltd.** Contract sum **Ug Shs 368,318,266** | Works delayed because of lengthy procurement at the Ministry |
| | Current population served:**15,454 while** design population: **22,875**<br><br>**Scope of works:** Kakiri Water Supply Improvement: Transmission pipeline finished, excavation for distribution completed. Contractor: **GAT Consults Ltd**. Contract **sum: 380,420,590;** Amount so far paid; **Ug Shs: 161,827,200** and balance **Ug Shs: 218,593,390** | Delayed Commencement due to delayed procurement |

**Source:** ***WSD W Annual report and field findings***

Ecosans were monitored in Wakiso Zirobwe and Mpigi Ntwetwe.

***Ecosans constructed by WSDF-C in Kasanje - Wakiso and Zirobwe- Luweero respectively. Exteme left is 1 scot hole in use and another reserved***

**Challenges**

1. The quality of works was good save for none consideration of usage by disabled people because of the ladders.
2. The ecosans that have been constructed by the WSDF for individual households are not yet put under use. This is because sensitization on usage is not yet done.

**Recommendation**

3. WSDF should plan to sensitize the Ecosan beneficiaries so that they do not end up as white elephants or being misused as has been the case in some places.

Box: 1 **Nakaseke Water Supply was monitered in Q3 and by end of the year was complete.**

**Brief of Nakaseke Piped Water System field findings**

The system has a 200m3 Steel reservoir tank, transmission and distribution pipelines. 2No. pumping stations, chemical house, office block, 2No. public Ecosan toilets and electro-mechanical works. Population served: **6,679** while design population: 8,784; **Up Deal** (the contractor) at a contract sum of **Ug Shs** 1,935,793,045 and amount paid so far **Ug Shs 1,839,352,880** with balance of **Ug Shs103, 586, 501.** The contract variation was **Ug Shs 243,331,250.** Construction works complete, project is technically commissioned.

**Challenges faced**

1. 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.
2. The production wells were in a swamp and water level was rising almost to the level of submerging the entire structure.

**Recommendations**

1. The resident engineers along with the contractor need to see how to address the submerging issue.

**Table 3.8.22: WSDF C General Challenges and project attempts to find solution**

| **Constraint** | **Solution** |
|---|---|
| 1. Budget cuts affected already planned activities | - Procurements were halted and activities carried forward into the next Financial Year |
| 2. Delayed release of funds affected progress of activities. The Project receives funds at the earliest half-way into the implementation quarter. Activities therefore have to be implemented in only half the time, which affects the effectiveness and quality of performance. There is also a danger of attracting penalties for delayed payments. | - Re-scheduling of certain activities to be implemented when funds are available. |
| 3. Delayed approval of Contracts by Ministry of Justice and Constitutional affairs | - Frequent follow ups were made though not much was achieved |
| 4. Delayed procurements. Time and administrative constraints in relating with the Ministry Procurement and Disposal Unit. | - Procurement functions have been delegated to the Program. |
| 5. Limited transport facilities. The project has 3 double cabin pickups with several implementation sites. This makes it hard to visit the several no. of sites being constructed. | - Purchase of new vehicles is in pipeline from ADB funding to help solve the problem somehow. |
| 6. Under staffing affects both the planning and execution of duties | - Recruitment of additional staff (3 No Engineering assistants, 1 No Sociologist) is underway |
| 7. Insufficient office space which affects the timely planning and reporting process on the implementation process | - Construction of WSDF-C office is being embarked on to provide more office space |
| 8. Insufficient office equipment (printing and plotting equipment, GPS) affect the time report production and surveying | - Purchase of office equipment has been budgeted for in FY 2012/13 |

**Source: F*ield findings***

**Water and Sanitation Development Facility North (VF 1074)**

**Table 3.8.23: Financial Analysis in ('000,000')**

| | **Annual Budget** | **Funds released** | **QI – Ug Shs. Million** | | **Q2 - Ug Shs. Million** | | **Q3 – Ug Shs. Million** | | **Q4- Ug Shs. Million** | | **Total % received** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Approved | Received | Approved | Received | Approved | Received | Approved | Received | |
| **Donor** | 11,000 | 5,400 | 2,919.30 | 1,500 | 2,153.40 | 2,200 | 2,932.10 | 1,700 | 2,995.22 | - | 49% |
| **GoU** | 1,660 | 1,419.96 | 359.14 | | 528.35 | | 333.53 | 245.128 | 438.98 | 339.846 | 85.50% |
| Total | **12,660** | **6,819.96** | **3,278.44** | **1,946.99** | **2,681.75** | **2,587.99** | **3,265.63** | **1,945.13** | **3,434.20** | **339.846** | **53.87%** |

**Source: *WSD* N *Annual report***

The Government of Uganda released 86% of the approved budget as the Donor released 49% making it a total of 54 %. This explains the low performance of the facility. It resulted in some certificates for works done and supplier's bills not paid and some of the planned activities not implemented, hence not achieving some targets.

**Expenditures**

The balance of 23,621,383 Ug Shs was realized after Q4 and was rolled over to the next FY 2012/13 because it could not settle outstanding bills. However, no permission was sought for retention.

**Completion and payment status**

Amoltar Town WSS is at 70%, while its payment at 68%; Koboko Town WSS is at 99% and payment at 88 % (awaiting payment for retention and commissioning). Oyam Town WSS is at 95% and payment is at 65%; Adjumani Town WSS is at 95% and payment at 93%.

In Amoltar 2 kiosks, 18 at public places, 100 yard connections, and 03 (5stances) Ecosan are not yet done. 5 HH Ecosan toilets, Oyam yard connections (125/130) are done. Adjumani: 3No. (4 & 2 stances), works have not started, 5 HH Ecosan toilets are at slab level and 01 Ecosan (5stances) not yet done.

Oyam T.C; 01 block of 8 stance public flush toilets at proposed Taxi/Bus Park and 01 block of 2stance flush toilet at office and Block location Sanitation, 2No. (8 &2 stances), HH Ecosan toilets, 01 Ecosan (5stances) are not Completed yet. Adjumani T.C 3No. (4 & 2 stances), 5 HH Ecosan toilets, 01 Ecosan (5stances)

**Table 3.8.24: Progress on outputs/projects that were monitored in the course of FY 2011/12**

| Project code: 0160 | Brief description (project size including population served, works done so far -implementation status and explanation for progress) | Remarks |
|---|---|---|
| **AMOL/564/WRKS/2010-11/00002** | Current population served: 12,565 while Design population: 27,766<br><br>**Distribution:**<br>9.9km of Distribution mains (4,500m OD63, 4,000m OD90 and 1,400M OD110 all to PN10 HDPE). Contractor: M/**S Josiku Technical Services Ltd.** Contract sum **Ug Shs: 1,908,636,290** and balance **Ug Shs: 1,302,402,419 (68%)** | Works have delayed and by the time of the visit the contractor had abandoned the site |
| **KK/563/WRKS/2010-11/00001** | Current population: 39,971 and Design population: 51,300<br><br>**Scope of works:**<br>**Consumer points** 24 pre-paid meters.<br>**Distribution:** 3,700m (50 &63mm). Contractor: Wanaik Construction Co. Ltd<br>**Contract sum: Ug Shs 472,828,818 and paid so far Ug Shs418,** | The project had reached 99% completion by the time of monitoring and there is a private operator |

| | | |
|---|---|---|
| | **650,471 (88%)** | managing the project. |
| **OYAM 572/WRKS/2010-11/00002** | Current population served: 11,603 and Design population: 38,301<br><br>**Scope of works:**<br>**Consumer points:** 2 kiosks, 2 at public places, 130<br>**Sanitation:** 2 No. (8 &2 stances), 5 HH Ecosan toilets, 01 Ecosan (5stances).<br><br>**Distribution:**<br>7.9km of Distribution mains ( 1,500m OD63, 2,300m OD90 and 4,100M OD110 all to PN10 HDPE), M/S Palm Construction Ltd, 1,319,446,739, On-going works 855,015,556 (65%) | The project is at a standstill because of funding constraints |
| **ADJU 504/WRKS/2010-11/00001** | Current population served: 38,848 and Design population: 81,590<br><br>**Scope of works:**<br>**Consumer points:** 4kiosks, 3 at public places, 919 yard connections<br><br>**Distribution:**<br>31,135m (50 , 63, 90 &110mm), Sumadhura Technologies Ltd, 3,210,638,277, On-going works, 3,000,854,641 (93%)-with 300m from district | The project is almost complete just waits pump testing |

**Source:** ***WSD* N *Annual report and field findings***

**Challenges faced**

1. Inadequate funding which negatively affected the outputs
2. Some contractors failed the complete projects on time
3. None disbursement of much anticipated KfW funds; procured contracts were not signed
4. Ineffective and slow band width affected data input on Navision software
5. The designs which the facility is using have inadequacies which need to be revised before they are used.
6. Delay in clearance from solicitor general and GIZ releases

**Solutions**

1. Activities were scaled down by staying some to next FY and differing payments for service providers.
2. Close supervision of contractors and improved bidding documents to avoid frivolous constructors/consultants
3. MWE should procure/upgrade reliable band width for effective operation of Navision

**Water and Sanitation Development Facility –East (1075)**

**Table 3.8.25: Progress on outputs/projects monitored in the course of FY 2011/12**

| Output code | Annual Planned Output | Actual outputs | Reason for variance from the plan |
|---|---|---|---|
| 090206 | Support supervision to LGs in designs of 20 urban piped water systems in WSDF-E area | Designs of 3 water supply systems for Katakwi, Suam and Ochero were completed | |
| | | Design of 12 urban piped water systems in towns of Bukwo, Namwiwa, Bulegeni, Lumino, Kibaale, Idudi, Buyende, Iziru, Kagoma, Namagera, Bulopa, Bwondha under consultancy services progressed to 33%.<br><br>Design of Nakapelimoru and Bagadde could not be undertaken | Procurement which commenced in January 2011 was finalized in December 2011 and January 2012 with signing of contracts.<br><br>Non disbursement of funds from KfW<br><br>Design of 2 no. urban water supply systems (Nakapelemoru and Bugadde) did not commence due to non disbursement of funds from KfW |
| | | Design of 4 schemes of Luuka, Kapelebyong, Irundu and Kadungulu towns progressed to 70%. | Non disbursement of funds from KfW, drilling of production boreholes could not be implemented |
| | Support construction of water supply in Kabong, Abim, Namalu, Bugadde, Kapchorwa, Busiu, Katakwi, Tirinyi-Kibuku, Nakapelimoru, Bukedea, Luuka, Karenga. | Construction of Tirinyi-Kibuku was completed<br><br>Construction of water supplies continued to 35% in Kaabong town and to 7% in Abimtown. | Construction of Bugadde had been planned under OBA framework suspended due to failure to realize the technical support from the World bank.<br><br>Namalu water supply delayed due to inadequate funding |
| 0902277 | 1 standby generator and 1 set of survey equipment procured | Standby generator for the offices was procured | Procurement of survey equipment is still ongoing |
| 090280 | Complete construction of piped water supply systems in Kaabong, Abim, Namalu, Bukedea and Kapchorwa. | Kaboong town is at 35% and Abim at 7%<br><br>Tirinyi-Kibuku complete | Procurement of works contracts for Bukedea, Kapchorwa, Busiu, Katakwi and Karenga had to be slowed down due non disbursement of funds |
| **090205** | Construction of 30 ecological sanitation toilet facilities in Luuka Karenga, Bigadde and Nakapelemoru | 13 ecological sanitation toilets were constructed to substantial completion in the towns of Luuka (5), Karenga (2), Bukedea (1), Buggade (1) and Nakapelimoru. | |
| | Hold 20 hygiene and sanitation trainings in various towns. | | |

**Source:** ***WSD* E *Annual report and field findings***

Of the 20 planned designs only 3 were completed, construction works of 17 water supply systems were all lagged behind save for completion of Kibuuku Tirinyi due to non disbursement of funds from KfW. Only 13 out 30 ecological sanitation facilities construction works are ongoing. 2 Public sanitation facilities were provided in Kibuuku Tirinyi project which was not earlier on done.

Box: 2 Summaries field findings from KibuukuTirinyi project that was monitored in Q2.

**Tirinyi-Kibuku Town Water Supply Project field findings**

Effective construction works started on 1st June 2010 and was due for completion on 31st May 2011. However the originally designated project period of 365 days was extended for 61 days to complete works, at reservoir site in Tirinyi Sub-county. The problem being the district/sub-county failing to secure land rights for the site. The works are reported as 100% complete.

Test-pumping was successfully done according to the Consultant's report from MWE. At the time of monitoring water was not flowing in the taps having run for only 2 months. The test pumping was done using power from a generator that had been withdrawn by the contractor as it was not part of the contract and yet no power connection.

**Challenge**

- No alternative source of power was planned for the project, so in absence of power from the national grid, the beneficiaries endured 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.

**Challenges in implementing WSDF E Projects**

1. Failure to release KfW funding to the Ministry led to failure to execute most of the activities in the work plan.
2. Failure to meet financial obligations to service providers. Implementation of Projects such as that of Kaabong and Abim, which commenced before it became apparent that KfW would not disburse funds, had to slow down substantially due to poor cash flow.
3. Weather conditions limits accessibility to project areas particularly in Karamoja sub- region. This has made it difficult to deliver construction materials and also constrained routine supervision and monitoring of activities.
4. Delays in procurement of goods and services. Procurement of suppliers like materials for construction of Ecosan toilets lasts over six months which constrains implementation. There are unnecessary delays to secure contractors and consultants at WSDF-E.

5. Limited motivation of local leaders to actively participate in WSDF-E activities in their regions because the implementation approach does not provide for the funding of the local government staff in the activities of WSDF-E.

**Recommendations**

1. MoFPED speed up the modalities of MoUs with Donor community and appeal to the development partners to honor their pledges in a given financial year in a timely manner.
2. MWE should speed the ongoing delegation of the procurement function to the de-concentrated units to fasten the processes.
3. Sensitise politicizations to actively participate in mobilizing communities for support of projects which will help bring beneficiaries on board.

**Conclusion**

The contracts in almost all WSDFs have stalled due to inadequate funding. The definite releases during the year were not proportionate to the approved budget and planned works. Some works were unpaid and negotiations were made with the contractors. Some works had to been forfeited and plans altered. However, this is a breach of contracts that results into cost overruns.

**iii) Water for Production**

The Ministry of Water and Environment initiated a countrywide strategy of bulk water transfer. The aim is to transfer water from areas of plenty to areas of scarcity in order to ensure adequate supply of water all year round for multi-purpose use such as energy production, irrigation, livestock watering, wildlife, rural industries, aquaculture, maintaining the environment etc.

In 2010, M/s Dott Services Ltd was constructed to undertake the construction of a pilot bulk water supply scheme in Rakai district Kagamba Sub County. The implementation of works did not take off immediately after contract signing due to land issues where the facility was going to be constructed. These were thereafter resolved through compensation of the land owners who were affected by the project hence the delays in commencement of works implementation.

**Table 3.8.26: Summary of Contract details**

| **Project** | **Construction of a Pilot Bulk Water Supply Scheme in Rakai District.** |
|---|---|
| **Client** | Government of the Republic of Uganda, Ministry of Water and Environment |
| **Contractor** | M/s Dott Services Ltd. |
| **Supervising Consultant** | M/s AAW Consulting Engineers in Association with BEC Engineers Ltd. |
| **Funding Agency** | Government of the Republic of Uganda. |
| **Contract No.** | MWE/WRKS/07-08/00224. |
| **Contractual commencement date** | 1st February 2012. |

| | |
|---|---|
| **Substantial completion date** | 31st July 2013. |
| **Contract duration** | 18 months. |
| **Percentage progress to date** | 14%. |
| **Time elapse at monitoring** | 8 months |
| **Contract sum** | Ug.shs. 8,504,955,248/= (VAT exclusive). |
| **Type of contract** | Admeasurement contract. |

*Source: Contractor's report and field findings*


***Figure 19&20: The ongoing construction works for the Rakai bulk water supply project (inset on the right where impermeable cores being worked on though works have delayed due to importation of materials to use)***

A total of Ug Shs **2,551,486,574** which is a 30% payment out of Ug Shs**. 8,504,955,248** budgeted had been advanced to the contractor at the time of monitoring. This was inclusive of money paid for the land where the project is located. However, the team was unable to see the certificates of payment as officers were reported out of office.

**Scope of works:**

The scope of work includes but not limited to;

1. Construction of a rock fill dam with an impermeable core and cutoff curtain
2. Construction of a reinforced concrete spillway shaft
3. Provision and placing of reinforced concrete irrigation pipe culverts.
4. Provision and placing of riprap on the upstream slope of the embankment
5. Provision and installation of seepage, vertical and horizontal movement and pore pressure monitoring equipment.
6. Construction of a reinforced concrete inlet and outlet structures
7. Construction of valve control house
8. Provision and installation of pipe fittings

The overall physical works progress during monitoring was at about 14% against 44% the total time elapse then and reported 30% in Q4. Delay in works was said to be due to importation of materials for construction for the impermeable core and course of action to acquire land for the project.

**Challenges**

1. The major challenge so far encountered was land acquisition for the dam construction which delayed the commencement of the project but it has been resolved through compensation of the affected landlords.
2. Importation of materials for impermeable core has too stalled works but the contractor promises to catch up with time.

**IV) Water Resources Management (VF 904)**

This vote function 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, 19 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 had 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 were 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.

**General Observations**

1. **Inadequate staffing at both district level and the lower local governments** – Most water officer double as DWOs and DEs. Given the fact that districts are over splitting up and this means splitting staff where LG recruitment is suspended. Low staffing levels in districts results in inadequate supervision and monitoring of water activities.

2. **Low capacity of contractors/sharing contractors:** A number of Contractors/ Consultants have technical gaps greatly affecting the quality services/ facilities delivered. A number of contractors win contracts in more than three districts yet they lack the equipment and manpower to undertake the contracts concurrently. The result has been delays in executing works in some of the districts.

3. **Little implementation of post construction activities:** The post construction activities do not necessarily include the re activation of old or reconstitution of new WUCs. This leaves the

rehabilitated or repaired sources with no or shaky management structures which may continue to affect functionality of the sources.

4. **Poor rehabilitation of water facilities.** In most of the rehabilitated sources work done involves the internal repairs only whereas the external parts of the source are not considered. This includes the aprons, the drainage channels, fences and the soak pits. This leaves the water facilities to possible contamination and further breakdown.

5. **There was a mixture of approaches in the sanitation grant utilization** because of lack of clear guidelines. Some districts picked up 2 Sub counties while others 1 S/C to pilot sanitation activities. There is a mixture of approaches which made it hard to measure the clear impact of the sanitation grant using a specific approach.

6. **Land acquisition tends to slow down the implementation of big projects**. At times this leads to delay or denial of the projects to the beneficiaries. Besides it impedes on the cost of the project thus leading to cost overshoot

7. **Vandalism of water source**s by thought to be scrap dealers in districts. This worsens the already poor state of functionality of facilities in the districts and lowers coverage.

8. **Lack of information on central done projects**. There is information gap between the center and the Local Governments for the centrally implemented projects. This is reflected in lack of reports, designs for the projects at the Local governments or even at MWE. The case in point is the Miniakulu and Jezza/Muduuma projects which lack any information several visits and reminders.
9. **There was insufficient funding for Sanitation and Hygiene in Local Governments**. Since MWE this FY 2011/2012 provided for a Sanitation Grant of Ug Shs 2bn but it is not enough to realize an impact. The other sister ministries of MoH and MoES should fulfill their pledge according to the MoU signed between the trio.

**General Recommendations**

1. **Expedite the Local Government staffing restructuring exercise** and take into consideration the districts vis a vis public service burn on recruitment if utilization capacity of the grant is to improve.

2. There is need to **follow guidelines for post construction support** which enables the existing committees or re formation of new WUCs to look after the water facilities thus improved functionality of facilities.
3. The Mowed should come up with **clear guideline to help district plan/budget and implement the sanitation grant.** This will help to measure the impact.
4. **Post construction support activities should be revisited** as per the software activities guidelines to reduce on breakdowns and increase functionality of water sources.

5. There is need for **transparency and accountability while handling government projects.** The Ministry needs to share and keep records of reports or any necessary Information regarding projects with various stakeholders as a prerequisite.
6. **Investigations should be carried out into vandalism** and culprits taken to courts to face criminal cases.

## 3.9 MICROFINANCE

### 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 has created Zonal /regional offices in a bid to decentralize its activities. Appraisal and disbursement of loans have been devolved to regional offices. Regional offices disburse loans up to UShs50, 000,000/= from a credit loan float of up to UShs500, 000,000/=. Formerly, loans that are more than UShs50, 000, 000/= were referred to head office but now the zonal offices can disburse to a tune of UShs 100,000,000=

The MOFPED 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 six regional offices/zonal offices that included Arua; Gulu; Iganga; Kabarole; Mbale 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 budget monitoring and analysis unit (BMAU) therefore 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 GOU for loan disbursement.

## SCOPE AND METHODOLOGY

The period under review was the financial year 2011/2012 and the following methodology was used:

- Visited the MSC head offices and held discussions with the officials of MSC headquarters who briefed the team on the activities carried out in the financial year 2011/12. The annual reports were obtained that formed a basis of the monitorable outputs. Verified the quarterly progress report and the portfolio reports.

- Visited MSC zonal offices of Arua, Gulu, Iganga, Kabarole, Mbale and Mbarara held discussions with the zonal managers of the regional offices

## ACTIVITIES OF MICROFINANCE SUPPORT CENTRE LIMITED

Currently MSC has twelve 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 5 million whereas the maximum is 10million.
- 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 100 million. It has a maximum loan period of four years with a 6-12months 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.
- Agricultural Development loan to a minimum of Ug Shs 20 million and targets mainly the unions, SACCOs and produce and marketing cooperatives.
- Environmental loan which is supposed to support people to protect the environment such as tree planting, soil management. The minimum loan amount is Ug Shs 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 Ug Shs 10 million and maximum amount of Ug Shs 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.

### 3.9.2 FINDINGS

**ARUA MSC ZONAL OFFICE**

Arua MSC zonal office is located in Arua Town, controls eight districts of Adjumani, Arua, Koboko, Maracha, Moyo, Yumbe and Zombo.

The office has five employees as follows; the Zonal manager, Credit officer, Finance officer, Administrative Assistant and Logistics Assistant.

The office served fifty institutions as at 30 June 2012 as follows;

| District | Number of Institutions | Type of Institution |
|---|---|---|
| Nebbi | 16 | SACCOs |
| Koboko | 5 | SACCOs |
| Arua | 5 | 4 SACCOs & 1 SME |
| Adjumani | 10 | 9 SACCOs & 1 SME |
| Moyo | 4 | SACCOs |
| Yumbe | 3 | SACCOs |
| Maracha | 5 | SACCOs |
| Zombo | 2 | SACCOs |
| **Total** | **50** | |

**Loan disbursements**

The amount of the loans disbursed in the FY 2011/12 amount to UgShs 370,000,000, this was the lowest among the last four financial years. See table 3.9.1 below.

**Table 3.9.1 Loan disbursements by year**

| Financial Year | Amount of Loans Disbursed (UgShs) |
|---|---|
| 2011/12 | 370,000,000 |
| 2010/11 | 2,060,180,200 |
| 2009/10 | 429,000,000 |
| 2008/9 | 668,000,000 |
| Total | 3,527,180,200 |

Source: MSC Arua

**Loan Portfolio**

The loan portfolio for Arua MSC regional office as at 30 June 2012 was UgShs 3,258,609,647 (Table 3.9.2), an increase of 42% as compared to the loan portfolio as at 30 June 2011 (UgShs 1,892,209,234).

Agricultural loans (62%) shares the biggest part of the total loan portfolio, followed by SME loans 32.2%.

**Table 3.9.2 Loan Portfolio by category of Loan**

| Type of Loan | Loan Portfolio (UgShs) 30 June 2012 | Proportion of Loan Portfolio (%) |
|---|---|---|
| Micro Enterprise Loans | 16,197,777 | 0.5 |
| Agricultural Loans | 2,009,583,086 | 61.7 |
| Developmental Loans | 100,000,000 | 3.1 |
| Special Interest Groups Loans | 84,073,682 | 2.6 |
| Small and Medium Enterprises (SME) Loans | 1,048,755,102 | 32.2 |
| **Total** | **3,258,609,647** | **100.0** |

Source: MSC Arua

**Status of delinquency loans**

The loans in arrears (Table 3.9.3) constitute 6.7% of the outstanding loan portfolio. The amount in arrears includes the principal loan and interest due and not paid.

**Table 3.9.3 Status of loans in arrears**

| No. of days in arrears | Amount in arrears (UgShs) |
|---|---|
| 1-30 days | 73,996,761 |
| 31-60 days | 37,215,212 |
| 91-120 days | 7,246,007 |
| 121-150 days | 8,525,619 |
| 181-365 days | 57,629,632 |
| > 365 days | 34,251,023 |
| **Total** | **218,864,254** |

Source: MSC Arua

**Challenges**

During the interaction with the manager of Arua MSC regional office, the following challenges that face the region were highlighted;

- There is a serious capacity gap in the SACCOs. This is the mandate of UCSCU to build the capacity of SACCOs but not much has been done. MSC has on many occasions been involved in capacity building but not much has been done since MSC is not funded for this activity.
- There is need for a formal working relationship between MSC, UCSCU and UCA so that work is harmonized because clients often get confused what each of the three is supposed to offer.
- Political interference has affected the attitude, perception and conception of the micro finance programme.
- The workload at the regional office is too much while the public and stakeholder expectation is too high.
- The regional office can hardly breakeven, the interest rates charged on the loans are so small and yet the costs of running the office are too high.
- Political interference and pronouncements have made it difficult for MSC to be able to recover some of the loans.
- MSC is supposed to support SACCOs which are monitored and audited by DCOs but the majority of SACCOs are not audited because the DCOs are not facilitated.
- The DCOs are not sure where they belong. It is not clear whether they belong to the registrars or the district.

## GULU MSC ZONAL OFFICE

Gulu MSC zonal office serves seventeen (17) districts of Agago, Alebtong, Amolator, Amuru, Apac, Dokolo, Gulu, Kitgum, Kole, Lamwo, Lira, Otuke, Oyam, Nwoya, Kwania, Omuru and Pader

The office has 3 technical staff the Zonal manager, Creditor officer and an Administrative Assistant. It also has two support staff.

### Loan disbursements

The regional office disbursed UgShs 985,200,200 in 2010/11 and UgShs 1,620,000,000 in 2011/12 registering a 64% increase as compared to the previous year.

### Loan Portfolio

The loan portfolio as at 30.06.2012 was UgShs 4,072,807,855 and the cumulative repayment rate was 65%.

### Challenges

The quality of managers in some SACCOs is very low.

The office has no lockable cabin for sensitive documents.

The region has unreliable power and this has often affected the zonal office operations and the activities of its clients.

The repayment culture in the region is very poor and several clients have been referred for legal action.

## IGANGA MSC ZONAL OFFICE

Iganga MSC zonal office serves ten (10) districts of Bugiri, Buyende, Iganga, Jinja, Kaliro, Kamuli, Luka, Mayuge, Namayingo and Namutumba.

The zonal office served 123 SACCOs/Institutions in the FY 2011/12 and 92 for the FY 2010/11 (Table 3.9.4); this is a marked improvement of 34%.

**3.9.4 Number of Clients by district**

| District | No. of clients as at 30.06.2011 | No. of clients as at 30.06.2012 |
|---|---|---|
| Jinja | 16 | 19 |
| Kamuli | 13 | 17 |
| Mayuge | 11 | 14 |
| Iganga | 23 | 32 |
| Bugiri | 11 | 11 |

| | | |
|---|---|---|
| Luuka | 10 | 13 |
| Kaliro | 4 | 7 |
| Buyende | 2 | 5 |
| Namutumba | 2 | 5 |
| **Total** | **92** | **123** |

Source: IFMS

**Loan disbursements**

The loan disbursement FY 2011/12 was 766,110,881 and FY 2010/11 was 431,541,498. This was an increment of 77% in the loans disbursed.

**Loan Portfolio**

The zonal office loan portfolio was UgShs 1,694,075,498 for the FY 2011/12 and UgShs 1,327,964,617 for the FY 2010/11. This is an increase of 28% compared to the previous year.

There was a slight improvement in the portfolio at risk. The PAR was 23% FY 2011/12 and 25% FY 2010/11.

The cumulative repayment rate deteriorated, it was 81% as at 30.06.2012 and 92% as at 30.06.2011.

**Challenges**

- The zonal office experiences a high default rate, this is attributed to the community's poor perception of the programme.
- Low absorption capacity of SACCOs in the region which is reflected in the low disbursements compared to other regional offices.
- The Kamuli District Commercial Officer is a defaulter in many SACCOs and therefore difficult to use the DCO to follow up defaulters.
- The founder members of the SACCOs tend to stay on the board of members for too long, they over familiarize with management and a cause to some fraudulent cases.

**KABAROLE MSC ZONAL OFFICE**

Kabarole MSC zonal office is located in Fort Portal Town, serves eight districts of Kabarole, Kamwenge, Kasese, Kyenjojo, Mubende and Ntoroko.

The office has three technical officers, a Zonal manager, Credit officer, Finance officer and two support staff a Driver and an Administrative officer.

**Loan disbursements**

The total loans disbursed in FY 2011/12 amount to UgShs 3,729,000,000 (Table 3.9.5). Agricultural loans constitute 90% of the total loans disbursed.

**Table 3.9.5 Loan disbursements by category for FY 2011/12**

| Product/Sector | Amount Disbursed (UgShs) |
|---|---|
| Agricultural Loans | 3,364,000,000 |
| Commercial Loans | 155,000,000 |
| Small & Medium Enterprises | 150,000,000 |
| Special Interest Group | 60,000,000 |
| **Total** | **3,729,000,000** |

Source: MSC Kabarole

**Loan Portfolio**

The loan Portfolio as at 30.06.2012 was UgShs 7,125,479,563 and the PAR > 30 days was 4%. The PAR is less than the target of 5%.

**Challenges**

- There is increasing mismanagement and abuse of office by SACCO management and board members.
- Cotton suffered a drop in prices and the cotton clients were unable to repay their loans in time.
- No appropriate regulations governing SACCOs and as a result some dishonest managers and board members have embezzled SACCO funds.
- A high labour turnover in SACCOs.
- Inadequate monitoring and supervision of the SACCOs/Institutions which MSC has provided loans and this is a result of inadequate funds for monitoring and supervision.
- Poor client perception in some districts, for instance Bundibugyo clients perceive that the loans to the SACCOs are ment for resettlement of the people affected by ADF war.

**MBALE MSC ZONAL OFFICE**

Mbale MSC regional office serves fifteen (15) districts that is, Budaka, Bududa, Bukwa, Bulambuli, Busia, Butaleja, Kapchorwa, Kibuku, Manafwa, Kwen, Mbale, Mbale, Pallisa, Sironko, Tororo, Bukedea and Namisindwa.

The office has four (4) employees as follows; the Zonal manager, Credit officer, Administrative Assistant and Logistics officer.

**Loan disbursements**

The loans disbursed in 2011/12 show an improvement as compared to 2010/11 but lower than what was disbursed in 2009/10 (Table 3.9.6)

**Table 3.9.6 Loans disbursed by financial year**

| **Financial Year** | **Amount Disbursed (UgShs)** |
|---|---|
| 2011/12 | 630,000,000 |
| 2010/11 | 440,000,000 |
| 2009/10 | 663,000,000 |
| 2008/9 | 434,000,000 |
| **Total** | **2,167,000,000** |

Source: MSC Mbale

**Loan Portfolio**

The loan portfolio as at 30.06.2012 was UgShs 1.2 billion and the cumulative repayment rate was 78%.

**Status of delinquent loans**

The delinquent loans reported amount to UgShs 340,111,381 and more than 60% of the clients have been referred to MSC Headquarters for legal action.

**Challenges**

During the interaction with the acting manager of Mbale MSC regional office, the following challenges that face the region were highlighted;

- The region experiences a very poor repayment culture. Some of the clients have the capacity to pay but lack the willingness to pay.
- The area of coverage is too wide and with a poor terrain.
- Many SACCOs present falsified documents on loan application.
- The MSC office has sufficient funds to lend but most of the SACCOs do not meet the requirements for borrowing.
- Many SACCOs are formed with the ultimate objective of obtaining loans and the members have a perception that the loans from MSC are free loans.

## MBARARA MSC ZONAL OFFICE

Mbarara MSC regional office serves eleven districts that is, Buhweju, Bushenyi, Ibanda, Isingiro, Kiruhura, Mbarara, Mitooma, Nsiika, Ntungamo, Rubirizi and Sheema.

The zonal office has three (3) employees, the Zonal manager, Credit officer and Finance officer.

### Loan disbursements

The regional office disbursed loans of UgShs 3,539,000,000 (Table 3.9.7) in the FY 2011/12, the agricultural loans take the biggest share of the loans disbursed at 83%.

**Table 3.9.7 Loans disbursed for the FY 2011/12**

| Product/Sector | Amount Disbursed (UgShs) |
|---|---:|
| Agricultural Loans | 2,954,000,000 |
| Commercial Loans | 345,000,000 |
| Small & Medium Enterprises | 230,000,000 |
| Special Interest Group | 10,000,000 |
| **Total** | **3,539,000,000** |

Source: MSC Mbarara

### Loan Portfolio

The loan portfolio 2010/11 was UgShs 5,003,538,307 and 2011/12 was UgShs 6,736,871,855. This is a growth in the portfolio of 35%.

### Challenges

During the interaction with the zonal manager of Mbarara MSC regional office, the following challenges that face the region were highlighted;

- Failure for SMEs to keep proper records to enable them to acquire loans.
- Delays by management of the SACCOs/Institutions to put right the requirements for the loan, this in turn also delays the processing of the loans by MSC.
- Encountering so many non performing boards of SACCOs and rising cases of fraud in the SACCOs.
- Some SACCOs which completes their loans do not come back and some fail to acquire other loans due to poor loan recovery/default by the members including the board.
- External auditors are unable to uncover frauds in SACCOs since the external auditors work is conducted on a sample basis.

## Conclusions

### Key Cross cutting Challenges

- Most SACCOs generally have poor record keeping systems and this has been a hindrance for MSC to provide loans to such institutions.
- There are generally an increasing number of fraud cases in SACCOs and most of them are engineered by managers and board members.
- There is generally a poor repayment culture among the SACCOs in the regions monitored. The eastern region registering the lowest repayment rates, some clients have the capacity to pay but lack the willingness to pay.
- Inadequate monitoring and supervision of the SACCOs/Institutions which MSC has provided loans and this is as a result of inadequate funds for monitoring and supervision.
- Most of the MSC regional offices are understaffed. They have on average two to five staff members and each regional office on average is managing ten districts.
- The regional office can hardly breakeven, the interest rates charged on the loans are so small and yet the costs of running the offices are too high.
- Political interference and pronouncements have made it difficult for MSC to be able to recover some of the loans. Some politicians make pronouncements that the MSC loans are free.

### Recommendations

- Political leadership need to delink politics from government programs and so politicians should speak the same languages as technocrats.
- There is need to strengthen enforcement of the law and the roles of District Commercial Officers to ensure accountability.
- There is need for a strong Regulatory Authority for the MFI to guard against the increasing fraudulent activities.
- MSC capacity should be strengthened through increased staffing and related facilitation to enable MSC to effectively monitor its clients.
- There is need for continuous engagement and sensitization of the members/institutions to which MSC lends money with the aim of improving the saving and repayment culture.

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# ANNEXES

**Annex 1**