Industry sub-sector performance for FY2016/17: Who were the achievers?

Overview

The industrialization sub-sector seeks to propel Uganda's growth through promotion of value addition industries for agriculture and minerals, promotion of innovation of applied research and increasing the stock of manufacturing jobs to enable the country attain middle income status.

This policy brief presents semi-annual performance of the industrialization sub-sector for FY2016/17.

Methodology: Primary data using a combination of random and purposive sampling methods was collected by the Budget Monitoring and Accountability Unit during January and February from respective agencies. A weighted score method was used to rate the achievement of outputs against approved budgets and releases.

Performance Rating: Very Good (90% +); Good (70%-89%); Fair (50%-69%) and poor (Less than average).

Key Issues

- Inadequate funding and low releases to enable the sub-sector achieve its objectives.
- Lack of a comprehensive Tourism, Trade and Industry sector strategic plan.
- Lack of clear transition plan for commercialization of the PIBID project.

Introduction

The industrialization sub-sector aims to promote sustainable industrialization and appropriate technology transfer and development. It is composed of state and non-state actors playing complimentary roles including: The Ministry of Trade, Industry and Cooperatives (MoTIC), Uganda Development Corporation (UDC), Uganda Industrial Research Institute (UIRI), Uganda Manufacturers Association (UMA), and other formal and informal private sector players.

Over the second National Development Plan (NDP II) period, (2015/16-2019/20) the sub-sector's key focus areas include: The development of value added industries in agriculture and minerals; increasing the stock of new manufacturing jobs; enhancing the use of standards and quality infrastructure; promoting and accelerating the use of research, innovation and applied technology; and promoting green industry and climate-smart industrial initiatives.

A number of development projects are implemented in the sub-sector namely; Development of Industrial Parks (DIP) under Uganda Investments Authority (UIA), Presidential Initiative on Banana Industrial Development (PIBID), United States African Development Foundation (USADF), Soroti Fruit Factory (SFF), Kiira Motors Corporation (KMC), Value Addition Tea (VAT), One Village One Product (OVOP), and Construction of Laboratories under the Uganda National Bureau of Standards (UNBS).

Overall Financial Performance

The total budget to the sub-sector for FY2016/17 was Ug shs 53,152,037,554, of which Ug shs 19,445,600,363 (36%) was released by half year, and Ug shs 13,213,161,900 (68%) spent representing a poor release and fair expenditure performances respectively. Table 1 shows the financial performance by project.

Table 1: Financial performance of Industrialization sub-sector by 31st December 2016

Project	Revised budget (Ug shs)	Release (Ug shs)	Expenditure (Ug shs)	% release	% spent
PIBID	20,681,128,025	4,514,999,994	4,514,999,994	21.8	100
DIP	4,240,000,000	1,877,280,000	1,877,280,000	44.3	100
USADF	3,600,109,810	1,800,054,905	1,800,054,905	50.0	100
SFF	4,482,787,000	1,774,310,464	1,069,375,367	39.6	60.3
VAT	6,000,000,000	5,534,420,529	85,505,355	92.2	1.5
KMC	10,000,000,000	2,340,000,000	2,299,011,389	23.4	98.2
OVOP	488,264,345	205,434,471	196,261,569	42.1	95.5
UNBS	3,659,748,374	1,399,100,000	1,370,673,321	38.2	98.0
TOTAL	**53,152,037,554**	**19,445,600,363**	**13,213,161,900**	**36.6**	**68**

Source: IFMS

Physical Performance

The overall performance for the sub-sector was fair at 55%.

Soroti Fruit Factory registered very good physical progress at **95%**. The civil works were completed against the multiyear plan. However the completion of the factory was postponed to March 2017 from December 2016. This was attributed to delayed shipment/delivery of materials and equipment for the processing line from Korea.

Kiira Motors Corporation and the One Village One Product projects had fair performance at **(65%)** each. The major output realized under Kiira Motors was staff capacity building. The infrastructure development at the proposed site in Jinja was pending as the project did not have the requisite funds to sign contracts. On the other hand, the OVOP project delivered agro-processing equipment to three out of the five groups targeted by half-year.

Under the **USADF** project, performance was fair at **55**%. By half year, the project had only funded four out of the 10 new beneficiaries targeted in FY2016/17. Disbursement of funds to approved groups was notably slow which was affecting implementation of activities.

Finished product (cough syrup) ready for sale by Mikwano EV Group, one of the beneficiaries under USADF

In FY2016/17, **the Value Addition Tea** project was earmarked to provide support to the tea factories of Kayonza and Mabaale in Kanungu and Kabarole respectively. However, due to additional demands from Kigezi Highland Tea Factory, funds were re-allocated to honor outstanding obligations in Kisoro and Kabale districts. The equipment was fully delivered to both factories awaiting installation. Physical performance was rated at **50%**.

The Presidential Initiative on Banana Industrial Development physical performance was poor at **45**%. The only activity achieved was importing and installation of equipment for the pilot banana processing plant. However, in December 2016, the entity was extended a supplementary of Ug shs 11 billion to cater for outstanding arrears to the contractor and staff gratuity.

Installed machinery at the PIBID in Bushenyi

The performance of the **Development of Industrial Parks project was poor at 40**% by half year. The only activities implemented were: opening and maintenance of roads at Luzira, Bweyogerere parks, and Kampala Industrial and Business Park (KIBP) Namanve.

The phase 2 of the Uganda National Bureau of Standards (UNBS) development project; **Construction of Laboratories**, had not commenced (0%). The funds secured under this project had been used to clear unpaid certificates under phase I (completion of UNBS headquarters).

Key Implementation Challenges

- **Lack of clear transition plan to commercialize the PIBID project**
  The pilot processing plant is set to be completed during FY2016/17; however plans to ensure smooth transition to the subsequent phase of commercialization have not yet been approved. The draft plan submitted to Ministry of Finance, Planning and Economic Development (MFPED) was awaiting approval; therefore the operations of the organization are likely to be stifled by lack of a special purpose vehicle to undertake competitive business.

- **Inadequate funding and low releases**
  The funding provided for the industrialization projects are still meagre to enable the sub-sector achieve its objectives. For example; the plan to service five industrial parks per year to achieve the NDP II target of 22 parks is very unlikely to be achieved with the current allocation of Ug shs 4.2billion per year for the development of industrial parks across the country. Similarly, Ug shs 10billion was provisioned in FY2016/17 for the Kiira Motors Corporation against a requirement of Ug shs 36 billion (US$33 million dollars over a period of three years).

  In addition, the UDC an agency established to promote industrialization has not been capitalized to enable it execute the mandate.

- **Lack of a strategic plan for the Tourism, Trade and Industry sector and UDC in particular** hinders ability to mobilize funds from prospective funders.

Recommendations

- The MFPED and PIBID should expedite the approval of the business plan or institute alternative mechanisms to ensure viable commercialization of the *Tooke* project.

- The MFPED should endeavor to adequately fund industrialization interventions. Alternative cost effective funding mechanisms should be considered for some projects e.g Kirra Motors Corporation could consider the option of pilot startup operations for vehicle manufacturing.

- The Tourism, Trade and Industry sector, and UDC in particular should develop a strategic plan to attract funding from prospective investors.

References

- National Planning Authority, NDP II: 2015/16 – 2019/20
- MFPED, Semi Annual Monitoring Report FY 2016/17
- MoTIC; Ministerial Policy Statement FY 2016/17

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