



How is the Rural Industrial Development Project performing?

Overview

A strong and competitive industrial sector is important to create employment, advance technology and create a resilient economy. As one of the initiatives to achieve industrialization, the Ministry of Trade, Industry and Cooperatives (MoTIC) is implementing a five-year Rural Industrial Development Project, a successor to the One Village One Product project that ended in FY 2016/17. The overall objective of the project is enhancing access to value addition and collective marketing infrastructure for improved competitiveness and productivity of rural enterprises.

The RIDP aims at promoting value addition to agricultural products at different levels of the commodity value chain that include drying, storage, preservation, packaging, processing and certification. This will be achieved through promotion of production and industrial processing clusters. These include operators of the storage facilities, suppliers of raw materials for processing, value addition enterprises, manufacturers and distributors of value addition equipment and providers of business development services. The success of the project will be evaluated basing on the degree of realization of the targeted outputs and outcomes for which it is designed.

This policy brief assesses the effectiveness of the Industrial and Technological Development Programme with specific focus on the Rural Industrial Development Project. It identifies implementation challenges and proposes policy recommendations.

Introduction

Uganda's Vision 2040 emphasizes industrialization as core in the transformation of our society from a peasant to a modern and prosperous country within 30 years. The recent National Budget speeches have emphasized "Industrialization for job creation and shared prosperity".

Key Issues

- Slow pace of implementation activities. Only 10 value addition facilities were established against a projected 1,382 over the project lifetime.
- Supply of defective equipment to some beneficiaries thus no value for money.
- Inadequate funding and poor prioritization of project activities.
- Some of the projects are not in tandem with the objectives.

Among the areas and opportunities to exploit to achieve Vision 2040 is investment in agro-based value addition industries since agriculture is the backbone of the economy.

In FY 2017/18, the Rural Industrial Development Project (RIDP) was established as a successor project to One Village One Product (OVOP) Project.

The project specific objectives are:

- To promote value addition to agricultural raw materials and products of comparative advantage for social-economic transformation
- To enhance market access through establishment of collective marketing infrastructure
- To develop human resource and entrepreneurial capacities for the beneficiary enterprises
- To promote establishment of incubation facilities and enhance access to business incubation services such as product development, branding, packaging and certification
- To reduce post-harvest losses from 37% to 12% by 2022.



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The total project cost over the five-year period is Ug shs 167 billion, however only Ug shs 0.517 (0.3%) billion has been released and expended over a period of one-and-half years. This rate of funds disbursement is likely to affect the achievement of project targets. From the start of FY2017/18 to February 2019, a number of beneficiary groups had received support in form of value addition equipment, training and product certification (table 1).

Table 1: List of RIDP beneficiary enterprises, location and type of support

Name	Enterprise	Location	Type of Support
Tukolerewamu Cooperative Society	Maize	Mpigi	Training
BUFA Cooperative Society	Maize	Busia	Training
Kisoro Bee Keepers	Apiary	Kisoro	Product certification
Kyamuhunga Bee Keepers Savings and Credit Society	Apiary	Bushenyi	Product certification
Bevron Investments	Wine	Kaliro	Product certification
Kayunga Area Cooperative	Wine	Kayunga	Product certification, equipment bottle filler for wine processing
Kwegatta Farmers Group	Coffee	Mpigi	Product certification
Kijukizo Cooperative	Carpentry	Butambala	Carpentry equipment (A wood drilling mortise machine)
Bake My Day	Bakery	Kampala	Bakery equipment
Mirembe Farm Enterprises	Coffee	Wakiso	Coffee huller and sorter
FREMEYA	Leather	Kampala	Transformer and motors
Kajanja Cooperative	Apiary	Nakasongola	Centrifuge tanks, warmers, harvesting gears
Kasambira Youth Enterprises	Rice	Kamuli	A rice huller
MBK General Enterprises	Metal works	Kaliro	A manual hydraulic pipe bending machine, compressor, welding machine and threading machine
Zigoti Clays Community Organization	Clay products	Mityana	A kiln for heat treating clay products
Nakirebe Farmers' Cooperative Society	Poultry	Mpigi	A feed mill

Source: BMAU Reports and RIDP Progress Reports



Left: A manual pipe bending machine for MBK General Enterprises -Kaliro District. Right: A defective rice huller at Kasambira Youth Enterprises-Kamuli District



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Overall achievement of outputs has been slow for all the project objectives. The project has been characterized with delays in implementation where some annual outputs for FY2017/18 spilled over to FY2018/19. The sector also least prioritizes the project as exhibited in its inadequate budget allocation. Some of the equipment is overvalued, while some are defective. The targets are likely not to be met in the project life time as highlighted in table 2.

Table 2: Achievement of some RIDP objectives and targeted outputs

Objective	Targeted outputs	Progress	Achievement by half year 2018/19
To promote value addition to agricultural raw materials and products of comparative advantage for social-economic transformation	1,382 functional value addition facilities established in 112 districts by 2022	Low	As of January 2019, 11 value addition facilities had been established in 10 districts in central, western and eastern Uganda.
To enhance market access through establishment of collective marketing infrastructure	200 agricultural marketing cooperatives strengthened through establishment of collective marketing infrastructure	Low	Less than 10% was achieved as few cooperatives were trained.
To promote establishment of incubation facilities and enhance access to business incubation services such as product development, branding, packaging and certification	i) Eight training and common facility/incubation centres established by 2022 ii) 200 patents and trademarks registered by 2022 ii) 600 beneficiary enterprises supported to undertake product packaging, branding and certification	Low	<ul style="list-style-type: none"> • 1 leather incubation centre was partially established at MTAC-Nakawa and 6 machines are operational. • Patents and trademarks were yet to be registered. • 4 cooperatives being assessed were yet to be certified.
To reduce post-harvest losses from 37% to 12% by 2022.	Reduced post-harvest losses from 37% to 12% by 2022	Low	Data is not available and it will be very difficult to attribute the post-harvest loss reduction to only this intervention.

Source: PIP, MoTIC Progress Reports, BMAU Reports

Implementation challenges

Undertaking activities outside the scope: Despite one of the objectives being promotion of value addition to agricultural raw materials, some of the equipment supplied such as the metal bending machine for MBK General Enterprises in Kaliro District, and a Kiln for heat treating clay products for Zigoti clays in Mityana District are not in tandem with this objective.

Quality of equipment supplied vis-a-vis cost: A number of beneficiaries raised concern over the quality of the supplies, and some equipment had defects. The feed mill in Nakirebe Farmers' Cooperative in Mpigi District had broken down, while the pipe bending machine for MBK General Enterprises in Kaliro District was reported not to meet the user specifications despite costing Ug shs 20million. This points to poor quality supplies in spite of the high costs.

Non-compliance to public procurement laws, regulations and treasury accounting instructions regarding supplies. Suppliers of defective equipment were fully paid before testing, training and commissioning of equipment.



Lack of training: Some of the beneficiaries were neither trained on how to operate the equipment nor provided with the user manuals. The beneficiaries at MBK General Enterprises in Kaliro reported difficulties in using the metal bending machine since they were not trained on use yet the suppliers did not bring along the user manual. This affected equipment use.

Delayed procurement and delivery of equipment to beneficiaries has resulted in year to year spillover of implementation activities. All equipment procured and planned for supply in FY 2017/18 was actually delivered in FY2018/19. This, if not tamed will affect the timely achievement of planned project outputs and activities.

Delayed implementation of project activities owing to late disbursements. The sector has not prioritized the project and consequently not sufficiently financed it to achieve the set objectives. For instance, only 0.3% of the project budget was released in the last one-and-a half years. This has hindered timely implementation of project activities.

Intermittent power supply: The power quality and supply in some locations was poor and in some instances destructive.

Conclusion

The RIDP's objectives are in line with the government's Vision 2040 however; the project performance is below average arising from the slow pace of implementation causing spill overs, poor quality of some works, and non-prioritization of the project by the sector in terms of funding. This has adversely affected the achievement of the project intended results. These challenges pose a serious bottleneck to the realization of the project objectives if not addressed.

Recommendations

The Ministry of Trade, Industry and Cooperatives should:

- Ensure that the selected beneficiary groups implement activities that contribute to the specific objectives of the RIDP project.
- Comply with public finance, and procurement laws and regulations in execution of the project. Suppliers that consistently deliver defective equipment should be black listed.
- Initiate procurements in time to ensure that projects are implemented within a financial year and avoid activity spill overs.
- Ensure that the beneficiaries are trained on the use of equipment to build capacity and mitigate redundancy.
- Prioritize funding of the programme if the objectives and impact is to be made within the stipulated project life time.

The Uganda Electricity Distribution Company Ltd and Uganda Electricity Transmission Company Ltd, should ensure quality and stable supply of electricity in the country. This will reduce on losses incurred during power surges. Power should be extended to growing towns without.

References

- BMAU Monitoring Reports FY2017/18 and FY2018/19
- Public Investment Plan (PIP) FY2017/18-2019/20 and FY2018/19-2020/21
- Rural Industrial Development Project (RIDP) documents
- Ministry of Trade, Industry and Cooperatives; Ministerial Policy Statements (FYs 2017/18 and 2018/19)
- Ministry of Trade, Industry and Cooperatives (2018); Quarterly Performance Report FY 2017/18 and 2018/19

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