The Republic of Uganda

VALUE FOR MONEY AUDIT REPORT ON
MANAGEMENT OF THE PRESIDENTIAL INITIATIVE ON BANANA
INDUSTRIAL DEVELOPMENT (PIBID) PROJECT

Prepared by
Office of the Auditor General
P.O. Box 7083
Kampala

MARCH 201
# TABLE OF CONTENTS

ABBREVIATIONS ........................................................................................................... 3

EXECUTIVE SUMMARY .................................................................................................. 4

CHAPTER ONE ................................................................................................................... 8

INTRODUCTION ............................................................................................................... 8

1.1 BACKGROUND ......................................................................................................... 8

1.2 MOTIVATION ............................................................................................................ 8

1.3 DESCRIPTION OF THE AUDIT AREA ..................................................................... 9

1.3.1 General Description ........................................................................................... 9

1.3.2 Legal Framework/Mandate ................................................................................ 10

1.3.3 Vision and Mission ............................................................................................. 10

1.3.4 Project Goal, Objectives, and Deliverables ....................................................... 10

1.3.5 Organizational Structure .................................................................................... 12

1.3.6 Project Funding ................................................................................................... 13

1.4 AUDIT OBJECTIVES ............................................................................................... 13

1.5 AUDIT SCOPE ......................................................................................................... 13

AUDIT METHODOLOGY ................................................................................................. 14

2.1 SAMPLING ............................................................................................................... 14

2.2 DATA COLLECTION ............................................................................................... 14

2.3 DATA ANALYSIS ..................................................................................................... 14

CHAPTER THREE ........................................................................................................... 15

SYSTEMS AND PROCESS DESCRIPTION ..................................................................... 15

3.1 ROLES AND RESPONSIBILITIES OF KEY PLAYERS ........................................... 15

3.2 PROCESS DESCRIPTION ......................................................................................... 18

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS .............................................. 22

4.1 PLANNING ............................................................................................................... 22

4.1.1 Feasibility Study ............................................................................................... 22

4.2 PROJECT LIFE ........................................................................................................ 24

4.3 PROJECT IMPLEMENTATION ............................................................................... 25

4.4 PROJECT COSTS ..................................................................................................... 33

4.5 PROJECT MONITORING AND EVALUATION ....................................................... 35

GLOSSARY OF TERMS .................................................................................................... 37

Appendix 1: Organization Structure .............................................................................. 38

Appendix 2: Documents reviewed ................................................................................... 39

Appendix 3: Interviews conducted ................................................................................. 40
LIST OF TABLES
Table 1: Showing the total Project Funding .........................................................13
Table 2: Planned capacity building activities vs. status of completion .............27
Table 3: Showing the percentage of personnel & Administration costs ..........34
Table 4: Estimated and actual contract prices ....................................................35

LIST OF PICTURES
Picture 1: The Mini-processing Plant in Bushenyi..........................................28
Picture 2: On-going Construction Works at TBI Bushenyi .............................29
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>AWP&amp;B</td>
<td>Annual Work Plans and Budgets</td>
</tr>
<tr>
<td>BMC</td>
<td>Board and Management Committee</td>
</tr>
<tr>
<td>CAO</td>
<td>Chief Administrative Officer</td>
</tr>
<tr>
<td>CPA</td>
<td>Community Processing Association</td>
</tr>
<tr>
<td>CTC</td>
<td>Community Trading Centre</td>
</tr>
<tr>
<td>EDPR</td>
<td>Economic Development Policy and Research</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoU</td>
<td>Government of Uganda</td>
</tr>
<tr>
<td>HCCP</td>
<td>Hazard Critical Control Point</td>
</tr>
<tr>
<td>IBMU</td>
<td>Improvement of Banana Marketing and utilization</td>
</tr>
<tr>
<td>ITP</td>
<td>Industrial Technology Park</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MFI</td>
<td>Micro Finance Institution</td>
</tr>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
</tr>
<tr>
<td>MUK</td>
<td>Makerere University Kampala</td>
</tr>
<tr>
<td>NARO</td>
<td>National Agricultural Research Organization</td>
</tr>
<tr>
<td>NCST</td>
<td>National Council for Science and Technology</td>
</tr>
<tr>
<td>NGO’s</td>
<td>Non-Governmental Organisations</td>
</tr>
<tr>
<td>NTES</td>
<td>Non Traditional Export Sector</td>
</tr>
<tr>
<td>PAP</td>
<td>Poverty Alleviation Programme</td>
</tr>
<tr>
<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
</tr>
<tr>
<td>PIBID</td>
<td>Presidential Initiative for Banana Industrial Development</td>
</tr>
<tr>
<td>PMA</td>
<td>Plan for Modernisation of Agriculture</td>
</tr>
<tr>
<td>POPA</td>
<td>President’s Office for Poverty Alleviation</td>
</tr>
<tr>
<td>TBI</td>
<td>Technology Business Incubator</td>
</tr>
<tr>
<td>UGX</td>
<td>Uganda shillings</td>
</tr>
<tr>
<td>UIA</td>
<td>Uganda Investment Authority</td>
</tr>
<tr>
<td>UMA</td>
<td>Uganda Manufacturers Association</td>
</tr>
<tr>
<td>UNBS</td>
<td>Uganda National Bureau of Standards</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

BACKGROUND

The Presidential Initiative on Banana Industrial Development (PIBID) Project is a pilot project under the patronage of H.E the President of Uganda. The underlying theory of the project is to provide rural banana farmers with access to science-led processing and value addition enterprises.

Uganda is among the world’s leading countries in terms of banana production with annual production estimated at 9.5 million tons in 2009\(^1\) and 9.9 million tons in 2010\(^2\). Despite these high production volumes, statistics show persistent alarming post-harvest losses of over 40%, very low banana export volumes and the majority of people leaving in abject poverty\(^3\). Despite the presidential initiative and the substantial investment in the project of UGX.40 billion, there are concerns that the five year project which began in January 2005, and was expected to have been completed in 2009, is still far from completion. The project has also received 97\(^4\) of the budgeted funds.

It is on the basis of the above concerns that the Office of the Auditor General (OAG) carried out an independent assessment of the management of the project.

KEY FINDINGS:

The following are some of the key findings noted as a result of the audit:

PLANNING

- It was noted through documentary review and interviews with staff that there was no feasibility study conducted to justify the commitment of UGX 40 billion to the project by Government. There was also no investment appraisal carried out and therefore no business case availed for audit verification.

- It was noted through interviews with project management staff that Ministries of: Agriculture Animal Industry and Fisheries, Water and Environment, Energy and Mineral Development (MEMD), Education and Sports, Works and Transport, Trade, Tourism and Industry and National Agricultural Research Organization (NARO) were not involved during the project design and planning yet they were supposed to fund the support works such as: energy requirements, construction of access roads, water

\(^1\) UBOS 2010 Statistical Abstract
\(^2\) Rev.Dr.F.I. Muranga (2010) Women Innovation and Entrepreneurship
\(^3\) National household Survey(2000)
\(^4\) Hunger project Report (2008)
\(^5\) PIBID budgets and releases.
requirements, irrigation aspects, construction of hostels, and development of community processing units.

- It was noted during audit (December 2011) that the project has not been completed. The project has experienced a delay of two years so far and is expected to take much longer to be completed given the volume of work outstanding. The construction of the Technology Business Incubator (TBI) has delayed by four years. In addition, construction of the Industrial Technology Park (ITP) at Sanga had not started, although the contract for surveying and development of the master plan for the ITP had been awarded even before securing ownership of the land.

- Audit also noted that there was no formal extension of the project life yet Government has continued funding the project.

**PROJECT IMPLEMENTATION**

- The interviews conducted and documents reviewed revealed that the initial project launch was carried out in Bushenyi in 2005 at the commencement of the project. It was also noted that although management spent UGX 60,628,729 out of the UGX 304,485,000 received for launching activities during FYs 2008/09 and 2010/11, there was no documentary evidence in form of a prepared footage as specified in the project work plan.

- It was also noted that market surveys were only carried out in Kampala markets as opposed to the domestic and regional markets targeted in the surveys research design at a cost UGX 67,609,277 for the period 2006/07 – 2010/11.

- It was noted that, although UGX 2,008,555,189 was provided for production technologies & agronomic practices which included research in improving the productivity of bananas, establishing demonstration plots in each of the 5 counties of Bushenyi, adoption and utilization of tissue culture technology by farmers, evaluation of farmers for presidential awards, and provision of supplementary irrigation water to farmers, only a 15- acre demonstration plot was established and drip irrigation provided (on about ¼ acre piece of land) at the TBI. While research in improving the productivity of bananas is underway, the rest of the activities valued at UGX 1,445,662,053, were not carried out.

- According to the project implementation work plan, the project was to develop a mechanism for sustainable processing of quality and market driven products through the
establishment of rural value addition enterprises under the TBI framework for local and global markets. As a result, UGX 24,420,854,257 was budgeted, approved and released for the following activities between 2006/07 and 2010/11: Value addition and capacity building; pilot plant operations and research at TBI; establishment of Value Addition (VA) and Quality Control (QC) departments; training of 40 farmer groups in the business and marketing of Tooke products; training of 50 trainers; and establishment of 10 community drying centres. It was observed that of the planned activities, only the VA/QC departments were established while construction of the pilot plant, and capacity building was on-going. Value addition was being carried out on a low scale in a mini-plant producing on average 20 kilograms (kgs) of Tooke chips per day. It was also noted that UGX 22,003,568,474 estimated for the pilot plant operations and research was spent, however, by the time of audit (December 2011), the construction of the pilot plant was still underway.

- According to the project work plans and proposal document, the establishment of an Industrial Technology Park (ITP) at Sanga was one of the major project activities to be accomplished in the project year 5 (2009). The ITP was to promote entrepreneurship in the private sector and training at public institutions. Site inspections at Sanga revealed that no activity had taken place by the time of the audit (December 2011) although UGX 411,475,031 had been released to the project. It was also noted that the ownership of the proposed land at Sanga had not yet been secured. Management has gone ahead to sign a contract with M/S Technology Consult Ltd for consultancy services for the survey and development of the master plan for the ITP at a cost of UGX 385,421,925 even when the land has not been secured. 50% of the contract sum amounting to UGX 192,710,964 had so far been paid to the contractor by the time of the audit.
• Audit attributed the failure to achieve project objectives to: poor conceptualisation of the project leading to frequent changes in the project design; lack of a full time core team dedicated to implementation of the project; poor prioritisation of project activities; for failure to define the project critical path and diversion of funds to unplanned activities.

**KEY RECOMMENDATIONS:**

The following are some of the key recommendations noted as a result of the audit:

• It is recommended that for future projects involving public funds, feasibility studies should be carried out before commitment of funds.

• Management should develop a mechanism that will ensure smooth coordination of joint activities with other implementing agencies and, in future, when designing similar projects, all the relevant stakeholders should be involved in order to harness synergies and avoid duplication of effort.

• Management should evaluate the entire project activities and re-define the project scope as well as come up with realistic resource estimates for the remaining project activities.

• Management should closely monitor project progress with a view of keeping the project on track to avoid further delay.

• Management should ensure that the project activities are implemented according to project plan and identify critical activities to avoid further disruption of the implementation of sequential activities and overstretching of resources, such as: time, money and human skills.

• Project funds should strictly be utilized for the intended purpose and in accordance with the project implementation plan.

• The current project management team members should schedule their different activities and dedicate adequate time to the project.
CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND
The Presidential Initiative on Banana Industrial Development (PIBID) Project is a pilot project under the patronage of H.E the President of Uganda. The underlying theory of the project is to provide rural banana farmers with access to science-led processing and value addition enterprises. It also aims at enabling farmers to rapidly access profitable market chains that link farmers to local, regional and international markets, which would result into increased household incomes. It is modeled around a rural Technology Business Incubator (TBI) and an Industrial Technology Park (ITP). These models enhance the success of early stages of technology transfer and diffusion, and entrepreneurship among farmers, entrepreneurs, researchers and academicians. The project is wholly funded by the Government of Uganda (GOU) and is supervised by the Ministry of Finance, Planning and Economic Development (MoFPED) under the Department of Economic Development Policy and Research (EDPR) and managed by a Board and Management Committee (BMC).

1.2 MOTIVATION
Uganda is among the world’s leading countries in terms of banana production with annual production estimated at 9.5 million tons in 2009\(^5\) and 9.9 million tons in 2010\(^6\). Despite these high production volumes, statistics show persistent alarming post-harvest losses of over 40%, very low banana export volumes (insignificant contribution of the sub sector to GDP) and between 35-37% of Ugandans still living in abject poverty\(^7\). In fact, Uganda’s contribution to the world’s export market in terms of bananas is still negligible since it is ranked 70\(^{th}\) in banana exports and bananas are mainly for domestic consumption.\(^8\)

It is against the above background and in line with the 1997 Government of Uganda (GoU) Poverty Eradication Action Plan (PEAP) as revised in 2004/5 and 2007/8 and the Plan for the Modernization of Agriculture (PMA) framework that the President initiated the PIBID project.

\(^5\) UBOS 2010 Statistical Abstract
\(^6\) Rev.Dr.F.I. Muranga (2010) Women Innovation and Entrepreneurship
\(^7\) National household Survey(2000)
\(^8\) Hunger project Report (2008)
\(^9\) Rev. Dr. F.I. Muranga (2010)
Despite the presidential initiative and the substantial investment in the project of UGX.40 billion, there are concerns that the five year project which began in January 2005, and was expected to have been completed in 2009, is still far from completion. The project has also received 97%\(^9\) of the budgeted funds.

Members of Parliament have also continued to query how the project is funded and project beneficiaries selected, and how the project is managed and implemented.

It is on the basis of the above concerns that the Office of the Auditor General (OAG) carried out an independent assessment of the management of the project to ascertain whether the intended project objectives have been achieved.

1.3 **DESCRIPTION OF THE AUDIT AREA**

1.3.1 **General Description**

The PIBID Project was commissioned in January 2005 as an initiative to add value to bananas and exploit the niche markets and thereby improve incomes and livelihood of the banana farmers in Uganda. The project was expected to be implemented within five years at an estimated cost of UGX14 billion. However, actual expenditure had increased to UGX 22 billion by the F/Y 2007/08\(^10\) and to UGX 40 billion\(^11\) by the time of audit (December 2011).

The project was intended to establish a strong research, training and technology development, and transfer mechanism between researchers from Universities and key stakeholders.

The President, through the Government PEAP and PMA frameworks (2000), realized an urgent need to accelerate the growth of the banana industry in the country in order to fight hunger and poverty.

As a result, professionals from Makerere University, Faculty of Food Science and Technology, were contacted to carry out research on the possibilities of processing excess bananas into shelf-stable products as well as carry out a survey for their potential market locally and internationally. A project was conceived to kick-start a pilot industry meant to incubate the translation of banana value added products from the laboratory shelves into a viable banana processing industry. It was targeted at harnessing rural farmers’ value addition activities through the R&D framework and

\(^9\) PIBID budgets and releases.
\(^10\) Pibid AWP&BS 2007/08
\(^11\) Public Investment Plan 2009/10
scaling up drying operations as well as adding secondary value to processed banana flour (production of cakes, bread, cookies and soups from banana flour).

1.3.2 **Legal Framework/Mandate**

The PIBID Project derives its mandate from the Executive Instrument, the Presidential Initiative on Banana Industrial Development (PIBID), 2005. The instrument establishes the project, and describes the terms and conditions of service of the Board and Management Committee.

1.3.3 **Vision and Mission**

**Vision**

PIBID’s vision is: “State-of-the-art banana processing enterprises in Uganda, producing value-added matooke products with competitive market strength both locally and globally, manned by rural farmers/entrepreneurs”.

**Mission**

PIBID’s mission is: “To offer rural farmers technical/scientific services, outreach and Research & Development opportunities in:

* Sustainable banana production
* Sustainable and competitive value addition to bananas
* Business and product process development
* Product quality assurance and safety
* Process/ product technology transfer and commercialization”.

1.3.4 **Project Goal, Objectives, and Deliverables**

1.3.4.1 **Project Goal**

The project goal is: to facilitate the development of state-of-the-art banana-based sustainable processing enterprises applying Technology Business Incubator (TBI) and Industrial Technology Park (ITP) system principles to help farmers/entrepreneurs to sustainably add value to matooke so as to yield profitable & competitive products.
1.3.4.2 **Main Project Objective**

The main project objective is to kick-start state-of-the-art banana processing enterprises, targeting rural farmers, in order to improve value addition to matooke, raise income opportunities for farmers, and expand market access for banana growers and entrepreneurs/processors in local, regional and international markets.

1.3.4.3 **Specific Project Objectives**

The specific project objectives are:

a) To establish benchmarks for starting a rural based pilot banana processing Industry in Bushenyi.

b) To build Capacity for rural farmers in new production technologies & agronomic practices, so as to ensure the sustainability of *matooke* production & marketing in Bushenyi District.

c) To ascertain sustainable processing of quality, market driven products by a start-up of rural value addition enterprise through a Technology Business Incubation framework for local and global markets.

d) To Link farmers and entrepreneurs to micro-financing mechanisms/facilities to ensure the sustainability of both banana production and rural processing industries.

e) To establish reliable supply chain models that link rural farmers to more reliable or profitable market outlets with medium and large scale food processors/consumers so as to ensure sustainability of the venture banana processing industry.

(a) To assess project impact on environmental sustainability, overall economic wealth, food and nutrition security at macroeconomic level.

(b) To promote entrepreneurship in the private sector and training at public institutions through establishment of an Industrial Technology Park at Sanga.

1.3.4.4 **Project Deliverables**¹²

The project deliverables are as listed hereunder:

- Establishment of demonstration plots
- Adoption and utilization of Tissue culture technology
- Evaluation of model farmers, farming communities and banana entrepreneurs for granting/distribution of annual presidential awards
- Provision of supplemental irrigation water to farmers for high technique irrigation

¹² PIBID Annual work plans
• Value addition and capacity building/training
• Establishment of TBI, value addition and pilot plant operations
• Establishment of the banana value addition and quality control departments
• Number of farmers trained in business and marketing of value added products
• Number of trainers trained in value addition
• Establishment of community drying centres
• Number of farmer groups linked to credit schemes and number of farmers accessing credit.
• Capacity building of farmers to form community processing organizations or associations
• Facilitate and promote linkages among farmers, processing associations, processors, consumers and service providers
• Establishment of a pilot network of marketing/information centres linking farmers, traders and community processors
• Establishment of the Industrial Technology Park at Sanga.
• Improvement of procurement, facilitation of bulk packaging, storage and milling of banana chips and transportation of flour to the product market outlets.
• Assessment of project impact on environmental sustainability, overall economic wealth, food and nutrition security at macro-economic level.

1.3.5 Organizational Structure

The project is implemented and supervised in the MoFPED under the Department of Economic Development Policy and Research (EDPR). His Excellency, the President of the Republic of Uganda is the Patron of the project. It is managed by an Executive Director (ED) who reports to a five-member Board and Management Committee (BMC). The ED is assisted by a Deputy Director (training, product design and marketing) and an Assistant Director in charge of Finance, Administration and operations. The ED works hand in hand with a team of professionals who constitute the project’s think tank and the technical committee which assists in the day to day running of the project. Below the ED are the value addition/quality control section and the project secretariat. Details of the Organization Structure are in Appendix 1.
1.3.6 **Project Funding**

The project is wholly funded by the Government of Uganda (GoU) and more than UGX 40 billion has so far been expended on project activities over the seven years of its implementation. The project financing over the years is as indicated in **Table I** below:

**Table 1: Showing the Total Project Funding.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted (in UGX '000)</th>
<th>Actual (in UGX '000)</th>
<th>Variance (in UGX '000)</th>
<th>Percentage (%age) of funds received</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>450,000</td>
<td>450,000</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2005/06</td>
<td>2,859,000</td>
<td>2,859,000</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2006/07</td>
<td>6,200,000</td>
<td>6,200,000</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2007/08</td>
<td>6,200,000</td>
<td>5,071,000</td>
<td>1,129,000</td>
<td>82</td>
</tr>
<tr>
<td>2008/09</td>
<td>5,200,000</td>
<td>5,075,000</td>
<td>125,000</td>
<td>98</td>
</tr>
<tr>
<td>2009/10</td>
<td>10,200,000</td>
<td>11,673,000</td>
<td>(1,473,000)</td>
<td>114</td>
</tr>
<tr>
<td>2010/11</td>
<td>10,200,000</td>
<td>8,794,000</td>
<td>1,406,000</td>
<td>86</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>41,309,000</strong></td>
<td><strong>40,122,000</strong></td>
<td><strong>1,187,000</strong></td>
<td><strong>97</strong></td>
</tr>
</tbody>
</table>

*Source: Submission by PIBID Finance and Administration Department and MoFPED.*

1.4 **AUDIT OBJECTIVES**

The overall audit objective was to assess whether the project has been satisfactorily managed.

The specific objectives were to ascertain whether:-

i. Project objectives were achieved as planned

ii. Project activities were timely implemented.

iii. The project was properly managed, monitored and evaluated during implementation.

1.5 **AUDIT SCOPE**

The Audit was conducted on the Presidential Initiative for Banana Industrial development (PIBID) project implemented under the Department of Economic Development, Policy and Research of MoFPED. It focused on the four project implementing districts namely Sheema, Kiruhura, Rubirizi, and Bushenyi and covered the project from inception (January 2005) to June 2011. The audit assessed the value for money aspects of the project.
CHAPTER TWO

AUDIT METHODOLOGY

The audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Performance Auditing Standards and the Office of the Auditor General (OAG) VFM audit manual. The standards require that the audit be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

2.1 SAMPLING

All the project management aspects of planning, implementation, monitoring and supervision were considered during the VFM audit assessment.

2.2 DATA COLLECTION

The following data collection methods were used to gather audit evidence:

Document Review
Relevant documents were reviewed to obtain information relating to project objectives, activities and targets as shown in APPENDIX 2.

Interviews
A total of 25 interviews were conducted with MoFPED officials, project managers, disciple farmers and staff at the secretariat as well as staff at the Bushenyi TBI. SEE APPENDIX 3

Field Inspections
Field inspections were carried out at the project implementation sites in Bushenyi, Sheema, Kiruhura and Rubirizi districts to assess the progress of the project activities being implemented.

2.3 DATA ANALYSIS

The data collected from the field was analyzed to determine the current project performance (compared planned and actual project deliverables), variances (absolute values and percentages) so as to establish the project trends since its inception.
CHAPTER THREE

SYSTEMS AND PROCESS DESCRIPTION

3.1 ROLES AND RESPONSIBILITIES OF KEY PLAYERS

The Patron

The President of the Republic of Uganda is the Patron of the PIBID project and is responsible for:

a) Overall oversight of the project.
b) Ensuring favourable policy and resource mobilization for the project.
c) Appointment of the BMC.
d) Approval of the appointment of key project staff.

Ministry of Finance, Planning and Economic Development (MoFPED)

The Ministry of Finance, Planning and Economic Development (MoFPED) is responsible for quarterly release of funds from the consolidated fund to the project on receipt of annual work plans and budgets approved by the Board and Management committee (BMC). It is also responsible for monitoring and supervision of all government projects.

The Board and Management Committee (BMC)

The BMC comprises of five (5) members, namely: a chairperson, deputy chairperson, secretary who is also the Executive Director and two other members. The BMC, which meets once every month, is responsible for ensuring efficient administration and management, as well as expeditious and sustainable implementation of the project. Other duties of the BMC include: issuing project implementation guidelines, approving all work plans, budgets and procurement proposals of the project, and monitoring and evaluating project performance. The BMC also carries out physical inspection, receives, considers and approves the progress and financial reports of the project. It is also required to submit quarterly and annual reports on project progress and performance to the Patron.

The Executive Director PIBID

The ED is the chief executive officer of the project and is responsible for all matters concerning the project secretariat in Kampala, the TBI and the ITP. In consultation with the technical committees, the ED plans and reports to the BMC on all strategic

---

13 Project proposal document Jan. 2005
interventions that are critical for the timely realization of the project objectives. The ED is the Secretary to the BMC and Technical Committee meetings and is responsible for receiving, preparing, reviewing all types of documents, including financial reports, monthly/quarterly and annual reports and budgets and submitting them to the BMC for approval. The ED is also responsible for developing, and maintaining strategic contacts with governments, donor organizations, local and foreign institutions of research and higher learning, communities and stakeholders, including initiating the development of new partnerships and drafting memoranda of understanding between PIBID and the interested party(ies). Other duties include launching and managing PIBID publicity programmes locally and internationally, developing resource mobilization strategy and taking proactive steps through the BMC to seek funding for the project and initiating and recommending policy changes to the BMC.

The ED is also responsible for directing, controlling and coordinating the day to day business of PIBID and providing effective leadership to all PIBID staff and following up on the implementation of all critical issues as directed by the BMC as well as appraising the performance of staff as per appraisal schedule.

**The Deputy Executive Director**

The Deputy Executive Director deputizes the ED during his/her absence in all duties as may be delegated by the ED.

**Assistant Director Finance & Administration**

This officer is responsible to the ED on all matters concerning the administration and management of the TBI and financial management of the whole project. The specific roles and responsibilities of this position include: planning, controlling, and supervising administration and finance activities of the project; advising the ED on policy matters concerning finance and human resource management of the project; taking charge of the general maintenance of the TBI plant and other project assets; monitoring the execution of annual budgets and ensuring control, accuracy and integrity of financial records as well as adherence to financial regulations; directing and coordinating all activities in the three TBI departments (Production, Value addition & Quality control and Marketing) including preparation of quarterly and annual reports; designing, developing and implementing accountability, monitoring and follow up mechanisms as well as ensuring the procurement of adequate insurance policies and cost effective utilization of project facilities (dormitories and processing plant).
**Budget Committee**

This is a group of key project staff concerned with the management of the budgeting programme and the preparation of budgets. The PIBID budget committee is composed of four (4) members, namely: a professional as the chairperson, the deputy ED as the secretary, the acting accountant as member and the accounts assistant as a member. The key functions and responsibilities of the committee include: reporting to the ED on all issues of budget nature, compiling budget information from all departments/sections, explaining to all Heads of Sections their roles in the budget process, coordinating and organizing the Budget conference with all stakeholders and finally making a draft budget for presentation to the ED, who in turn submits it to the BMC, for approval.

**The Technical Committee**

A TBI Project technical committee is appointed by the ED and its membership includes: ED (Chair); Deputy ED; Assistant Director; Irrigation Engineer, Production Expert; Value Addition and Quality Control Coordinator; Marketing Coordinator; Banana Production Coordinator; Bushenyi District NAADS Representative; Bushenyi District Farmers’ Representative and the Project Administrative/Finance Assistant (ex-officio).

The TBI technical committee is mainly responsible for assisting the ED on the day to day running of the project; proposing and implementing the necessary management and technical framework required in achieving the objectives of the project. It may co-opt a maximum of two members as deemed necessary to enhance its role. Its membership is subject to an annual review.

**Professionals**

The project contracted a total of twelve (12) professionals to assist in the realization of the activities of the TBI. The professionals supervise the research fellows and research assistants studying to achieve higher degrees. They set benchmarks for their respective research areas and guide the development of R&D oriented research proposals by research assistants and fellows. The professionals also carry out on site investigation of project activities in their line of expertise and report their findings and suggest recommendations for the intervention of the ED. They prepare comprehensive training modules on demand for the training of trainers in their respective areas of expertise; monitor and evaluate their respective research activities to ensure timely realization of inbuilt outcomes and contribute to the think tank.
critical to the project implementation process. The professionals supervise the project students recommended by institutions and present research papers at recommended fora.

**The Secretariat**

The secretariat is headed by the ED and is based in Kampala. All staff members at the secretariat are responsible to the ED.

The secretariat is responsible for handling general secretarial work at the secretariat, ensuring proper filing and storage of all project documents and custodianship of all project reports and documents including intellectual property. The secretariat assists in the preparation of monthly, quarterly and annual financial reports and scheduling and organizing project-related meetings/workshops/seminars. It also ensures proper maintenance, usage and security of all project assets.

3.2 **PROCESS DESCRIPTION**

3.2.1 **Planning and Budgeting**

At the beginning of each financial year, the ED circulates budget guidelines, formats and GoU ceilings to sectional heads who develop sectional work plans/budgets which are consolidated at the budget conference. The consolidated budget is then forwarded to the budget committee for recommendation and preparation of the budget framework paper (BFP). The BFP is presented to the BMC for approval and onward submission to MoFPED for review, approval and consolidation into the National budget. The National budget is presented to Parliament for approval and thereafter the budget is implemented.

3.2.2 **Implementation**

**Production**

This entails building the capacity of the rural farmers (through training) in new banana production technologies and agronomic practices so as to ensure the sustainability of banana supply to the pilot value addition plant and the Industrial Technology Park. Demonstration plots (model farmer plantations) are established and selected/disciple farmers invited to learn best matooke production practices which they then implement in their own gardens and other farmers in turn learn from them. Irrigation water is also provided as a supplement to rain-fed banana production.

New banana plantlets are produced through research and then grown in the laboratory under a highly controlled starter environment until they are ready for transplant into the field. The resultant plant shoot-tips are then planted or grafted
with the traditional banana to give rise to new high yielding and disease free banana varieties and farmers are encouraged to plant the new varieties. This is referred to as adoption and utilization of tissue culture technology. Production is also concerned with pest and disease control as well as soil and water management (plantation management).

The above process is propagated or replicated to farmer groups and individual farmers in banana producing areas and the raw bananas obtained are then supplied to the TBI as inputs/raw materials for primary value addition/processing and later to the ITP for secondary value addition.

**Farmer Selection and Training**

The process commences with a ground opening function at parish level. Here farmers are sensitized on best banana production practices and one disciple farmer is selected per parish from twenty-five parishes. The twenty-five selected farmers are then trained and the training is replicated to twelve other groups to form three hundred trained farmers. The project intends to train three hundred farmers by the end of its five-year period. The selection of the disciple/model farmers is done once but the replication stretches over the project life span (5 years).

**Processing, Value addition and Quality Control**

This is the physical transformation of the fresh banana into flour and its associated products. There are two lines of processing undertaken, namely: the raw banana line, which gives rise to the raw Tooke flour, and the cooked banana line which gives rise to the instant Tooke flour.

**Research and Development**

Research and development (R&D) is a process in which new products are developed. PIBID uses this process to identify new ideas, take those ideas through development into products and eventually release them on the open market for sale. The R&D process can take months or years, involving contributions from a number of project employees (researchers) with various areas of interest and skill sets.

**Procurement**

The PIBID management follows the PPDA Act and regulations in all its procurements. The procurement process, according to the PPDA Act, starts with the procuring entity preparing a procurement plan which details the activities, works, services and supplies to be procured. The plan also shows a schedule of procurement requirements in order of priority.
The user departments then prepare their procurement requisitions based on the plan, budget and the projected funding. The requisitions are handed over to the accounting officer to confirm the availability of funds and thereafter to the procurement unit which develops the specifications or terms of reference for the procurements and sources for suppliers. The unit also prepares bid documents and sends out invitations for bids, quotations or proposals from potential suppliers.

On receipt, bids are opened in the presence of bidders or their authorised representatives. The bids are then submitted to the technical evaluation committee and the contracts committee for evaluation and award of contracts. The awards are communicated to the successful bidders and thereafter the procurement unit together with the user departments take up the responsibility of contract management and contract monitoring, that is: follow up on delivery and payment as well as supplier evaluation (performance rating).

**Staff Recruitment**

The process commences with the identification of manpower gaps by section heads. The gaps (human resource needs) are submitted to a specially constituted management committee for consideration. The committee prepares a formal request for submission to the BMC for approval. After approval, job adverts are run in the print media inviting qualified applicants. Short-listing is done and interviews are conducted by a BMC committee. Successful candidates are assigned duties (job descriptions) and the list is then submitted to the project Patron for final approval and appointment.

2.3 **Reporting**

Each head of section or department is supposed to produce annual work plans and budgets, quarterly and annual performance and progress reports and submit them to the deputy director who consolidates them for onward submission to the ED. The ED receives, reviews the consolidated reports and submits them to the BMC for consideration and approval. The reports produced by each section head include: annual progress reports (head of administration section/secretariat); concept papers, research proposals and progressive research reports –as and when researchable areas are identified (head of VA/QC department); investigative reports on project activities in different lines of expertise – as and when investigations are completed (Professionals); quarterly and annual financial and human resource reports (Asst.
Director Finance and administration); annual production reports (head of production department); and annual marketing reports (head of marketing department).

3.2.4 **Monitoring and Evaluation**

The BMC is solely responsible for routine monitoring, supervision and evaluation of the PIBID project activities. This is done once every month and is intended to assess the progress of planned activities, identify challenges and suggest improvements for management’s timely action. M&E reports are discussed in the BMC meetings which also take place monthly and recommendations (resolutions) are made for action by management.

Further, the project proposal document required management to have undertaken a mid-term review of project activities in year three of its implementation and a final evaluation in year five of the project. This was to be done and reported on by a team of consultants in project evaluation.
CHAPTER FOUR

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.1 PLANNING

4.1.1 Feasibility Study

Best practice in project management requires that a feasibility study be carried out in order to assess the viability and sustainability of the project before commencement of project planning.

It was noted through documentary review and interviews with staff that there was no feasibility study conducted to justify commitment of UGX 40 billion to the project by government. There was also no investment appraisal carried out and therefore no business case availed for audit verification.

According to management, the government decision to fund the project was based on a very comprehensive Project Design Document in which efforts were made to cater for a wide range of sustainability and viability issues. Audit does not, however, consider a project design/proposal document as an equivalent of a feasibility study. The project was more of an investment targeted at improving livelihoods of peasant farmers. It was therefore important to carry out the risk, commercial, market and technological feasibility.

Failure to carry out a feasibility study implies that project risks and the associated benefits were not determined or ascertained beforehand.

In the absence of a feasibility study, the viability and sustainability of the project remains uncertain.

4.1.2 Involvement of Other Stakeholders

Banana development initiatives ought to have been developed through the involvement of various stakeholders, such as: Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and National Agriculture Research Centre (NARO), Ministry of Water and Environment (MWE), Ministry of Energy and Mineral Development (MEMD), Ministry of Education and Sports (MoES), Ministry of Works and Transport (MoW&T), and Ministry of Tourism Trade and Industry (MTTI), in order to harness the synergies that exist amongst the players.
It was noted through interviews with project management staff that these players were not involved during the project design and planning yet they were crucial in the support works, such as: energy requirements, construction of access roads, water requirements, irrigation aspects, construction of hostels and development of community processing units.

Non-involvement of other government institutions has led to duplication of efforts, (such as academic research) and wastage of resources. For example the project spent substantial amounts of funds in the development of a research centre, which is not functioning adequately. Extensive research into banana development has been undertaken at Kawanda agricultural research centre, which would have been adopted by the project at a much cheaper cost.

It has also been noted that as a result of non-involvement of other stakeholders at the design and planning stages, joint activities, such as: construction of roads, hostels and provision of supplementary irrigation water in project areas have not taken off. Delayed completion of the project has attracted additional costs in terms of charges on personnel, equipment idle time, and contract price variations resulting from escalating prices (inflation) and arbitration charges resulting from contract disputes. For example, M/S VAMBECO Enterprises Ltd contested delayed payments and this is likely to cost the project an additional UGX 1,254,380,024 representing 68% of the original contract cost of UGX 1,848,063,421. There is also a risk of incurring legal costs in the event of the failed arbitration process.

**Management Response**

*There was extensive sensitisation of stakeholders at the earlier stages of the project when it was still under the Uganda National Council of Science and Technology (UNCST). They cited funding constraints as the reason for subsequent none involvement of other players.*

Audit confirmed that other stakeholders (co-implementers) only came in as co-implementers in 2009.

**Conclusion**

The project did not involve other stakeholders at the design and planning stages, thus delaying the implementation of joint activities.
Recommendation

- For future projects involving public funds, feasibility studies should be carried out before commitment of funds.

- It is recommended that in designing similar projects, in future, all the relevant stakeholders should be involved right from inception in order to harness synergies and avoid duplication of efforts.

4.2 PROJECT LIFE

According to the proposal document, the project was commissioned in January 2005 and was expected to be implemented within five years, that is, by December 2009. The TBI at Bushenyi was expected to be completed by project year three (2007) and the ITP in Sanga (Kiruhura District) by project year five (2009).

It was noted during audit (December 2011) that the project has not been completed. The project has experienced a delay of two years so far and is expected to take much longer to be completed, given the volume of work outstanding. The construction of the TBI has delayed by four years and at the time of inspection; construction work had stalled as contractors had laid down their tools over non-payment. Through an interview, management indicated that it was not sure when construction would resume or be completed.

In addition, construction of the ITP at Sanga had not started, although the contract for surveying and development of the master plan for the ITP had been awarded even before securing ownership of the land. According to management, the delays arose because the executive instrument operationalizing PIBID was granted eight months after commissioning (in October 2005), and the first effective disbursement of project implementation was received in F/Y 2006/07. However, audit also attributed the time lags to widening of the project scope without a corresponding increase in funding by project management. Project progress was also not closely monitored.

In addition, the project had multiple implementing agencies were not involved in the planning stage but brought on board in 2009 during the implementation. As a result, the agencies which had their own priorities, had not provided for project joint activities in their budgets and therefore had not fully implemented the tasks assigned to them.
**Conclusion**

The widening of the project scope without a corresponding increase in funding, and lack of proper coordination between implementing agencies, have led to delayed project implementation thus denying the target beneficiaries the potential benefits expected from the project.

**Recommendations**

- Management should evaluate the entire project activities and re-define the project scope as well as come up with realistic resource estimates for the remaining project activities.
- Management should closely monitor project progress with a view of keeping the project on track to avoid further delay.
- Management should develop a mechanism that will ensure smooth coordination of joint activities with other implementing agencies.

4.3 **PROJECT IMPLEMENTATION**

4.3.1 **Establishment of Benchmarks for a Pilot Banana Processing Industry in Bushenyi**

According to the project proposal document, benchmarks were to be established for starting a pilot banana processing plant through an annual project launch and market survey activities. UGX 390,735,000\(^{14}\) (Shillings three hundred and ninety million seven hundred and thirty five thousand) was budgeted and received for these activities for the five year period (2006/07 -2010/11).

Through the interviews conducted and documents reviewed, it was noted that although PIBID budgeted for and received funding for the launch activities every year, no project launch was carried out. However, PIBID financial records showed that UGX 60,628,729 out of the UGX 304,485,000 received for the launch activities during FYs 2008/09 and 2010/11 had been spent, although there was no documentary evidence in form of a prepared footage as specified in the project work plan. No accountability was made for the remaining UGX 243,856,271.

Audit also noted that market surveys were only carried out in Kampala markets as opposed to the domestic and regional markets targeted in the surveys’ research design. Out of UGX 86,250,000 budgeted for market surveys for the period 2006/07

---

\(^{14}\) AWP&BS and MoFPED releases.
to 2010/11, only UGX 67,609,277 was spent. Management did not provide an explanation as to the utilization of the unspent balance of UGX 18,640,723.

Management response

According to Management, Project launch will be done in Bushenyi upon completion of the project. They also explained that of the UGX 60,628,729; UGX 40,901,129 was spent on "Create and Cook", launch, showcasing and promotion of Tooke products in Uganda and Mombasa, while UGX 19,727,600 was spent on the launch of the certification of the Tooke Quality Mark by UNBS.

Management further explained that subsequent to the Kampala surveys, they decided to address the regional and global dimensions through more cost-effective methods including regional and international exhibitions and working with a range of collaborators and partners abroad in show-casing PIBID products.

4.3.2 Building Capacity of Rural Farmers in new Production Technologies

PIBID annual work plans and budgets for the period 2006/07 to 2010/11 provided UGX 2,008,555,189 for building the capacity of rural farmers in new production technologies and agronomic practices.

Through document review, interviews and field inspections, it was noted that implementation of most activities under this objective was either incomplete or not done at all, as shown in Table 2 below. The activities not carried out were valued at UGX 1,445,662,053.
### Table 2: Planned capacity building activities vs. status of completion

<table>
<thead>
<tr>
<th>Planned Activity</th>
<th>Status</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of a 15 acre demonstration plot at the TBI</td>
<td>24 acres established</td>
<td>160%</td>
</tr>
<tr>
<td>Demonstration plots in each of the 5 counties of Bushenyi district</td>
<td>Not done</td>
<td>0%</td>
</tr>
<tr>
<td>Adoption and utilization of tissue culture technology by farmers</td>
<td>Not done</td>
<td>0%</td>
</tr>
<tr>
<td>Evaluation of farmers for presidential awards</td>
<td>Not done</td>
<td>0%</td>
</tr>
<tr>
<td>Provision of supplementary irrigation water to farmers for hi-tech irrigation</td>
<td>Not done</td>
<td>0%</td>
</tr>
<tr>
<td>Provision of drip irrigation water system on 4 acres of land at the TBI</td>
<td>Only ½ an acre done</td>
<td>12.5%</td>
</tr>
<tr>
<td>Carrying out research in improving productivity of bananas.</td>
<td>On-going</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Analysis of PIBID annual work plans & progress reports

**Management Response**

*Management explained that PIBID was advised by Government to prioritize construction of the pilot plant/factory and related works and other key elements of the TBI and scale down most of the programmed activities. Nevertheless, they added, overall progress for the production enhancement component stood at approximately 25% by the time of audit.*

#### 4.3.3 Start-up of Rural Value addition Enterprise through TBI Framework

According to the project implementation work plan, the project was to develop a mechanism for sustainable processing of quality and market driven products through the establishment of rural value addition enterprise under the TBI framework for local and global markets. As a result, UGX 24,420,854,257 was budgeted, approved and released for the following activities between 2006/07 and 2010/11: Value addition and capacity building, pilot plant operations and research at TBI, establishment of VA/QC departments, training of 40 farmer groups in business and marketing of Tooke products, training of 50 trainers and establishment of 10 community drying centres.

It was observed that of the planned activities, only the VA/QC departments were established and capacity building was on-going. Value addition was being carried out on a small scale in a mini-plant producing on average 20 kilograms (kgs) of Tooke chips per day. Below are pictures showing the value addition activities currently undertaken at the mini-processing plant:-
Picture 1: The mini-processing plant in Bushenyi

Upper left: Bananas harvested for processing; Upper right: Bananas being steamed; Lower right: Peeling and slicing of bananas into chips; Lower left: Drying of chips.
Source: Picture taken by OAG staff on 14th November 2011.

It was also noted that UGX 22,003,568,474 estimated for the pilot plant operations and research was spent, however, by the time of audit (December 2011), the construction of the pilot plant was still underway and hence not operational as shown in the photograph below:
Picture 2: On-going construction works at TBI Bushenyi

*Top left:* Irrigation scheme; *Top Right:* Administrative block; *Bottom left:* Interior of the factory; *Bottom right:* Laboratory block

**Source:** Picture taken by OAG staff on 1st August, 2011

It was further noted that training of farmer groups, training of trainers and establishment of community drying centres which were funded to the tune of UGX 676,355,950 over the five year period were not carried out.

**Management Response**

There was a change of focus along the way in a bid to give priority to capital development and hence expedite completion of the factory. They also added that 500 farmers had been sensitized and were in the process of functional group formation at different levels in the operations area.
4.3.4 **Linking of Farmers and Entrepreneurs to Micro-financing Facilities**

According to the project implementation work plan, the project was to develop a mechanism of linking farmers and entrepreneurs to micro-financing facilities in order to ensure the sustainability of both banana production and rural processing industries. In order to achieve the above, the following activities were funded to the tune of UGX 226,470,195 between FY 2006/07 and FY 2010/11: improving access to credit by linking 10 farmer groups to credit schemes with at least 300 farmers accessing credit, capacity building of farmers to form 10 community processing organizations (CPOs), improving procurement through the facilitation of bulk packaging, storage, milling and transportation of banana chips to market outlets, and establishing a pilot network of marketing information centres through the establishment of a commodity trading centre at Bushenyi.

It was noted, through field inspection, that none of the above activities were carried out by the time of audit (December 2011). Financial records, however, reflected expenditure on the same activities of UGX 28,196,298.

*Management Response*

*Management maintains that these activities were halted pending the completion of the factory since they were incidental to the operationalization/functioning of the factory.*

4.3.5 **Establishment of the Supply Chain and Marketing Models**

According to the project implementation work plan, the project was supposed to establish supply chain and marketing models, which would link farmers to more profitable markets with medium and large scale food processors, consumers and service providers.

It was noted that although UGX 18,000,000 was provided for the establishment of the supply chain and marketing models, the models were not established. For instance, no viable economic associations had been formed by the time of the audit (December 2011).

*Management Response*

*Management explained that the activity was on-going but on a limited scale.*
4.3.6 **Assessment of the Project**

According to the project work plans and proposal document, an assessment of the impact of the project on the environment, overall economic wealth, and food and nutrition security was to be undertaken in F/Y 2008/09.

The interviews conducted and documents reviewed revealed that an assessment of the impact of the project on the environment, overall economic wealth, and food and nutrition security was not conducted. UGX 5,000,000 was allocated and released for this purpose. However, audit notes that this is a post-project activity for which funds should not have been allocated in 2008/09.

4.3.7 **Establishment of an Industrial Technology Park (ITP)**

According to the project work plans and the proposal document, establishment of an Industrial Technology Park (ITP) at Sanga was one of the major project activities to be accomplished in the project year 5 (2009). The ITP was to promote entrepreneurship in the private sector and training at public institutions.

Site inspections at Sanga revealed that no activity had taken place by the time of the audit (December 2011) although UGX 411,475,031 had been released to the project. It was also noted that the ownership of the proposed land at Sanga had not yet been secured. Management has gone ahead to sign a contract with M/S Technology Consult Ltd for consultancy services for the survey and development of the master plan for the ITP at a cost of UGX 385,421,925 even when the land has not been secured. 50% of the contract sum amounting UGX 192,710,964 had so far been paid to the contractor by the time of the audit.

It is important to note that the whole contract sum is already an obligation to government and could be lost if the project fails to secure ownership of the land.

Failure to achieve the above project objectives (4.1.1-4.1.7) was attributed to a number of inter-related factors:

Management explained that the failure to attain project objectives and targets was due to delayed and inadequate funding by MoFPED. They further explained that most of the planned activities were dependent on the completion of the factory, which delayed. For instance, formation of farmer groups, community processing
organizations, assessment of project impact on environmental sustainability and overall economic wealth could not be undertaken before the completion of the factory.

Audit, however, noted that 97% of the budgeted funds had been released to the project but attributed the inability to attain the objectives to poor prioritization of project activities, failure to define the project critical path and diversion of funds to unplanned activities.

Audit also noted lack of a full time core team dedicated to implementation of the project. The current project management team is composed of professionals who are engaged by PIBID to work for two-man days in a month and yet they are heads of departments. Other managers seconded to the project render part time services and some have since abandoned the project.

Frequent alteration of the project design and scope affected the attainment of project objectives. For instance, the project was initially required to take over and renovate the Bushenyi District Farm Institute (DFI) to house the TBI. Tooke production equipment worth UGX 3.71 billion was procured for this purpose in 2007 but could not be accommodated by the renovated buildings resulting into a decision to undertake large scale construction of a factory instead of the earlier envisaged pilot plant.

Failure to achieve project objectives has resulted into inability to increase the shelf life of bananas and hence inability to increase local as well as export sales and the sector contribution to the National GDP.

In addition, target farmers continue to experience post-harvest losses as the factory is not operational and ultimately there has been no improvement in their livelihoods since they have not been able to access the envisaged science-led processing and value addition enterprises.

**Management Response**

Management confirmed that ownership of the land, which belongs to NAGRIC, had not been secured. They also informed audit that some components of the ITP had been consolidated into the TBI at Nyaruzinga in Bushenyi, confirming the changes in project design.
Management also explained that the professionals on the project were the Think-Tank in technical research and did not have to be on full-time.

Conclusion
Non-attainment of project objectives has delayed the expected benefits of the project such as value addition to bananas, high incomes to farmers and increased banana exports. This has further denied farmers and the government the expected social and economic transformation.

After seven years of waiting, Government has not started realising the returns on investment of UGX40 billion injected into the project. The payback period of the project is expected to be long and if nothing is done to salvage the factory this investment could be a waste to the tax payers.

Recommendations
- Management should ensure that the project activities are implemented according to project plan and should identify critical activities to avoid further disruption of implementation of sequential activities and overstretching of resources, such as: time, money and human skills.
- Management should strengthen its implementation capacity in order to increase its ability to utilize funds.
- Project funds should strictly be utilized for the intended purpose and in accordance with the project implementation plan.
- The current project management team members should schedule their different activities and dedicate adequate time to the project.

4.4 PROJECT COSTS

According to the project proposal document, the estimated cost of the five year project was UGX 22,287,339,091.

Audit noted that project costs had escalated from the initial UGX 22.3 billion to about UGX 40 billion yet the project was hardly 50% complete by the time of audit.

Further analysis of project costs indicated an increasing trend in personnel and administration costs. Personnel and administration costs increased from UGX 890 million in 2006/07 to UGX 3 billion in 2010/11 as shown in table 3 below:
Table 3: showing the percentage of Personnel and Administration costs to programmed activities (excluding capital development/civil works expenditure).

<table>
<thead>
<tr>
<th>Expenditure/Year</th>
<th>Personnel and Administration costs (UGX)</th>
<th>Programmed activities (UGX)</th>
<th>TOTAL (UGX)</th>
<th>% allocated to personnel and administrative costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>889,511,490</td>
<td>355,741,558</td>
<td>1,245,253,048</td>
<td>71</td>
</tr>
<tr>
<td>2007/08</td>
<td>1,185,540,797</td>
<td>600,301,730</td>
<td>1,785,842,527</td>
<td>66</td>
</tr>
<tr>
<td>2008/09</td>
<td>2,061,270,570</td>
<td>2,107,557,581</td>
<td>4,168,828,151</td>
<td>49</td>
</tr>
<tr>
<td>2009/10</td>
<td>2,843,989,849</td>
<td>237,303,180</td>
<td>3,081,293,029</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,125,337,385</strong></td>
<td><strong>3,839,938,819</strong></td>
<td><strong>13,965,276,204</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: PIBID analysis of expenditure

Escalation of project costs was attributed to the expansion of the project scope, and expenditure on non-core activities such as payment of bonuses (UGX 494,253,150) and international travels. Expenditure on international travel rose from UGX 13,202,356 in 2006/07 to UGX 246,470,057 in 2010/11 resulting in a cumulative total of UGX 669,942,620 over the period 2006/07 to 2010/11.

**Management response**

According to Management the escalation of costs was partly due to: Testing and re-testing of target processing equipment in the process of designing and re-designing of various equipment in Europe, such as banana chips Dryers, Extruder, Hammer mill, and Drum Dryer for various Tooke products; participating in various strategic regional and international exhibitions and events; and collaboration in research and training related activities with other partner institutions abroad.

Audit also noted that there was frequent underestimation of costs of the constituent parts of the project. This was apparent in the differences between the estimated contract prices set by management and the actual contract prices set by contractors as shown in the **Table 4** below:
Table 4: Estimated and actual contract prices

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Provider</th>
<th>Estimated contract value (UGX)</th>
<th>Actual contract value (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy services for survey and master plan of the TBI.</td>
<td>Technology consult Ltd</td>
<td>150,000,000</td>
<td>345,959,775</td>
</tr>
<tr>
<td>Consultancy services survey and master plan ITP in Sanga.</td>
<td>Technology consult Ltd</td>
<td>150,000,000</td>
<td>385,421,925</td>
</tr>
<tr>
<td>Consultancy services for construction and supervision of the pilot plant</td>
<td>ARCH DESIGNS LTD</td>
<td>200,000,000</td>
<td>818,011,400</td>
</tr>
</tbody>
</table>

Source: PIBID procurement reports

Expansion of the project scope and escalation of costs without tangible and/or corresponding benefits within the agreed timeframes could lead to loss of confidence in government programmes among the public.

Conclusion

The escalation of project costs has led to increased burden on government resources and tax payers. This has also caused anxiety among members of the public, particularly the parliamentarians and the target farmers, on the viability and benefits of the project.

Recommendations

- In the management of similar projects, in future, efforts should be made to define and stick to the project scope so as to achieve objectives at desired costs and time.
- Estimation of project costs should be done taking into account the prevailing market conditions and allowing for future fluctuations.

4.5 PROJECT MONITORING AND EVALUATION

The project proposal document vested the monitoring and evaluation role in the BMC. It also required two evaluation exercises to be conducted, a midterm review in project year 3 (PY 3) and a final evaluation in project year 5 (PY 5) with the help of consultants.

Although the documents reviewed indicated that the BMC was funded to undertake the exercise, there was no evidence, in form of monitoring and evaluation reports to confirm that M&E was actually carried out. There were also no monitoring activities indicated in the project work plans to help track the activities.
Failure to monitor and evaluate project activities was attributed to BMC’s laxity since it played a dual role of implementation and oversight. Much of BMC’s efforts have been directed to project implementation leaving less or no time for monitoring and evaluation. Audit observed that the mid-term and final reviews have not been conducted due to delayed project implementation.

Failure to conduct the mid-term review led to delayed identification of the inherent problems facing the project and this subsequently hindered timely corrective action to be undertaken.

**Management Response**

*Management explained that monitoring and evaluation (M&E) was carried out.*

**Conclusion**

M&E are continuous and critical activities in project management. Failure to undertake them led to unsatisfactory implementation of project activities and this has had an adverse effect on the attainment of project objectives.

**Recommendation**

- Management should separate the project implementation role from its oversight role.
- Monitoring work plans should be prepared clearly indicating the M&E activities to be undertaken.
- Management should establish an independent mechanism to conduct M&E activities.

John F.S. Muwanga  
**AUDITOR GENERAL**

**KAMPALA**

19TH March, 2012
GLOSSARY OF TERMS

MATOKE:
Means the fresh banana

TOOKE:
Refers to the trade mark of the banana products

DISCIPLE FARMERS:
These are a selected number of farmers (nuclear group), trained by PIBID in best banana production practices. They are model farmers who in turn train other farmers or from whom other farmers emulate/copy good production practices. They are intended to provide extension services to farmer communities.

TECHNOLOGY BUSINESS INCUBATOR
This is one of the strategic infrastructures of the PIBID project designed to enhance transfer and diffusion of knowledge/technology by researchers and academicians through value addition, quality control, product development, business/marketing development, research/training and demonstration of best practices.

INDUSTRIAL TECHNOLOGY PARK
This is another project infrastructure/institution designed to commercialize the knowledge/technology obtained from the Technology Business Incubator through promotion of entrepreneurship by partnering with the private sector to establish processing lines.

TISSUE CULTURE TECHNOLOGY
This refers to the vegetative propagation or breeding of banana tissues under controlled conditions in order to produce disease free plantlets or cultivars.
## Appendix 2: Documents reviewed

<table>
<thead>
<tr>
<th>Document</th>
<th>Purpose(s) of Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project proposal</td>
<td>To ascertain:- Project background, cost, terms and conditions.</td>
</tr>
<tr>
<td>Executive Instrument 1995 Constitution</td>
<td>Project legal basis or framework</td>
</tr>
<tr>
<td>Annual work plans and Budgets (2006/07-2010/11)</td>
<td>Planned Activities, expected outputs, projected costs and time frames</td>
</tr>
<tr>
<td>MoFPED Internal audit Reports (2010)</td>
<td>Internal audit findings and recommendations</td>
</tr>
<tr>
<td>The Organogram or Organization Structure (2005),</td>
<td>Staffing levels and responsibilities</td>
</tr>
<tr>
<td>MoFPED Internal audit report on PIBID June 2010.</td>
<td>Audit findings and recommendations</td>
</tr>
<tr>
<td>Market survey Report (February 2010) by Dr. Ngambeki Dezi PIBD professional/Head of marketing</td>
<td>Potential markets for banana products Survey recommendations</td>
</tr>
<tr>
<td>Baseline Survey report (April 2007) by Dr. F.I Muranga and others</td>
<td>Details of targeted project beneficiaries and marketing information</td>
</tr>
<tr>
<td>Environmental Impact Assessment Report April 2009</td>
<td>NEMA recommendations</td>
</tr>
<tr>
<td>Procurement Plans and Reports 2008/09 - 2010/11</td>
<td>Planned and actual procurements undertaken</td>
</tr>
<tr>
<td>Ministerial policy statements for MoFPED (2006/07 – 2010/11)</td>
<td>Project activities and how they are integrated into the overall Ministerial programs</td>
</tr>
</tbody>
</table>
### Appendix 3: Interviews conducted

<table>
<thead>
<tr>
<th>Unit</th>
<th>Designation</th>
<th>Purpose of the Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Secretariat</strong></td>
<td>Project Executive Director and Deputy Executive Director</td>
<td>To ascertain/get:</td>
</tr>
<tr>
<td>(5 interviews)</td>
<td></td>
<td>- Roles and responsibilities of key players</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Project coverage and how it interfaces with other Government programs e.g. NAADS, NARO, REA, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Problems/challenges encountered and their impact on project implementation.</td>
</tr>
<tr>
<td><strong>Project Acting Accountant</strong></td>
<td></td>
<td>- Disbursements so far received</td>
</tr>
<tr>
<td><strong>MoFPED Headquarters</strong></td>
<td>Under Secretary/Accounting Officer</td>
<td>- When and how M&amp;E is carried out</td>
</tr>
<tr>
<td>(2 interviews)</td>
<td></td>
<td>- How performance is measured</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Whether follow up on M&amp;E reports is done</td>
</tr>
<tr>
<td><strong>BMC Members</strong></td>
<td></td>
<td>- When and how M&amp;E is carried out</td>
</tr>
<tr>
<td><strong>Procurement officer</strong></td>
<td></td>
<td>- How performance is measured</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Whether follow up on M&amp;E reports is done</td>
</tr>
<tr>
<td><strong>Asst. Commissioner – Internal Audit</strong></td>
<td></td>
<td>- Procurement planning process</td>
</tr>
<tr>
<td><strong>Bushenyi, Sheema, Rubirizi and Kiruhura districts</strong></td>
<td>Chief Administrative Officers (CAO’s)</td>
<td>- An overview of the project and introduction of the audit team to the Stakeholders in the district</td>
</tr>
<tr>
<td>(18 interviews)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>District Agricultural / Production and Environmental Officers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TBI Staff</td>
<td></td>
</tr>
<tr>
<td>Sites</td>
<td>Disciple farmers</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>- Locate farmer groups and other beneficiaries</td>
<td>- Project activities implemented and benefits derived.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Challenges faced and how the project is expected to help.</td>
<td></td>
</tr>
</tbody>
</table>