



Civil Society Budget Advocacy Group

OAG FINDINGS ON UGANDA'S PUBLIC INVESTMENT

**CSBAG analysis extracted from the Annual Report of
the Auditor General to Parliament for the Financial
Year Ended 30th June 2024**

OAG findings in Uganda’s Public Investment Management was produced by the Civil Society Budget Advocacy Group (CSBAG). The contents of this publication are the responsibility of CSBAG and not our development partners.

© January 2025

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1.0 Background.

The Civil Society Budget Advocacy Group (CSBAG) is a coalition formed in 2004 to bring together CSOs at national and district levels to influence Government decisions on resource mobilization, allocation and utilization for equitable and sustainable development.

CSBAG has over the years complemented the work of the Office of the Auditor General (OAG) in ensuring accountability and transparency in resource allocation, and utilization for improved service delivery in Uganda. In doing so, CSBAG collaborates with OAG to increase citizen participation and engagements in audit processes, which has made meaningful contributions in shaping Uganda's public finance management reforms. This is through **production of Simplified Audit Information** of the Auditor General's reports, which in turn increases citizens' access to credible facts regarding public financial management AND and the **rollout of the Citizen Feedback platform (CFP)** intended for citizens to provide information on the state of service delivery and accountability in the country.

For FY2023/24 Audit, CSBAG **analysed and produced issue briefs on 13 audited areas** of Debt Management, Public Investment Management, Education Sector, Roads and Infrastructure, Performance of the Parish Development Model (PDM), Water and Environment, Energy and Extractives, Revenue Losses, Risky Ventures and Loss-Making Enterprises, Health, Agriculture, Pension Crisis, Procurement and misuse of supplementary funding. These can be accessed via the CSBAG website.

1.1 Roles of the Auditor General

The Office of the Auditor General (OAG) of Uganda is the Supreme Audit Institution responsible for auditing and reporting on all public accounts in Uganda. As mandated by the Constitution of the Republic of Uganda (1995), Article 163, the OAG audits the public accounts of all public offices, central and local government administrations, universities, public institutions, and any public corporation or organization established by an Act of Parliament. The OAG conducts financial and value-for-money audits for projects involving public funds and submits an annual report to Parliament for debate and consideration.

1.2 About this brief

As part of building a more transparent and accountable public sector, CSBAG has produced this analytical brief on OAG findings Uganda's Public Investment Management. This brief provides insights and raise public awareness about the state of public financial management and enables citizens to understand how public resources are being managed and fosters civic engagement. On the side of policy makers and government technocrats, the briefs contain information crucial for government agencies to implement corrective actions and improve overall efficiency and effectiveness.

2. Introduction

This analytical brief examines OAG findings Uganda's Public Investment Management in Uganda. Public investment is crucial for essential services, economic opportunities, and growth. Strong public investment management (PIM) leads to better returns. However, the 2024 OAG report reveals significant inefficiencies hindering Uganda's development. Many projects suffer from mismanagement, resulting in financial losses. Key problems include project delays, overpayments, poor designs, and low absorption rates. Below is a summary of the findings and their implications:

3. Project delays

The delayed implementation of public projects has wide-reaching implications, from financial strain and increased costs to missed development opportunities and diminished public trust.

3.1 Prolonged Contract Signing on Procurement is costly

The Office of the Auditor General (OAG) has highlighted a critical issue affecting the efficiency of public service delivery in Uganda. The audit revealed that a significant number of contracts, totaling **79 procurements worth UGX 1,062.45Bn** across **14 entities**, experienced **excessive delays in contract signing and execution**. On average, these procurements took **six months** from initiation to final contract signing, leading to missed deadlines and delayed service delivery. This protracted process not only disrupts critical public services but also increases the financial burden through inflation and exchange rate fluctuations, ultimately compromising the effectiveness of government programs.

The implications of this delay are far-reaching, with **three key areas** being affected. Firstly, **timely service delivery** is compromised, leaving citizens waiting for essential services and infrastructure development. Secondly, **inflation and exchange rate fluctuations** increase the cost of contracts, further straining the government's already limited resources. Lastly, **increased costs and prolonged implementation periods** erode public trust in the government's ability to manage public finances effectively. To mitigate these consequences, it is imperative that the government adopts measures to expedite contract execution, such as streamlining procurement procedures, enhancing communication among stakeholders, and promoting a culture of accountability and timeliness in public service delivery. Other examples include:

- For instance, the construction of the Ministry of Finance building, which is **94% complete as of November 2024**, has experienced substantial **cost escalation**—rising from **UGX 44.2 billion** to **UGX 93.799 billion**, representing an increase of **UGX 49.6 billion**.
- Anti-Tick Vaccine Facility and associated laboratory equipment have faced delays exceeding a year, resulting in **UGX 76.98 billion** already invested without completion, which obstructs critical vaccine production and testing necessary for public health enhancement.
- Additionally, the East Africa Centre for Excellence in Biomedical Sciences has seen its ICT equipment delivered in 2021 **but not installed due to construction setbacks**. The signing of a new contract for the multipurpose building, which costs **USD 2,750,715**,

represents a further escalation of USD 648,729.6 compared to the prior contract, highlighting the financial burden of delays and the need for new contractors. them.

3.2 The Impact of Low Project Absorption Rates on Uganda's Development

Uganda's public investment projects are grappling with **low absorption rates**, leading to undisbursed funds, high commitment fees, and service delays. According to the OAG, an analysis of **17 government loans** revealed a total of **UGX 2.82 trillion**¹ in undisbursed funds due to project delays. Key projects like the **Kampala City Roads Rehabilitation** and the **Masaka-Mbarara Transmission Line** show significant underutilization of allocated funds, with amounts reaching **UGX 630.2 billion** and **UGX 146.53 billion**, respectively. This inefficiency not only incurs unnecessary costs but also delays vital services and infrastructure, undermining development goals.

A prime example of this inefficiency is the **Busega-Mpigi Expressway** project, which started with an initial budget of **UGX 547.5 billion** but escalated to **UGX 1.35 trillion** by 2023 due to poor technical preparation and inadequate funding management. By mid-2024, with only **42.28%** physical progress and **UGX 30.8 billion** in unpaid works, the project is set to be delayed until **September 2027**. These delays, coupled with **unplanned costs** and **funding shortfalls**, jeopardize timely project completion and contribute to wasted financial resources, illustrating the severe implications of low project absorption.

3.3. Unveiling the Challenge of Abandoned and Non-Functional Projects in Uganda

Office of the Auditor General (OAG) has uncovered a **silent crisis** in Uganda's project management landscape: **abandoned, delayed, and non-functional projects** worth billions of shillings. These projects, spanning sectors like health, education, infrastructure, and environment, represent a **huge challenge** for the government, with **far-reaching implications** for service delivery, economic growth, and public trust. The findings reveal a pattern of **wasted resources, poor planning, and lack of accountability**, leaving critical infrastructure and facilities unused or underutilized.

The Office of the Auditor General (OAG) identified **45 projects worth UGX 52.39 billion** across 32 Local Governments (LGs) **that were not completed within the expected contract duration, resulting in delays of up to 32 months**. Additionally, construction projects worth **UGX 3.96 billion** in **four LGs were completed but remain unused**. An analysis of **135 project activities worth UGX 1.592 trillion** revealed that 120 activities worth UGX 1.544 trillion were delayed, **11 facilities**

¹ Based on currency exchange rate for different denominations

worth UGX 44.753 billion were completed but non-functional, and four facilities worth UGX 3.603 billion had quality deficiencies affecting their utilization. Below are few other examples

Sample of projects abandoned and under utilized

1. Underutilization of Critical Infrastructure:

- a. Mulago National Referral Hospital: The Intensive Care Unit (ICU) has a capacity of 27 beds, but only 15 beds (56%) are occupied due to a lack of professional healthcare staff.
- b. Other Hospitals: In Butabika, Kiruddu, Kawempe, China Naguru, and Women's Specialized Hospitals, critical equipment such as ICU beds, patient monitors, and oxygen concentrators are non-functional despite being operational, due to staff shortages.
- c. Entebbe RRH and Kisenyi HCIV: Medical equipment procured during the COVID-19 period remains underutilized, with ambulances missing essential equipment like oxygen humidifiers and air conditioning systems.

2. Environmental Monitoring Failures:

- a. National Environment Management Authority (NEMA): Out of 162 air quality monitors installed in selected cities, only 121 are operational, leading to data gaps and inaccurate air quality assessments.

3. Defense and Security:

- a. Ministry of Defense and Veteran Affairs (MoDVA): Two projects worth UGX 0.628 billion are non-functional despite being completed, affecting service delivery.
- b. Uganda Police Force (UPF): The marine unit's 18 out of 60 vessels are non-functional, and the unit lacks a proper marina, hindering operations.

4. Education and Research:

- a. Busitema University: Two out of seven sampled projects worth UGX 245 million are non-functional due to lack of power connections and funding variations.
- b. Makerere University Business School (MUBS): A 20KVA generator worth UGX 69 million broke down three months after delivery and remains non-functional.
- c. National Agricultural Research Organisation (NARO): Nine projects worth UGX 19.27 billion are delayed, and one project worth UGX 307 million is non-functional.

5. Energy and Water

- a. Ministry of Energy and Mineral Development (MEMD): Two projects worth UGX 4.71 billion, including weigh bridges and a beneficiation center, are non-functional due to lack of installation and equipment.
- b. Ministry of Water and Environment: Five out of 23 sampled projects worth UGX 2.106 billion have defects, and two projects worth UGX 2.08 billion are non-functional despite completion.

6. Regulatory Failures:

- a. Insurance Regulatory Authority (IRA): A regulatory reporting software system worth UGX 3.963 billion remains non-functional, with UGX 1.07 billion paid in subscription fees before commissioning.

The wasted investments, inefficient management, and persistent neglect of completed projects not only undermine public trust but also perpetuate a cycle of resource misallocation. Urgent action is

warranted to ensure that investments translate into functional infrastructure that meets the needs of the populace, safeguarding taxpayer interests and enhancing service delivery across Uganda.

3.4 The Hidden Costs of Project Unpreparedness and its Impact on Government and Taxpayers

Project unpreparedness is a significant issue affecting the efficiency of government projects, leading to delays, cost overruns, and the failure to meet objectives. This results in losses not only to the government but also to taxpayers, as funds intended for public service delivery are not fully utilized, often leaving citizens without the promised benefits. According to the **OAG 2024**, various projects have suffered from insufficient planning and execution, leading to funds remaining unutilized and critical services not being delivered

- a) **Loan-Funded Projects Without Feasibility Studies** Between FY 2018/19 and FY 2023/24, **15 out of 49 loan-funded projects** included in the Project Implementation Plan **lacked both Pre-feasibility and detailed feasibility studies**. This absence of necessary groundwork compromises project planning increases the risk of failure, and results in wasted resources. Inadequate feasibility studies often lead to poor project outcomes and the misallocation of taxpayer funds.
- b) **Failure to Absorb Grant Funds** A review of two grant-funded projects revealed significant under-utilization of available funds. In total, **USD 40.223 million (UGX 149.895 billion)** remained unabsorbed, representing a failure to utilize external funds even after the grant periods had elapsed for example:
 - a. **Uganda Support to Municipal Infrastructure Development Program (USMID-AF)** had a disbursed amount of USD 20.328 million, while USD 3.747 million remained unabsorbed, translating to UGX 13.963 billion.
 - b. **Intergovernmental Fiscal Transfers Program (UgIFT)** had a disbursed amount of USD 26.621 million, while USD 36.476 million remained unabsorbed, translating to UGX 135.932 billion. This under-absorption resulted in missed opportunities to implement key activities and deliver services to the intended beneficiaries.
- c) **Incomplete Higher Secondary Curriculum Revision the National Curriculum Development Centre (NCDC)** failed to complete the revision of the Higher Secondary Curriculum, which was critical to implementing the Competency-Based Curriculum (CBC). **Of the 19 required** processes for the revision, **only 6 were completed**, with 10 still pending. The lack of preparedness delayed the adoption of the new curriculum, impacting educational outcomes and the efficiency of public spending in the education sector.
- d) **National Oil Seed Project Underperformance** The National Oil Seed Project, which is meant to support farmers **in 81 districts**, has been plagued by delays due to poor project preparedness. As of 2024, key activities such as feasibility studies, environmental

and social impact assessments, and construction of roads were delayed. Out of the projected **UGX 111.98 billion**, only **UGX 18.32 billion** has been disbursed. The delays have resulted in unspent funds and compromised delivery of services, affecting farmers who rely on this support.

e) **NIRA’s Readiness for Mass Enrollment and ID Renewal** NIRA's preparation for the mass enrollment and ID renewal exercise was inadequate. The

authority received **only 44% of its planned budget (UGX 262.05 billion out of UGX 600.17 billion)**, and a significant portion of the funds remained unspent on letters of credit (LCs) due to delays in acquiring systems and equipment. The authority also faced challenges in staffing, with only 25 out of 13,787 temporary staff hired, leaving the project under-resourced. These issues may prevent citizens, especially those abroad, from participating in the 2026 elections.

- f) **Performance of Sample Projects** An analysis of **46** projects revealed severe under-performance:
- a. **Only 62%** of the planned disbursements (UGX 7.285 trillion out of UGX 11.837 trillion) were made.
 - b. **22% of** GoU counterpart funding (UGX 282.34 billion) was not disbursed.
 - c. Of the **428 activities** worth **UGX 6.49 trillion**, 43% were not implemented at all, resulting in a failure to meet objectives and a poor return on public investment. Furthermore, many projects experienced delays,

4. Conclusion:

The lack of preparedness in these projects has resulted in significant financial losses, delayed services, and unmet objectives. It is evident that insufficient planning, weak project management, and delayed implementation are contributing to the underperformance of government projects, thereby increasing the burden on taxpayers.

Performance of Sample Projects

120 activities/facilities worth UGX 1.544 trillion were behind schedule, 11 facilities worth UGX 44.753 billion not functional, and four facilities with quality issues affecting their delivery service.