



Civil Society Budget Advocacy Group (CSBAG).

RISKY PUBLIC INVESTMENT VENTURES IN UGANDA

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

Audit Findings of Risky Public Investment Ventures in Uganda FY2023/24 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 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 Risk and Loss making enterprises in Uganda in FY 2023/24 as identified by OAG. 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 on Risky public investment ventures are enterprises where Government of Uganda invests money without following the proper processes which puts public resources at risk. Uganda. In this brief, CSBAG ha analysed these ventures and provides recommendations for improvement based on the findings of the 2024 Office of the Auditor General (OAG) Audit of FY 2023/24.

3. Audit findings on Risky ventures

3.1 Breach of procedures in the acquisition of Shares in ROKO Construction Ltd.

The Auditor General discovered that whereas Parliament of Uganda passed a resolution on 21st July 2022 authorizing the government to acquire preference shares worth UGX 207.013 billion in ROKO Construction Ltd, Government had purchased these as the share certificate issued by the company for the **150,000** redeemable shares for the Government was issued on the **22nd day of October 2021**. Further to this, ROKO had during its extraordinary meeting that resolved those 150,000 preference redeemable shares be created and allotted to Government of Uganda.

Such actions, which disregard established government guidelines, may erode public confidence in the government and potentially result in decreased tax compliance.

Recommendation(s)

The Government should put in place proper guidelines and clear procedures regarding government bailouts and investments. The government should also reprimand whoever is found in breach of the set guidelines

3.2 Overpayment of UGX 117 million to Purchase of ROKO shares.

The OAG further noted that even when Parliament authorized the purchase of 150,000 shares at UGX 207.013 billion, the Clerk to Parliament later issued a communication to the Ministry of Finance, Planning and Economic Development (MoFPED) to pay UGX 207.13 billion resulting in an excess payment of UGX 117 million. This abuse of proper processes and the making of overpayments without seeking re-approval is evidence of misuse of power and mismanagement of taxpayers' money. Such actions could potentially weaken public institutions and increase the financial burden on taxpayers.

Recommendation(s)

The government (MoFPED) should avoid temptation of disbursing funds more than the approved amount. There is a need to always seek reapprovals where there is need.

3.3 Investing in Dei-Biopharma Ltd without verifying the company's net worth and no share certificate.

According to the Auditor General's report 2024, the government of Uganda has cumulatively invested **UGX 723.4 billion**¹ in a private company-Dei-Biopharma Ltd without undertaking valuation to establish the net worth of the company. The Audit Report 2024 revealed that the Auditor General was not provided with the valuation report for this firm, the shareholder's agreement of the Government investment in the company and the government has not yet received the share certificates of the company. Such unscrupulous behavior by government puts a heavy burden on the taxpayers.

Table 1: The cost of Risky private ventures by FY2023/24 according to Auditor General's report 2024

Enterprise	Description	Amount (UGX BN)
ROKO Ltd Construction	Irregular purchase of shares by Government	207.13
Dei-Biopharma Ltd	There was no valuation report to establish the net worth of the company	723.40
Total		930.53

Source: Author's construction using data from OAG's Report 2024

Recommendation(s)

The government should set out clear criteria for undertaking any form of investment in a private company also ensure that there is sufficient due diligence done prior to investment.

3.3 Investing in a failed project.

OAG notes that the Government is investing in a series of failed projects which poses a significant risk for government investment of taxpayers' money. One key example is the Presidential Initiative on Banana Industrial Development/Banana Industrial Research and Development Centre (PIBID/BIRDC) which has failed to fully operationalize the flour mill processing plant is not fully operational, there is delayed implementation of the irrigation system, and no evidence the PIBID has improved farmers' incomes as was expected. The Company recorded a net loss of UGX 1.1 billion, which continues to stifle its operations. Additionally, the Company had a Tooke sales budget of UGX 5 billion for the financial year 2023/2024, but only UGX 2.568 billion was collected, representing 51% of the target. For instance, the Company had total warrants of UGX 37.289 billion, out of which UGX 28.549 billion had been utilized by the close of the financial year. Furthermore, a trend analysis of domestic arrears showed an increase from **UGX 2.64 billion in the previous year to UGX 4.26 billion**², representing a 62% increase. Other failed projects as identified by OAG are outlined below:

Table 2: Failed projects according to OAG report 2024

¹ Auditor General's report 2024 page 28

² Auditor General's report 2024 page 483

Project/Enterprise	Description
Presidential Initiative on Banana Industrial Development/ Banana Industrial Research and Development Centre (PIBID/BIRDC)	The Company has not fully operationalised the flour mill processing plant, delayed implementation of the irrigation system and has failed to improve farmers' income as expected, which are activities that are critical in executing its mandate.
Buwama and Bunghokho mechanisation centres	Incomplete by the time of inspection in November 2024, the sites appeared abandoned, and the land was encroached on.
Uganda Post Limited (UPL)	The Company's receivables reduced by UGX.1.3Bn from UGX.15.78Bn in the year 2022/2023 to UGX.14.71Bn in 2023/2024, which represents an idle asset that would have been use.
Kilembe Mines Limited	Kilembe Mines Limited does not have a succession plan in place and the Board charter does not have provisions of succession planning. The Company had an operating margin of -112% which extremely below 15%. The negative operating margin shows that the company is spending more on operating costs than generating revenue. v) The Company's loss increased by 81% from UGX.2.392Bn in the year 2022/2023 to UGX.21.359Bn in the current year. This worsened the company's accumulated losses by 84%, to UGX.45.878Bn as at 30th June 2024.

Source: Author's construction using data from OAG's Report 2024

Recommendation(s)

We recommend the government reassess the feasibility and viability of this project to determine whether it's a project worth investing in.

3.4 Poor performing and Loss-Making enterprises.

In this section, we present our analysis and perspective of loss-making enterprises based on findings of the Auditor General's report 2024. Loss-making enterprises refer to corporations that are unable to make profits, i.e. their expenses are more than revenues over a particular period.

We are concerned that most public corporations and state enterprises in Uganda are loss making despite the huge chunks of taxpayers' money invested in them over time. Unprofitability of these enterprises has continued to be of huge cost to the taxpayer, which has in turn caused frustration and this could potentially lead to a lack of confidence in public investments and sometimes raise several questions on what informs decisions to invest in some of these corporations.

Table 3: The cost of Risky ventures and loss-making Enterprises in FY2023/24 according to Auditor General's report 2024

Enterprise	Description	Loss (Amount UGXBN)
Uganda National Airlines Company Limited	Of the 19 outputs with 53 activities worth UGX, 456.2Bn assessed; only 5 activities (UGX.269.8Bn) were fully	237.85

	implemented, 26 (UGX.96.6Bn) partially implemented, and 22 (UGX.89.88Bn) not implemented.	
Uganda Railways Corporation	Out of the approved budget of UGX.354.21Bn for FY 2023/2024, only UGX.91.51Bn (26%) was realized, resulting in a funding shortfall of UGX.262.7Bn.	36.34
Kilembe Mines Limited	Current losses are attributed to historical issues, including legal cases and asset damage from natural calamities	21.35
Uganda Electricity Distribution Company	The regulator has continued to disallow rental fees in the tariff, yet the company incurred depreciation arising from assets in use by Umeme Ltd.	10.92
Uganda Air Cargo Corporation	The principal revenue generating asset, the Hercules L-100-30 aircraft has been grounded at Jordan Aeronautical systems company (JAC) from November 2022 to date	8.21
Uganda National Oil Company	The company represents the State's commercial interests in the petroleum sub-sector across several projects that are still in the development phase and are not generating any revenue until maturity/commissioning	3.78
NEC Farm Katonga Limited	There was no alignment between the company's annual work plan and budget since the work plan was not quantified and appropriately costed. NEC Katonga did not meet its quarterly production and sales targets during the year which affected profitability	1.9
Presidential Initiative on Banana Industrial Development (PIBID)	The company has not fully operationalised the flour mill processing plant, delayed implementation of the irrigation system and has failed to improve farmers' income as expected, which are activities that are critical in executing its mandate.	1.1
Total		321.45

Source: Author's construction using data from OAG's Report 2024

3.5 Poor corporate governance.

According to the Auditor General's report 2024, by the time of the audit in September 2024, Kiira Motors Corporation (KMC) didn't have Board of Directors to provide strategic guidance and direction to the Corporation. In addition to KMC, Uganda Development Corporation's (UDC) board was not fully constituted since there was no representation from the Ministry of Finance as stipulated in the UDC Act. The Auditor General also observed that the tenure of other board members of UDC expired on 25th November 2024, leaving the corporation without a board. This puts operations of the corporation at risk but also increases the risk of losing taxpayers' money since the board is very key in approving and determining the direction of the institution.

Table 4 : Public corporations and State enterprises with Poor Governance.

Enterprise(s)	Description
Kiira Motors Corporation (KMC)	Kiira Motors (KMC) had no Board of Directors as at the time of audit (September 2024) to provide strategic guidance and direction to the Corporation.

Makerere University Holdings Limited (Mak holdings)	The company Board has taken four consecutive years without holding the Annual General Meeting (AGM). Makerere University Holdings Company operated without a strategic plan and annual budget.
National Oil Palm Project (NOPP)	The Project Steering Committee held only one meeting in the first quarter of the financial year out of the minimum required number of two meetings.
National Physical Planning Board (NPPB)	The Board did not adequately execute six (6) out of the twelve (12) mandated activities like advising the government on broad physical planning policies, planning standards and the viability of any proposed subdivision of urban or agricultural land and ensuring physical planning with social and economic planning at the national and local levels
Public Procurement & Disposal of Public Assets (PPDA)	The Tribunal did not conduct a mid-term review of the Strategic Plan as required to assess the level of implementation and its effectiveness against the set strategic objectives.
Uganda Development Corporation (UDC)	From the beginning of their term in 2021, the Board was not fully constituted since there was no representation from the Ministry of Finance as stipulated in the UDC Act. It was also observed that the tenure of the remaining members of the UDC Board expired on 25th November 2024. Currently, UDC does not have a Board.

Source: Author's construction using data from OAG's Report 2024

Recommendation(s)

The government should ensure that all public corporations and state enterprises have fully composed and functional board of directors to provide a sense of direction and oversight to the corporation.

3.6 Poor performance of public corporations and state enterprises.

According to Auditor General's report 2024, most public corporations and state enterprises are failing to deliver on their mandate and he attributed this to different factors, for example poor oversight- KMC had projected to collect revenue amounting to **UGX.197Bn**³, however, only **UGX.2.3Bn** was collected, representing **1.2%** performance yet the corporation had an approved government budget of **UGX.97.84Bn** which was all warranted. It was also noted that Out of the three (3) outputs with 46 activities worth **UGX.67.7Bn** assessed, one (1) output with six (6) activities and expenditure worth **UGX.10.17Bn** was fully implemented while two (2) outputs with 40 activities worth **UGX.57.6Bn** were partially implemented. Such inefficiencies, if not attended to may continue to lead cause misuse and loss to the taxpayers as well as failure by the corporation to deliver on its mandate. Such a lack of poor performance can be linked to the lack of board to provide oversight.

Recommendation(s)

Efforts such as capacity building and continuous assessments for poor performing enterprises should be undertaken to support the corporation to deliver on its mandate and generate the projected revenue.

³ Auditor General's report 2024 page 418

3.7 Cumulative losses.

According to the Auditor General’s report 2024, Several public corporations and State enterprises have overtime made **losses resulting into negative retained earnings** amounting to **UGX 1.8 trillion** with Uganda airlines being the leader with negative retained earnings worth **UGX 1 trillion**. These enterprises have continued to become a burden to the taxpayers who are the shock absorbers of these losses over time.

The table below shows Retained earnings of public corporations and State Enterprises for the FY ended 30 June 2024

Name	Amount (UGX)
Kiira Motors Corporation Ltd	58,718,924,013
Micro Finance Support Centre Ltd	40,822,700,000
Uganda Post Limited	6,348,054,231
Uganda Electricity Distribution Co. Ltd	103,090,912,000
Uganda National Airlines Company Ltd	1,040,706,740,521
Kilembe Mines Ltd	45,878,910,344
Uganda Development Corporation	72,902,962,327
Uganda Railways Corporation	443,146,412,027
Total	1,811,615,615,463

Source: Author’s construction using data from OAG’s Report 2024

Recommendation(s)

The government should assess the feasibility and viability of these enterprises to ascertain whether they are worth investing in but also conduct regular performance assessments to keep management in check including termination of their employment contracts where necessary.

3.8 Lack of Policy to guide investment.

Even without a policy to guide investment, Uganda Development Corporation invested **UGX.9.24Bn** in Kigezi Highland Tea Factory Ltd and **UGX.4.358Bn** in Kayonza Growers Tea Factory Ltd through lease financing. The lack of policy to guide lease financing led to failure to execute lease financing agreements with Kayonza Growers Tea and Horyal Ltd of **UGX.112.358Bn**⁴. All these inefficiencies create a potential risk to taxpayers’ money but also speak to the ineffectiveness of management and board.

Recommendation(s)

The management and board of UDC should develop a policy to guide investment and lease financing in consultation with relevant stakeholders and ensure that going forward investments are in line with the policy.

⁴ Auditor General’s report 2024 page496