PERFORMANCE OF BTVET $500M LOAN PROJECT

UGANDA DEBT NETWORK
DEBT IS SLAVERY

EXECUTIVE SUMMARY:

Uganda Debt Network (UDN) is a policy advocacy organization working to promote and advocate for the poor and marginalized people to participate in influencing poverty-focused policies, demand for their rights and monitor service delivery to ensure prudent, accountable and transparent resource generation and utilization.

Formed in 1996, UDN has been and remains at the forefront of promoting accountable management of public resources, so that Government interventions benefit all the people of Uganda, especially the poor and marginalised people.

Magnificent buildings at Buhimba Technical Institute in Hoima are failing to attract students

During implementation of its work, Uganda Debt Network has noted that while the Government has since 2011 borrowed heavily to implement Business, Technical, Vocational Education and Training (BTVET, the program is a long way from realizing the targets as set out in its work plan.

Central to this project, which has a 10 year implementation period (2011-2020), is the need to empower Ugandans with vocational skills in a bid to reduce the country's high unemployment problem. It is also to create a critical mass of skills needed for Uganda to make the most of its oil resource. By the time of compiling this report, the total amount of loan borrowed was $400m.

This money has come from World Bank, African Development Bank, Islamic Development Bank, Saudi Fund for Development, Belgium Development Agency, and Kuwait Fund for Development. Others include Irish Aid, Arab Bank for Economic Development in Africa and Korean Government.

However, UDN noted that while twenty-five of the 123 BTVET institutes in Uganda have benefited from fund through improved infrastructure, a lot of the institutes have failed to attract students. This means the investment could fail to bring the right returns. Moreover, the Government is paying back the loans with interest, which could turn out to be an unwarranted cost on the Uganda taxpayer.

Subsequently, UDN calls upon Government:

i) Adopt a bottom up approach in project implementation to improve project appreciation by beneficiary communities and improve project success rate

ii) To carry out an evaluation of the entire project to establish if it is good value for money

iii) To always carry out a thorough feasibility study before embarking on any project

iv) To sensitize the public on the usefulness of vocational education to spur interest and ensure maximum utilization of facilities.

Insights on the Performance of BTVET $500m Loan Project

With many institutions of higher learning churning out an estimated 700,000 graduates annually, with only about 90,000 getting absorbed into the job market, this program was seen as tangible route to addressing unemployment among unskilled graduates

Uganda is one of the countries that face severe unemployment in the region. According to records, Uganda's unemployment now stands at 58% of the 18 million Ugandans in working age bracket[1].

High levels of joblessness, especially among the youth have been known to create frustration, which can boil over to insecurity as youth can become easy targets for people with insurgent agendas. It is therefore upon this background that the Government of Uganda has over the last ten years invested heavily in vocational education. The program is run under Business, Technical, Vocational Education and Training (BTVET) training under the Education ministry. This is intended to tame the energetic youthful population that has been challenged in pursuing direct formal education; into the workforce to gain from their economic contribution to the nation. In a bid to remedy the situation of joblessness, the Government developed the BTVET Strategic Plan 2011-2020. With many institutions of higher learning churning out an estimated 700,000 graduates annually, with only about 90,000 getting absorbed into the job market, this program was seen as tangible route to addressing unemployment among unskilled graduates[2].

58%
Uganda's unemployment rate of the 18 million Ugandans in the working age bracket, according to records

As well as opening up opportunities for post-secondary and post-primary graduates, BTVET, a sub sector Skilling Uganda programme, also aimed at giving a fallback to unemployed university graduates, so they can skill and create their own jobs.

1 Uganda National Population and Housing Census 2014 main report

2 National Planning Authority 2017

SOURCE	AMOUNT
ADB	$15m
Koreans government	$26.8m
OPEC fund for International Development	$22.95m
Islamic Development Bank	$13.80m
Saudi Fund for Development	$12m
Arab Bank for Economic Development in Africa	$5.0m
Islamic Development Bank	$14.11m
Kuwait Fund for Arab Economic Development	$11.9m
World Bank	$100m
World Bank	$24m
Irish Aid	EUR6m
Belgium Development Agency	BP5m
ADB	$115m
ADB (in pipeline)	$20m

Source Ministry of Education and Sports

In short, the programme would help unlock the productive potential of Ugandans by giving them technical and practical skills to make them able to fit in the changing job market.

To finance the program, the Government has borrowed heavily. And by the time of compiling this report over $400m had been borrowed, mostly from foreign lending firms. However, most of them exhibit performance below expectations.

Unmet targets

Uganda Debt Network has learnt that using the funds, the Government planned to raise the number of BTVET graduates to 450,000 annually, 50% of whom would be female. However, less than two years left on the project, only 200,000 have so far graduated.

In that light, the program is far from achieving its projected objective as was projected when it started in 2011.

Moreover, there is a worry that the country may not realize enough skills for the oil industry for Ugandans to make the most from the resource that is expected to start flowing by 2020.

The development phase of the petroleum industry is expected to create 14,000 direct jobs, 42,700 indirect and 105,000 induced employment opportunities at peak. Of these, 15% will be engineers and managers, 60% technicians and 25% unskilled workers.[3]

But as of the time of compiling this report, only 200 oil personnel, mostly oil welders, had been accredited out of thousands the country needs, according to Patrick Mbonye, the Managing Director at Q-Sourcing, an international company training and accrediting technicians for oil and gas industry in Uganda. ■

3 Ministry of Energy and Mineral Resources

Oil players worried

During the skilling and local content forum for Uganda and Tanzania at Sheraton Hotel in Kampala on January 23, 2018 the Chairman of the Chamber of Mines and Petroleum, Dr. Elly Karuhanga, relayed the concerns to President Yoweri Museveni. “Mr. President, you have worked hard for this industry, but Ugandans are not yet skilled,” he said.

Denis Kamurasi, the Vice Chairperson of the Association of Uganda Oil and Gas Service Providers, said Ugandans could lose jobs to better trained foreigners.

“There are timelines for the development of the industry. [So] we should be scaling up training now and improving the competence levels of the people,” Kamurasi said.

Some of the jobs expected will be in the construction of the oil and gas industrial park in Kabaale in Hoima; the 600,000 barrels per-day refinery, an international airport, an export hub and other facilities.

With submissions of such experts, project implementers should be concerned by their performance. ■

An abandoned technical institute in Mukono. It was constructed for locals by the government with the help of area leader Janat Mukwaya

WHAT IS GOING WRONG?
Information on ground

Uganda Debt Network has learnt that the BTVET project is expected to cost the Government over $550m by 2020. Out of this figure, however, $400m has already been obtained and spent — mostly on construction and equipping new BTVET Technical Institutes (TI) as well as rehabilitating old ones.

Twenty-five of the 123 BTVET institutes in Uganda have benefited from the loan programme while the larger number has not gained much. Majorly, the government has been constructing classroom and office blocks and equipping them with necessary tools.

But many of institutions are facing a number of problems such as low enrolment, poor funding, and, ironically, lack of machines to undertake practical work. This has left them unable to produce personnel with skills the country needs to develop.

For example, Kilak Corner in Pader district opened in 2015 was constructed at the cost of sh5.7b — a loan from African Development Bank (AfDB) and Organisation of Petroleum Exporting Countries (OPEC).

The institute's complex of four brown-roofed storeyed building complete, with air-conditioning and marvelous furnishing, is truly eye catching.

The main aim was to take in the huge numbers of semi and/or unschooled and jobless youth affected by the decades of Lord's Resistance Army insurgency.

However, a thick bush had swallowed some of the blocks, with many of the classrooms in disuse.

Of the required 16 instructors, the institute had only six instructors on Government payroll.

The institute's Principal, Gregory Kasapuli, told Uganda Debt Network that the Government posted 10 more instructors there to bridge the staff gap.

However, by the time of writing this report, many had not been paid for over seven months. The instructors were on the verge of laying down their tools by the time of compiling this report.

> “MANY INSTITUTIONS ARE FACING A NUMBER OF PROBLEMS SUCH AS LOW ENROLMENT, POOR FUNDING, AND, IRONICALLY, LACK OF MACHINES TO UNDERTAKE PRACTICAL WORK

The institute offers a number of courses including motor vehicle mechanics, carpentry and joinery, but the strength of the institute was expected to be in welding and fabrication.

Strengthening of the welding department of the institute was so that it could play an important role in the oil industry. It would produce metal fabricators, who play a crucial role in the industry; for example, in producing pipelines, hollow sections, platforms, beams, girders, custom-fitted metal elements, pressure vessels and heat exchangers.

> “THE STRENGTH OF KILAK CORNER INSTITUTE WAS EXPECTED TO BE IN WELDING AND FABRICATION

But the institute is yet to produce any such personnel despite the sh5.7b outlay. Its operations have been hamstrung by a number of problems, critical of which is lack of sufficient funds to pay staff wages.

However, at the time of compiling this report, the institute had only 80 students out of the 350 target expected in order to become economically viable to run. Kilak is not the only struggling institute. ■

An abandoned vocational institute in Mukono. The institute was built with the help of gender minister Janat Mukwaya to help youth who could not continue with education in Ntenjeru sub-county in Mukono

LYANTONDE'S SH9BN WASTE

Lyantonde Technical Institute in Lyantonde district cost sh9bn, which was a loan from Saudi Fund for Development.

While President Museveni commissioned the institute in 2016, it has failed to pick up despite having magnificent buildings.

There is also Abia Technical in Alebtong, which cost a similar figure but had, by closure of semester in December 2017, an enrolment of only 35 students, portraying a waste of resources.

LOW FUNDING

Most heads of BTVET institutions Uganda Debt Network spoke to said part of the problems they are facing stem from inadequate remittances of funds for operations by Government

For example, while most institutes need between sh100m-sh120m in capitation grants to operate for a year, most, on average, are getting between sh40m and sh60m.

In addition, many institutes are struggling to attract private students — their cash cow, for various reasons.

For example, all the 35 students enrolled at Amelo Technical Institute by end of term last December, 2017 were under Government sponsorship.

35

The number of students at Abia Technical in Alebtong by closure of semester in December 2017. The institute cost sh9bn to construct

Ben Kamba, the Institute's principal, told Uganda Debt Network that the community was too poor to afford education at the institute.

By the close of last term in December, 2017 there were 120 students at Lwengo technical Institute, only 20 of whom were under private sponsorship making it difficult to sustain. While at Kilak Corner Institute, of the 80 students the school had, only three are private students.

This implies that even the strategy of enrolling private students is not sufficient to close the funding gap.

According to a recent report from Finance Ministry, annual training costs in public BTVET institutions stand at between sh1.5m and sh3.5m per student. At least 45% of the training costs are currently borne by private students, which should be a relief for Government to substantially cover the remaining costs. ■

AUDIT QUERIES

According to the Auditor General (AG) Value for Audit report (2015), standards have not changed despite the sector having its budget dramatically increased[4].

The report revealed that while BTVET Strategic Plan aimed at increasing access of vocational and technical education through increased enrollment and retention of the current student populations, enrollment was actually dropping in many of the institutes.

"Analysis of eleven institutions showed that the general drop-out rate reduced from 25.7% in 2012/13 to 19.7% in 2013/14. However, several institutions, for example: Iganga TI, Rukungiri TI, Kitovu TI, Nakapiripirit TI, and St Joseph TI Kisubi continued to post dropout rates above 20% with Iganga TI having the highest dropout rates of 63.7% and 54.5% in 2012/13 and 2013/14 respectively," revealed the report.

The report also found out that despite the Government procuring expensive equipment for the institute, much of it was not in use. For example, at Katonga the jai wood planner, hand drill, over locking machine; electrical design machine and gas welding system had never been used the AG, discovered that skills like welding, comprehensive design, and Trimming boards were not taught.

Meanwhile at Nalwire TI the three phase welding machine as well as the sheet bender and spray gun for advance welding, plumbing and painting decoration respectively were lying idle, reportedly because the institute could not afford electricity to run the machines.

This, the AG noted, contravened basic requirements and minimum standards provided by Directorate of Education Standards requiring technical institutes to undertake 60% practical training which translates into 18 hours a week on practical work and 12 hours on theory.

Thus, many students were leaving institutes without attaining the recommended practical content and experience at BTVET institutions let alone graduating.

"This coupled with the failure by MOESTS and institutions to recruit and post instructors with industrial experience may render the intentions of the BTVET sub sector to provide relevant skills required to the world of work hard to achieve," the report stated.

The discoveries by the AG are disturbing enough for supervisory and relevant authorities to keep silent because the cost of loan repayment falls entirely on the citizens of Uganda. ■

4 Value for Money and Specialised Audits, 30th June 2015

Certification institutions

World over, the American Welding Standards is used as the benchmark for pipeline construction, and for anyone to be employed as a welder on the oil pipeline; they have to be assessed and certified by American Welding Society (AWS).

As such, Government invited Q-Sourcing, a firm certified by AWS, certify personnel skilled in Uganda for upcoming jobs in the Oil and Gas industry.

However, after assessing a number of welders, electricians, plumbers and specialists at setting up scaffolds, they discovered none of them merited certification to work in the industry.

Outside its mandate (of certifying oil personnel), Uganda Debt Network has learnt that the entity was asked by the Government to add the training component to its mandate. This is in the bid to help Ugandans acquire the skills that meet international standards.

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Q-Sourcing offers the training at five vocational institutes in Hoima. These include St. Simon Vocational Institute; Kasese Youth Polytechnic; Buhimba Technical Institute; Nile Vocational Institute and St. Joseph Vocational Institute, Munteme.

The training is delivered through the Citi and Guild Institute’s curriculum. Some of the training in the curriculum includes electrical installations, plumbing and scaffolding in petroleum industry. Their training also includes health and electrical safety, firefighting and first aid.

The bulk of the students, including welders, who have been retooled are sent to the firm by Sinohydro, a Chinese company building the 600MW dam at Karuma, and Total E&P, one of the three joint venture partners in Uganda’s oil industry for industrial training in order to perfect their skills. ■

Disturbing testimonies

KENNEDY KISEKKA: He graduated from Nakawa Vocational Institute a few years ago. After undertaking a specialized welding course at St. Simon (Vocational Institute) under Q-Sourcing, he told Uganda Debt Network that comparatively training in BTVET institutes is very inadequate.

At St. Simon, Kisekka's cohort, including 23, others was asked to weld two pieces of metal plates to gauge their level of understanding of the trade last July, 2017. After the assignment, the plates each group had welded were subjected to a bend test to establish if they had been melted properly before welding them and if they would bend without breaking. All of them broke into pieces.

"Yet we were already welders. But it is only when they tried to bend the plates and they all broke that we realized we knew nothing and we had been doing shoddy work," Kisekka stated.

"We had missed critical standard operating procedures in doing the assignment, although in the group we had people who had been welding for five years and above."

Their work had several welding defects, and the quality of work the group produced gave the tutors an idea of the level of competence the group had and what work they need to turn them into real welders that could merit international accreditation.

Kisekka and his group swallowed their pride and were herded into classroom for intensive practical learning infused with small doses of theory.

In Hoima, the three months course in welding, fabrication and pipework, included health and safety, which are emphasized in the petroleum industry. It also included basics in welding, drawing and interpreting technical drawings, 1G, 2G, 3G, 4G and 6G levels of welding training.

"At Nakawa, we had only received

WE WERE ALREADY WELDERS. BUT IT IS ONLY WHEN THEY TRIED TO BEND THE PLATES AND THEY ALL BROKE THAT WE REALIZED WE KNEW NOTHING AND WE HAD BEEN DOING SHODDY WORK

the training these people who build doors get. But even then, some of the doors you see are not strong because of the inadequacies in training you get at [BTVET] institutes," he said. "We were given tools but we did not know what to do with them. At most institutes, you are taught how to hold a welding rod, but there is more than that about welding," Kisekka added.

To make himself a better welder, Kisekka has been undertaking industrial training since December 2017 at Steel Wood, welding and metal fabrication workshop in Kampala. And by the time of writing this report, he was expected to return to Hoima for the final assessment and certification.

This betrays the principle of competitiveness across the EAC region with regard to Oil production. However, the costs to the nation get compounded by the day. ■

JOHN MARY KYANUNGI: He graduated with a petroleum-engineering certificate from Uganda Petroleum Institute, Kigumba (UPIK).

"At UPIK, welding was one of the many course units we did, and I am grateful to UPIK, but it was a general petroleum engineering course and we did not specialize," he said.

This, he said, left him lightweight in terms of skills needed to be relevant in the market.

As such, he too like Kisekka had to undertake a

specialized welding course delivered by Q-Sourcing at St. Simon Vocational Institute. "After three months of serious drills, we were sent out for industrial training. I undertook mine at Bwendero factory in Hoima, and others were sent to other places," he said.

This helped him acquire the specialized skills and competence the industry needs. He is now employed at the UN base camp in Entebbe.

"After my internship, I was employed by Sinohydro at Karuma dam and then I was invited

by a UN contractor to do welding at the UN base camp in Entebbe. If it were not for this training, I would still be a struggling Jua Kali (artisan welder)," he explained.

"The 3G welding training I received is very important. Oil projects will start soon. If you give the kind of work I do to these welders you see around, they will run away," he stated. ■

Conclusion

The failure to make the best use of resources borrowed for Skilling Uganda means the country could find itself saddled with an unnecessary debt. This could further complicate Uganda's already bad public debt situation. According to Julius Mishambi Kapwepwe, head of programmes at Uganda Debt Network, Uganda's public debt is already in excess of $14b (sh50.9 trillion) inclusive of disbursed and undisbursed loans, contingency liabilities, domestic arrears, land compensations and debt due to recoverable costs from private sector investment in oil and other high capital risk sectors. This means every Ugandan now owes approximately sh1m per Ugandan, which is untenable considering several projects government borrowed to finance like BTVET are struggling. In a bid to service mounting debt, the Government could be forced to hike taxes to meet debt repayment obligations.

This could affect the quality of life of citizens. To avoid sinking deeper into debt, Uganda Debt Network, recommends that both donors and the Government periodically publicize what they fund, in order to account to Ugandans who are staked for such huge borrowing to assess the level of performance, success rate of each loan and contribution to the economy. Also before the Government undertakes to borrow, a thorough feasibility studies and planning should be done to avoid wastage of the borrowed funds. Under the social contract, Government is ideally a custodian, so our borrowing has to be absolutely intentional, with clear outcomes ■

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