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Uganda Posta Limited posted a modest but signi... profit growth, with net earnings rising to Shs266 million in June 2025 from Shs103 million in June 2024. According to the 2025 Auditor General Report, the 157 percent increase signals improving operational efficiency despite persistent structural and market challenges.



Industrialisation. |

UDC investment decisions not yielding returns - report

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In Kabarole District, the Kaaro-Koffi facility remains non-operational, several years after government invested Shs3.1b in the project.

The facility, intended to support coffee value addition and exports, has yet to commence production. This anomaly is a physical manifestation of a broader pattern identified by the Auditor General in a review of government-supported enterprises financed through Uganda Development Corporation (UDC), in which public investment decisions are delegated to UDC but subsequently prove commercially unviable and fail to generate returns.

The Auditor General's report for the year ended June 2025 analyzes 10 UDC-funded firms that received public support over the past four years, the majority of which have consistently incurred losses across multiple financial years, despite substantial capital injections.

The report shows that eight out of 10 companies recorded net losses for at least two consecutive years, signalling deep-rooted viability and execution challenges. Only one company posted sustained profitability, growing from Shs796m in 2022 to Shs3.2b in 2024, highlighting how isolated success has been within the portfolio.

Beyond losses, the Auditor General found serious weaknesses in financial discipline and oversight, with several companies having no financial statements on file for multiple years, limiting visibility into performance, compliance, and the true condition of public investments.

In lending, the picture is equally troubling. The Auditor General reported that eight companies loaned a total of Shs23b by UDC failed to adhere to agreed repayment terms, having neither paid principal nor interest.

These loans have effectively stalled, constraining UDC's liquidity and undermining its ability to recycle capital into productive ventures.

The report notes that from an investment base of approximately Shs1.3 trillion, UDC generated only Shs1.4b in investment income in the year under review, equivalent to a return on investment of just 0.09 percent. The report, thus, notes that the "investment decisions transferred onto UDC are not viable and are not yielding returns".



President Museveni while launching the Soroti Fruit Factory. UCD has invested in more than 20 companies including Soroti Fruits, according to the Auditor General. PHOTO/FILE

Key figure

80%

At The Auditor General indicates that eight out of 10 companies, which represents about 80 percent, recorded losses for at least two consecutive years, signalling deep-rooted viability and execution challenges.

The Auditor General situates these failures within UDC's internal planning and financing constraints.

An analysis of a midterm review of UDC's 10-year Strategic Plan recommended alignment with National Development Plan IV. However, as of September 2025, this alignment had not been completed, potentially delaying implementation of national priorities.

Compounding this, UDC's 2024/25 financial year budget compliance stood at only 66 percent, with key activities, such as completion of soluble coffee, cocoa processing, and rice factories, remaining unaddressed, directly affecting the realisation of development objectives.

Budget execution data also shows a pattern of underperformance, indicating that although UDC's approved budget for the 2024/25 financial year was Shs317.79b, at least Shs316.95b was warranted, creating a variance that disrupted planned activities.

Of the funds received, only Shs161.6b was utilised, translating into an absorption rate of 51 percent.

The Auditor General also notes that UDC's strategic plan was funded at 73.3 percent, resulting in a 26.7 percent shortfall, hindering capital development activities, yet UDC did not define clear intervention targets under its plan, limiting its ability to demonstrate results in fulfilling its industrial development mandate. The Auditor General presents an indictment signaling that the failure of almost 80 percent of funded company projects under UCD is symptomatic of a system where development ambitions are funded without sufficient commercial appraisal, execution discipline, or accountability for returns.

Thus, the Auditor General cautioned that unless government separates financing for high-development-impact but low-return projects from UDC's core capitalization, and demands clear, measurable returns on its commercial investments, public resources risk remaining locked in stalled factories, unrecovered loans, and underperforming balance sheets rather than driving sustainable industrial growth.

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