

Uganda

Vegetable Oil Development Project – Phase 2

Supervision report

Main report and appendices

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Abbreviations and acronyms

A. Introduction¹

1. The mission objective was to review: the status of execution of the AWPB 2012/13; the progress made for the start-up of the interventions in the oilseeds component and in oil palm in Buvuma; the implementation of the recommendations of the previous missions; and the overall implementation progress of the project. Given the complexity of the project, the mission has primarily focused on one technical component (oilseeds), including field visits to the districts of Tororo, Mbale, Sironko, Bukedea and Bulambuli in the Eastern Uganda hub, where meetings were held with representatives of the Local Governments as well as with key stakeholders in the oilseeds value-chain, including farmer groups, processors, millers, seed companies, service providers and agro-dealers. Additional meetings took place in Kampala with National Agricultural Advisory Services (NAADS), SNV and Victoria Seeds Ltd. Implementation progress in the oil palm component has been reviewed during a one-day meeting with the Project Management Unit (PMU) and Kalangala Oil palm Growers Trust (KOPGT) in Kampala, with no field visits. It is agreed that the next supervision mission, planned for September, will primarily focus on the oil palm component, including field visits to Kalangala and Buvuma. The mission was accompanied by the relevant PMU staff during the field visits, including the Project Manager. The mission has also met with the Managing Director of Bidco Uganda Ltd (BUL), the private sector partner in oil palm development. Thanks are extended to the PMU and all of the partners who have contributed to the success of the mission.

B. Overall Assessment of Project Implementation

2. While the project became effective almost 2.5 years ago in October 2010 and it is about two years since the first disbursement in June 2011, the PMU was only recruited in May 2012, which means that the project is just completing its first year of operations. Being a second phase, VODP2 was expected to have a quick start-up. Unfortunately, the protracted delays in recruiting the PMU resulted in a considerable time gap between the two phases and the first year had therefore to be almost entirely devoted to preparatory activities aimed at establishing the capacity, means, frameworks and mechanisms for actual implementation on the ground. The PMU has been relatively effective in this respect and some progress has been made in the establishment of the physical presence in the oilseeds hubs, almost completed; the analysis of the oilseeds value chains in the four hubs; efforts in identifying and securing the land for the nucleus estate in Buvuma; and the design of an effective planning and M&E system. Most important, the project has a professional and motivated team both at central and hubs' level.

3. Good progress continues in the consolidation of the investment of the first phase in Kalangala, with good performance by KOPGT in the delivery of services for the smallholder plantations that have already reached maturity, as well as for the development of the remaining ones to reach the planting target of 3,500 ha of the first phase. Very limited progress is instead visible on the ground for the new investments expected from the second phase, including the expansion to outlying islands in Kalangala, the establishment of private sector and smallholder investments in Buvuma as well as the development of oilseeds in the four hubs. Given the delays accumulated at the beginning of the project, which have de facto shortened the implementation period by more than 1.5 years, an increased effort is required by the PMU to ensure that the likelihood of achieving the project objectives is not at risk.

4. The next 5 to 6 months will be critical to speed-up a few remaining processes in order to ensure a quick start-up of investment on the ground. Key priorities in this respect will be: completing the EIA studies; undertaking the study on the economic viability of transport options for the outlying islands; launching the tender for the design of roads; preparing the hubs' value-chain development

¹ The mission was led by Mr. Alessandro Marini, IFAD Country Programme Manager for Uganda and included Ms. Line Kaspersen, IFAD Associate Professional Officer, Mr. Willem Heemskerk, research and extension specialist; Mr. Daniel Lallemand, financial management and procurement expert and Ms. Ann Turinayo, IFAD Knowledge Management and Communication Officer.

plans to feed into the AWPB 2013/14; launching the tenders for the recruitment of pay for service providers for the oilseeds component; and undertaking the baseline survey. The challenge represented by the delivery of the above outputs within the next few months is high but certainly within the capacity of the PMU. There is reasonable optimism that VODP2 will be up and running with visible activities in Buvuma, the outlying islands in Kalangala and the four oilseeds hubs by the last quarter of this year.

5. Particular attention should be paid by the Government to expedite the process of identification and handing over of land to the private sector for the nucleus estate. BUL has manifested serious concerns about the delays in the whole process and the cost implications for all the parties involved. This situation, if protracted, will put at risk the whole investment plan, including for the development of smallholders, and will entail the loss of an important opportunity for the communities in Buvuma.

C. Outputs and Outcomes

6. Given that the project is still in an early stage of implementation, the only visible outputs and outcomes so far are in the consolidation of the achievements of the first phase in the smallholder oil palm plantations in Kalangala. On Bugala Island, oil palm yields continue to increase. It is estimated that 2006 plantings, palms that are in their 6th year, are yielding as high as 15 tonnes per ha per year; a yield only expected in the 9th year. This means that over the productive life of a palm, smallholders will sell more production than estimated, and earn higher incomes than estimated, subject to the market price, currently at UGX 378 per kilo. The cumulative total of harvested fresh fruit bunches is 13,237 tonnes, sold at a value of UGX 5.3 billion, or more than USD 2 million. 33 % of this value has been spent on loan-repayments, the remaining paid out as income to a total of 486 farmers (333 males and 153 females). As the palms gradually mature, all 1,532 farmers will start harvesting. Quality of the plantations has remained high, with the estimated oil content of the fruits increased to 18%, up from 15% in 2010, and further contributing to farmers' incomes. Kalangala Oil Palm Growers Association (KOPGA) has held their general assembly, with more than 800 participants. VODP2 builds on the achievements of VODP1, which is yet to realize the planting targets; for smallholders, 99.9% of the targeted 3,500 ha has been planted; for the nucleus estate, 200 ha of 6,500 ha still remain to be planted. As part of the planting target for VODP2, a further 400 ha will be planted on Bugala starting this month. The interest in oil palm remains high, with pledges exceeding the planting target and finances available under the project. Transportation to the outlying islands in Kalangala District, and land acquisitions in Buvuma remain the key challenges for further plantation development.

D. Project Implementation Progress

Component 1 - Oil Palm Development

(Based on a one-day, office-based, review meeting, with no field visit)

Oil Palm Development – Kalangala

7. The main issues related to the implementation status of the oil palm component in Kalangala that were discussed during the mission are summarized here below together with the main actions agreed:

- **Status of land development and seedling requirements.** Seedlings are available for planting on about 500 ha against the total planned for Bugala of 400 ha. Actual planting awaits definitions of the new loan conditions and the new policy on maximum acreage to be supported per household for the second phase (see below). **Agreed action:** the planting of 400 ha will start as soon as the new conditions are defined; the remaining seedlings will in preference be used for gap filling by OPUL and KOPGT.

- **New loan conditions for the second phase.** The mission has worked with KOPGT and the PMU to redefine the conditions and amount of the smallholder loan with the aim to adjust the estimates at design to the actual experience accumulated during the implementation of the first phase. **Agreed action:** KOPGT will organize consultations with the farmers on the new conditions and provide feedback to the PMU by 15 April 2013.
- **Outlying islands.** The two main preliminary activities for the investment in the outlying islands are on track: (i) the contracts for the Environmental Impact Assessment studies are expected to be completed by 31 July 2013; (ii) contacts are being established with the Ministry of Works and Transport for the study of transport options for outlying islands; if necessary the project will be able to finance the undertaking of the study. **Agreed action:** the two studies above will be finalized by mid-September; the results will allow to take a final decision on which islands to develop the new 800 ha during the next supervision mission at the end of September.
- **Ceiling for acreage to be supported per farmer.** It has been agreed that for new smallholder development in Kalangala a maximum ceiling of 10 acres per household is set. The ceiling will be subject to review before the beginning of the investment in Buvuma.
- **Roads.** The remaining 40 kms of roads in Kalangala have been opened and shaped but murrum placing and compacting is yet to be done. Completion is pending mainly due to the protracted delays by KDLG to repair the compactor. The procurement process for the design and supervision of roads in Kalangala (additional 400 ha. and upgrade of community access road (CAR) and outlying islands (800 ha) is ongoing and bidding documents have received comments by IFAD for revision before submission for No Objection. However, the PMU is considering the option of using the soon to be recruited engineer to do all or part of the design and supervision in-house. In this respect, the PMU should consult with District Livelihoods Support project (DLSP) and Community Agriculture Infrastructure Improvement Programme (CAIIP) to assess the feasibility of such option. **Agreed action:**(i) KDLG should expedite the completion of the 40 kms of roads by 30 September 2013; (ii) the reviewed bidding documents for the design of roads in Kalangala (new and upgrading) shall be finalized after the recruitment of the Project Engineer and will be submitted to IFAD by 30 May 2013. Given the delays in the start of activities in Buvuma, the tendering of the design for the roads in Buvuma will be postponed to a later date.
- **KOPGT staffing.** The process for recruitment of the financial manager and accounts assistant is ongoing. This is a very important issue that has been pending for long and needs to be expedited in order to duly prepare KOPGT for the first external audit. **Agreed action:** the shortlist for the two positions will be sent to IFAD for No Objection by 15 April and No Objection will be provided by 30 April.
- **KOPGT loan management system.** The mission was informed that seedling prices are now correctly captured in the systems, and financial statements have been issued to some farmers, to be rolled out.
- **Fertilizer purchase after the development phase.** The roll-out of the fertilizer savings model has been approved by the KOPGT Board and is operational since the February harvest, with the application of a 10% retention on fresh fruit bunches (ffbs) sales. KOPGT should work further on the financial model to ensure that the deduction is sufficient. It is agreed that MAAIF and KOPGT will explore the possibility to use the reflows' account to pre-finance the purchase of fertilizers for farmers in the commercial phase, with the agreement that the amount will be refunded from the fertilizers' savings account.
- **Fertilizer store and office expansion.** IFAD No Objection for the increase in the scope of works and the budget for the construction of the fertilizer store and office expansion has been provided during the mission. **Agreed action:** The bidding documents will be sent to IFAD for No Objection by 15 April.

- **Reflows from oil palm development loan.** Limited progress has been made in this respect. The mission reiterates the importance for MAAIF to vigorously follow-up with MFPED in order to agree on the framework and mechanisms for the use of the loan reflows as agreed during the last supervision mission in December 2012.
- **Communication.** To address the lack of clarity concerning the price of ffbs, the pricing formula should be explained every month as the new price is communicated to the farmers through the available structures such as KOPGA, as well through the radio programmes. A popular version of the way the pricing formula is calculated could be developed, translated to Luganda and shared with the farmers. It is also necessary that KOPGT starts to brand itself as an entity meant to evolve into an independent, self-supporting business body. As such, a website, developing their own brochures and factsheets, and other materials will be starting points in showcasing the KOPGT brand. **Agreed action:** KOPGT with the support of the PMU and the IFAD Country Office will develop an independent website to share relevant information with the external audiences. A website will be developed with support from PMU and the IFAD country office, by the IT officer and the Operations Officers at KOPGT by 31 May.
- **Other constraints.** The main constraint for KOPGT operations is availability of transport for ffbs, as the 4x4 trucks whose contract was signed in December 2012 are still not on the island due to delays in clearing taxes. Furthermore, KOPGT informed the mission that theft of ffbs is becoming a serious issue on the island and action is being taken to involve the local authorities to assist in the solution. **Agreed action:** the process for the delivery of the 4x4 trucks for KOPGT will be expedited to ensure that the trucks are on the island by 15 April 2013.

Agreed action	Responsibility	Agreed date
Completion of 40 kms of roads on Bugala	KDLG	Immediately
Planting of 400 ha to commence on Bugala once new conditions are defined	KOPGT	31 March 2013
Shortlist for the two KOPGT positions will be sent to IFAD for NO by 15 April and No Objection will be provided by 30 April.	PMU	15 April 2013
Expedite process for the delivery of the 4x4 trucks for KOPGT on the island will be expedited to ensure that the trucks are on the island by 15 April 2013.	MAAIF	15 April 2013
Consultations with the farmers on the new conditions and provide feedback to the PMU	KOPGT	15 April 2013
Bidding documents for KOPGT fertilizer store sent to IFAD for No Objection	PMU	15 April 2013
Revised bidding documents for roads in Kalangala District submitted to IFAD for No Objection	PMU	30 April 2013
KOPGT develop an independent website to share relevant information with the external audiences.	KOPGT	30 August 2013

Oil Palm Development – Buvuma

8. **Nucleus estate on Buvuma.** The process of identification and purchase of land to be leased to the private sector continues, albeit slower than expected due to the complex social issues attached to land in Buvuma. The total potential land identified to reach the target of 6,500 ha for the nucleus estate stands at 8,862 ha, of which 1,674 ha. is public land and 7,188 ha. is mailo land (see table 1). The government has so far purchased 3,400 hectares from mailo land owners. About 2,400 ha are free of encumbrances and ready to be leased to the nucleus estate and 35 km of boundary roads have already been opened by the private sector investor. Another 1,000 ha are encumbered by tenants, with whom negotiations are on-going. Furthermore, about 1,500 ha of public land have been surveyed. For 607 ha among these, compensation for about 175 tenants has been valued at about UGX 2.3 billion (USD 880,000) due to the perennial nature of their crops currently grown on the land. Land consultants have also identified 3,788 ha of potential mailo land and 174 ha of public land still to be surveyed.

Table 1: Buvuma - Status of identification of land for the nucleus estate

	Available (free of encumbrances)	Identified (surveyed)	Potential (not yet surveyed)	Total
Mailo land	2,400	1,000	3,788	7,188
Public land		1,500	174	1,674
Total	2,400	2,500		8,862

9. Unfortunately, the private sector investor, who had started to open boundary roads, has decided to recall its staff already operating in the island as a result of the delays by Government to honour its obligations of making available the 6,500 ha. for the nucleus estate. The 2,400 ha that is free of encumbrances is scattered in about 6 pieces which makes it unattractive to the private sector partner. Furthermore, the land originally identified for the establishment of the nursery, supposed to be public land, has claims by a private owner and the case is now in court. The stop to the opening of boundary roads is further complicating the situation as idle land runs the risk of further encroaching. BUL is now reluctant to re-start opening of boundaries before the whole 6,500 ha have been actually handed-over free of encumbrances as per agreement. This is putting at serious stake the whole investment in Buvuma Island, including the IFAD Loan for the development of smallholders, for which the commitment of private sector investment is a necessary pre-condition. **Agreed actions:**(i) the Government shall ensure that at least 3,000 ha., free of encumbrances, are ready for official hand-over to BUL by 30 June 2013; (ii) the negotiations and compensations for the additional 2,500 ha already surveyed will be given maximum priority with the aim to have land available for hand-over by 31 August 2013.

10. **Environmental Impact Assessments (EIAs).** The contract for the EIA for Buvuma District was cleared but the one for Kalangala is still with the Solicitor General for approval. The completion of the two studies (Buvuma and Kalangala) is expected by end-September.

11. **Communication.** There is need to consistently share information about land acquisition, loan conditions and the importance of observing environmental guidelines, among others. Information that addresses these issues should be put in different forms (factsheet, Frequently Asked Questions, etc.), illustrated with pictorials and translated into Luganda. Additionally, the ongoing process of land acquisition should be carefully documented and recorded.

Agreed action	Responsibility	Agreed date
At least 3,000 ha., free of encumbrances, handed over to BUL	MAAIF	30 June 2013
Negotiations and compensations for the additional 2,500 ha already surveyed will be given maximum priority to have maximum land available for hand-over	MAAIF	31 August 2013

Component 2 –Oilseeds Development

12. **Situation analysis.** A preliminary draft of the situation analysis report for all four hubs is available. However, while the necessary data have been collected, the additions agreed in December 2012 have not yet been fully integrated, including: (i) rough added value calculations for each of the oil crop chains (see Technical Annex), (ii) a complete overview of value chain (VC) actors, i.e. millers, seed suppliers, farmer groups, district extension capacity, other service providers; and (iii) detailed overview of crop acreage and yields, as well as constraints and SWOT analysis of the value chain. **Agreed action:** Finalize the situation analysis report by 15 April 2013 and subsequently present it to the OSSUP platforms for discussion and refinement.

13. **Value chain development plans.** The situation analysis reports are the basis for the elaboration of the value chain development plans. Based on the identified constraints and the value chain SWOT analysis, intervention priorities will be identified and agreed with the value chain stakeholders through Oil Seeds Stakeholders Subsector Platform (OSSUP). **Agreed action:** Prepare a five-year value-chain development plan for each hub and present it to the OSSUP platforms for discussion and validation by 30 June 2013

14. **Seed demonstrations.** Seven sunflower varieties, four soybean varieties, two sesame varieties and six groundnut varieties have been identified by the oilseed team in collaboration with at least four seed companies for demonstration by 330 farmer groups. The farmer groups to be involved in the variety demonstrations have been identified and host farmers have been selected. Similarly interested seed companies, processors and millers have been identified based on their interest in the demonstrations. The mission is however concerned about the delays in the joint planning with the preferred actors, agreement on a joint workplan and budget and the signing of an MOU with the different partners involved. This MOU would spell out their role during the demonstrations (see Technical Annex). Another concern is the delayed procurement of the seeds of the identified varieties, while agricultural season A is already starting. **Agreed actions:** (i) Engage processors/millers and seed companies/agri-dealers in the process immediately, sign MOUs and organize joint field-based inception meetings before the start of the demonstrations. (ii) ensure availability of seeds of identified varieties for the demonstrations and get these to the farmers not later than 15 April 2013.

15. **Recruitment of Pay for Service Providers (PFS).** The mission has reviewed the list of preselected firms for agricultural service provision per hub and the detailed terms of reference sent to IFAD for No Objection on the 11 and 12 February 2013. Detailed comments have been provided and will be included in the supervision report. An important issue in this respect is that, in spite of what was envisaged in the design documents as well as the strong potential for some processors to get engaged as providers of agricultural extension and technical advisory services following the Mukwano model, no processors expressed interest to be included among the pre-selected providers. The mission considers that it would be important to make further efforts to allow the opportunity to potentially interested millers to get involved in service provision through partnerships with the listed advisory service providers. Furthermore, the mission discussed with the PMU different options to ensure the rapidity, effectiveness and efficiency of the tendering process in order to get the agricultural advisory service providers in the field by the end of August. The details of the agreed procedure will be presented in the technical annex. **Agreed action:** (i) a final EOI's shortlist, integrating the comments of the supervision mission will be submitted to IFAD for No Objection by 30 March 2013, response by IFAD will be within 5 working days; and (ii) the RFP documents for Quality Based Selection, including a general framework agreement, the revised ToRs according to the comments received during the supervision mission and due emphasis on the importance of partnerships with processors as a criterion in the evaluation of the bids, will be submitted to IFAD for No Objection by 30 April 2013, response by IFAD will be within 5 working days.

16. **Role of Local Government in provision of technical advisory services.** VODP-2 will work with the Local Government District Technical Working Group (TWG), including District Crop Production Officer, District Commercial Officer and the District VODP Focal Point, NAADS Coordinator as well as Sub-County NAADS staff and Agricultural Advisory Service Provider, for programme implementation. The LG TWG in collaboration with the regional hub coordinator will be in charge of monitoring and supervising the performance of the contracted agricultural service provider, as well provide technical backstopping and quality assurance. The Local Government TWG's performance will be monitored by the regional hub coordinator. **Agreed action:** (i) The contracted agricultural service provider will work in collaboration with the District Extension System (including NAADS); (ii) The relation between the VODP-2 and the Local Government TWG will be part of an MOU between VODP-2 and District Local Government (see Technical Annex); (iii) The working relations between VODP2 and NAADS will be outlined in a MOU between VODP-2 and the NAADS Secretariat (see Technical Annex).

17. **MoUs with research centres.** The draft MOUs with NACCRI and NASARRI have been updated based on the December 2012 Supervision mission. The proposed MOUs with the NARIs (NACCRI and NASARRI), needs to be complemented with MOUs with the hub relevant ZARDIs (Abi, Ngetta and Buginyanya ZARDIs) for on-farm adaptive research and foundation seed production. Since all referred research institutes fall under the NARO secretariat, an overall MOU with NARO for NARIs and ZARDIs signed by the DG would suffice. **Agreed action:** Discuss and amend the MOU with the NARO secretariat on roles of referred NARIs and ZARDIs accordingly.

18. **Oilseeds development guidelines.** The mission has provided further comments for the improvement of the oilseeds guidelines, with specific focus on aspects related to value-chain development such as chain actor linkages (seed companies, processors and farmers), farmer group chain empowerment (value chain oriented group and association strengthening) and farmer group chain integration (involvement in quality improvement and value addition). Details are provided in the Oil seeds component attachment and in the presented electronic version. **Agreed Action:** Finalize the oil seeds guidelines by 30 May 2013 integrating the comments received during the current and previous supervision mission.

19. **Communication.** As the hub offices become operational, there is need to develop brief customized factsheets for information sharing within the hub offices. The relevance of the hub offices and of VODP2 generally as a key player in the oilseeds value chain should be packaged appropriately and shared widely. The communication and knowledge management aspects of the reports by the service providers should be included in the overall reporting template. These have been discussed with the Communications and Knowledge Management CKM officer and a draft template developed.

Agreed action	Responsibility	Agreed date
Engage processors/millers and seed companies/agri-dealers through MOUs and organise joint field visits	PMU	Immediate
EOI's shortlist, for recruitment of pay for service providers, submitted to IFAD for No Objection, with response within 5 working days	PMU	30 March 2013
Ensure availability of seeds for demonstrations and make available to farmers	PMU	15 April 2013
RFP documents for Quality Based Selection, including a general framework agreement and revised TORs for No Objection	PMU	30 April 2013
Relations between service providers, districts and NAADS to be clearly spelt out in MoUs and MoU with NARO finalized	PMU	30 April 2013
Finalize situation analysis report (to be presented to OSSUP platforms for validation)	PMU	30 April 2013
Prepare a five year value chain development plan for each hub and present it to OSSUP platforms for validation	PMU	30 May 2013
Finalize oil seeds guidelines	PMU	30 May 2013

Component 3 – Project management

20. **Staffing.** The VODP2 staff team is not yet complete. The recruitment processes for the coordinator for Lira hub and for the engineer are still ongoing. The positions for hub administrators and drivers have not been advertised yet. The accounts assistant has recently resigned, which is a matter of serious concern for the understaffing of the financial management unit. Medical and staff personal accident insurance, although planned and approved in the AWPB, have not yet been subscribed. **Agreed actions:** (i) submit shortlist for hub coordinator to IFAD No Objection by 15 April; (ii) submit final evaluation report for engineer by 15 April 2013; (iii) advertise for the posts of hub administrators and drivers by 30 April 2013; (iv) advertise for the post of an accountant by 15 April 2013; (iv) launch the procurement process for staff medical scheme and group personal accident insurance by 30 April 2013.

21. **PMU manuals.** The PMU operations manual has been submitted to Personnel Office of MAAIF for clearance before it is sent to IFAD for No objection. However the mission notes that the operations manual is exclusively focused on HR management aspects. The project Financial Management manual also needs to be reviewed and updated, including for procurement aspects.

22. **Annual Work Plan and Budget (AWPB) performance.** The Budget for the FY 2012/2013 has a provision of UGX 24.2 Billion, equivalent to USD 9.6 million. The actual execution for the period July 2012 to February 2013 stands at 26.4%, which goes up to 43.8% including the commitments. For the IFAD Loan, the execution is at 56.6%, whereas it is only 32.8% for GOU contribution. Budget execution has been affected by delays in land purchase, in roll out of the oilseeds activities and some delays in procurement of equipment and services.

23. **Monitoring and evaluation.** An indicator profiling process, including appropriate RIMS indicators, has been undertaken by the PMU, suggesting some modifications to the logical-framework. Once this process has been finalized, data collection tools will be developed with the service providers, district officials and hub-coordinators for the oil seeds component, and for KOPGT and BOPGT for the oil palm component. This will feed into the set-up of a project Management Information System (MIS) at PMU, which will be linked to the hubs. Due attention will also be paid to setting up a cost-efficient mechanism for accurate monitoring of the number of beneficiaries. **Agreed action:** an updated log-frame will be submitted to IFAD for No Objection by 31 May 2013.

24. **Baseline survey.** The ToRs for the baseline survey were sent to IFAD for No Objection on 22 January. These ToRs were elaborated before the process of review of the logframe and profiling of indicators discussed above. As a result, they look rather broad and generic. Furthermore, during the mission the possibility of piloting in VODP2 a new impact assessment methodology being developed in IFAD has been discussed. The methodology combines the traditional RIMS with the National Living Standard Measurement Survey (LSML) that will be undertaken in Uganda this year. **Agreed action:** (i) the baseline survey will be postponed till after the finalization of the logframe review and the procurement process for the service providers which will start by May 2013; (ii) an agreement will be reached with IFAD for the pilot RIMS-LSMS methodology by 30 April 2013, including the modality for technical backstopping from IFAD HQ and country office, otherwise the standard RIMS methodology will be used.

25. Although some contacts have been made with the Ministry of Lands Housing and Urban Development for facilitating the acquisition of maps and aerial images of the project implementation areas, in order to ensure timely acquisition it is agreed that images be procured through a service provider. **Agreed action:** the bidding documents for the procurement of service providers will be sent to IFAD by 30 June 2013

26. **VODP1 Project Completion Report.** A draft Project Completion Report has been shared with the mission. The report quantifies increased incomes and other livelihoods indicators of the farmers. Once the PCR is finalized, the PMU will consider which additional studies are needed, in particular for impact assessment in oil palm. **Agreed actions:** the final draft PCR will be submitted to IFAD by 15 April 2013.

27. **Gender mainstreaming.** The mission together with PMU gender focal point reviewed the land compensation agreements and included sections for both spouses in a household to sign. For Kalangala, a focal person has been assigned by the KOPGT Manager, who with support from PMU, will ensure that gender mainstreaming, HIV/AIDs and other targeting issues are appropriately handled at farmer level.

28. **Communication and knowledge management.** An idea to open a VODP portal under the MAAIF website has been discussed and will be pursued by PMU together with the technical person at MAAIF. **Agreed action:** A concept is being developed and the portal will be set up by 31 May 2013.

Agreed action	Responsibility	Agreed date
Submit shortlist for hub coordinator for No objection	PMU	31 March 2013
Submit final evaluation report for engineer	PMU	15 April 2013
Advertise for an accountant	PMU	15 April 2013
Advertise for hub administrators and drivers	PMU	30 April 2013
Launch procurement process for staff insurance	PMU	30 April 2013
Agreement reached with IFAD for on impact baseline studies	PMU	30 April 2013
Bidding documents for procurement of imagery of oil palm areas submitted to IFAD for No Objection	PMU	30 April 2013
Updated log-frame submitted to IFAD for No Objection	PMU	31 May 2013
Concept for web-portal developed	PMU	31 May 2013
Recruit consultant for financial management	PMU	30 June 2013
Final draft PCR submitted to IFAD	PMU	27 March 2013

E. Fiduciary aspects

29. The mission appreciates the timely preparation of the essential financial files, reports and documents required for this supervision despite the heavy work load for the Financial Manager due to the resignation of his accounts assistant and his acting as project coordinator during the month of February 2013.

30. **Financial management.** Quality of financial management is still satisfactory as a whole with accounting updated and DA reconciliations made, but may be affected in the near future by the lack of sufficient staff after resignation of the accounts assistant.

31. **Disbursement.** At 28 February 2012 VODP2 total disbursement of the IFAD Loan, excluding the Initial Deposit, is SDR 4.3 million, equivalent to about 12.8% of the total; including the Initial deposit the disbursement is SDR6.2 million, a rate of 18.5% of the overall loan; actual utilization of funds, including the pending WAs and unclaimed expenditures, but excluding the Initial Deposit, stands at SDR 5.3 million, equivalent to a rate of about 15.7%. Category 5, "Smallholder Palm Oil Development" is already withdrawn at 47.2%, which is estimated to reach 65.7% including the commitments already made. The reasons are well known since the last supervision mission and disbursement under this category needs close monitoring by the financial management unit.

32. **Counterpart funds.** Counterpart funds continue to be remitted timely and adequately to the project. The amount received so far for the current financial year amounts to USD 619,010 or 66,5% of the approved amount, but less than 50% has been actually used due to the delays in the purchase of land.

33. **Designated Accounts (DA).** At 28/02/2013 the DA for farmers' loan shows a good level of liquidity at 72,6%, with a balance of more than USD 1.4 million, while the DA for VODP2 has a balance of only USD 344,113.6, including an amount of USD 290,586.04 deposited by the GoU to purchase land for nucleus estate in Buvuma. The actual liquidity of this second DA, net of GoU funds, is only 5,4%. This is the result of slow processing of WAs. With the resignation of the accounts assistant, the capacity of the financial management unit is further overstretched, with serious risks for an appropriate liquidity management. Two WAs (17 and 18) for an amount of 1,154,095 USD were submitted to the Ministry of Finance, while expenditures not yet claimed amount to USD 334.550, well above the minimum threshold of USD 200,000 (20% of the initial deposit allocation). For a smooth flow of funds it is important to ensure the regular processing of WAs, at least one per month when the minimum of expenditures is reached. The Project has not yet received a complete justification for an OPUL invoice of USD 323,780.30, which is still overdue. The Financial Manager should also closely monitor the projected disbursements and assess the need for an increase in the Initial Deposit allocations as envisaged in the Letter to the Borrower. **Agreed Action:** A detailed plan of disbursement of expenditures for the following six months will be prepared by 30 June 2013 and, if necessary, a request to IFAD for the increase of the Initial Deposit allocations of the two DAs will be sent to IFAD.

34. **Statement of Expenditure (SoEs) review.** The mission reviewed the SOEs for WA 17 and observed that the supporting documentation was generally available, well prepared and in order.

35. **Compliance with loan covenants.** The project is in full compliance with all loan covenants, except the elaboration of the long-term business plan for KOPGT, originally due on 31 December 2012, but postponed to 31 June 2013 with mutual agreement.

36. **Procurement.** The mission reiterates its appreciation to have received an updated Procurement Status Report that provides details of all current procurement activities. Unfortunately, a relatively large number of important procurement processes have suffered some considerable delays for various reasons, some of which are beyond the control of the PMU. The mission is of the opinion that the procurement plan should be exploited further as a dynamic document to compare between the planned and actual activities in order to determine the causes of the delays. This has to be shared with the various technical teams to become a living management tool. In the field of procurement of

services, various methods of selection should be considered, depending on the kind, nature or length of services required. The PPDA is quite complete in this respect and provides various options and reference to the Procurement Handbook of IFAD can supplement the understanding of the use of the best methods of procurement as well as the most appropriate forms of contract.

37. **Audit.** The report of the Auditor General of the accounts for the FY ended 30 June 2012 has been timely completed and transmitted to IFAD with "Unqualified Opinion". The report includes the transactions related to KOPGT, but not in details and the recommendation of the last mission about the need for a specific external audit for KOPGT for 2012-13 remains valid. The Project has started to implement all recommendations. **Agreed Action:** IFAD will send to the Auditor General its guidelines on audit (Guidelines for Borrower, 2003) by 30 April, in time to prepare for the next audit.

38. **Petty cash.** Discussions have been initiated between the PS of MAAIF and the PS MFPED. The agreed action of the last report supervision mission remains valid.

Agreed action	Responsibility	Agreed date
IFAD send to the Auditor General its guidelines on audit	IFAD	30 April 2013
A detailed plan of disbursement of expenditures for the following six months will be prepared. If necessary, a request to IFAD for the increase of the Initial Deposit allocations of the two DAs will be sent to IFAD.	PMU	30 June 2013

F. Conclusion

39. This Aide Memoire was discussed and agreed in a wrap-up meeting on 21 March 2013, chaired by Mr. Vincent Rubarema of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and with participation of the members of the mission and representatives of the PMU, KOPGT and relevant units of MAAIF. IFAD and the Government of Uganda endorsed the findings of the supervision mission.

Alessandro Marini
Country Programme Manager

Mr. Vincent R. Rubarema
Permanent Secretary

21 March 2013
Date

21 March 2013
Date

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Uganda	Project ID	1468	Loan/DSF Grant No.	806
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF Grant	
Date of Update	30-Apr-2013				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	1		
Last Supervision	14-Dec-2012	Last Implementation Support/Follow-up mission	21-Mar-2013		

USD million Disb. rate %

Approval	22-Apr-2010			Total financing	146.23	
Agreement	21-Oct-2010	Effectiveness lag	6.1	IFAD Total	52.00	
Entry into force	21-Oct-2010	PAR value	-----	IFAD loan	52.00	20
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant	1.14	30%
Original completion	31-Dec-2018	Last audit		Domestic Total	93.89	
Current completion	31-Dec-2018			Beneficiaries	3.89	0
Original closing	30-Jun-2019			Government (National)	14.14	0
Current closing	30-Jun-2019			Other Domestic	5.48	0
No. of extensions	0			Private Sector Local	70.38	0
				External Cofinancing Total	0.34	
				SNV (NGO)	0.34	0

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	3	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	5	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus		4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Oil palm development	4	3	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	3	3	2. Empowerment	4	4
3. Project management	4	4	3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)		
			6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

Quality of project financial management overall satisfactory, although some improvement could be done by accelerating the processing of Was. KOPGT financial management still needs considerable improvement (recruitment of financial manager and external audit) to get to an acceptable standard for the amount of resources managed. Disbursement rate still low because of the time lost at project start-up (more than 18 months). Procurement systems and capacity are in place and quality and timeliness of procurement processes is improving, in spite of the very cumbersome Government processes and the designated contracts committee. Audit report submitted on time and unqualified. Project management overall satisfactory given the high complexity of the project, the delays accumulated and the risk of being overwhelmed. Key positions filled with competent staff. Some more proactiveness needed to address the emerging issues. M&E systems being put in place and well designed, although not yet fully operational. No major issues in AWPB implementation, besides some delays in execution. Environmental issues related to oil palm plantations are given due attention and no major issues exist. Rating for main investment components is moderately unsatisfactory, as no investment envisaged for the second phase (oil palm in Kalangala outlying islands and Buvuma and oilseeds in the four hubs) has started yet, due to the above mentioned delays. Outputs and outcomes for completion of targets of phase 1 have however been fully met. Ratings under sustainability are moderately satisfactory for the investment in oil palm in Kalangala: KOPGT is delivering good quality, demand-driven services and the beneficiaries' voice is important and heard. Efforts to ensure KOPGT sustainability (legal status, business plan, delivery of services on cost-recovery basis, financial self-sufficiency, etc.) are ongoing but need definitely to be strengthened. Sustainability in oil palm in Buvuma and oilseeds hubs cannot be assessed as investment has not started yet.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience		4
C.4 Overall implementation progress (Sections B1 and B2)	4	4

Rationale for implementation progress rating

The project team is making enormous efforts to catch up with the huge delay at start-up (more than 18 months) and the consequent loss of implementation time. All key building blocks for implementation are now fully in place and operational: financial management, procurement, M&E, technical staff and operational facilities (including offices and necessary equipments). However, while good progress continues in the consolidation of the investment of the first phase in Kalangala, very limited progress is instead visible on the ground for the new investments expected from the second phase, including the expansion to outlying islands in Kalangala, the establishment of private sector and smallholder investments in Buvuma as well as the development of oilseeds in the four hubs. Judged against the total time elapsed since entry into force (Oct. 2010) implementation progress is therefore substantially below target. However, given the relatively good achievements and dynamism showed in the last year, which is actually the first implementation year since recruitment of the PMU in May 2012, a moderately satisfactory rating for implementation progress is fully justified.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	3
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Rationale for development objectives rating

The delays accumulated during start-up, as discussed above, have affected the implementation progress and therefore pose a risk for the achievement of the outcomes envisaged at design. Furthermore, the delays by the Government in identifying and handing over to the private sector partner the agreed land for the nucleus estate in Buvuma are putting at risk the whole investment on the new island, including of course the development of smallholder plantations, for which the establishment of the nucleus estate (and mill) is a necessary pre-condition; if plantings are done in 2015, harvesting incomes will not be realised before project completion. This situation is likely to seriously affect the achievement of the project's development objectives, unless an enhanced effort is done to ensure a quick start-up of the investment on the ground. For the oil seeds component, the situation on ground has changed considerably since design, making rapid implementation challenging. The overall rating at this stage is therefore moderately unsatisfactory. The next 5 to 6 months will be critical to revert this situation to satisfactory.

C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	Weak financial management capacity in KOPGT, which might result in serious fiduciary risks for the institution. Current low staffing levels for financial management in the PMU. Considerable financial gap (above USD 11 million) identified for the oil palm component due to underestimation of costs at design. Co-financing will need to be identified and project costs (and economic analysis) adjusted at mid-term review.
Project implementation progress	Limited economic viability of investment for oil palm plantations in outlying islands in Kalangala district. A study is being conducted in this respect. Alternative options could be figured out, such as subsidization by Government of transport investment or expansion of smallholders area on main island. Limited capacity of existing service providers for oilseeds component, in particular to facilitate viable partnerships for farmers groups with private sector operators
Outputs and outcomes	Withdrawal of private sector investor from oil palm investment in Buvuma island due to delays by Government to secure the agreed 6,500 ha for the nucleus estate.
Sustainability	Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis. There is need to resume working on the implementation of a business plan for KOPGT, as well as to figure out an appropriate organizational model. Lack of interest/capacity by private sector (millers and seed companies) to set up commercial partnerships with farmers groups/organizations for oilseeds development.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Project start-up	Government should finalise the procurement of the firm for PMU staff recruitment.	30 May 2011	Done with delay (Oct 2011)
Project start-up	The PMU (on board since early May 2012) should prepare a time-bound implementation plan (including a procurement plan)	Mid-June 2012	Done
Oilseeds development plans	Finalize the hubs' value-chain development plans to feed into the AWPB 2013/14	30 June 2013	
Recruitment of service providers	Finalize the recruitment of service providers for the oilseeds component	30 July 2013	
Staffing of KOPGT	Finalize recruitment of financial manager and accountant	30 June 2013	
Financial sustainability of KOPGT	KOPGT Board to approve a business plan towards financial sustainability	30 December 2013	Two meetings are being planned before the next mission
Investment in Kalangala outlying islands	Undertake study of viability of investment in Kalangala outlying islands and decide on future development plans	30 September 2013	
Investment in Bugala island	Government to hand-over at least 3,000 ha of land, free of encumbrances, to BUL (private sector operator) for nucleus estate.	30 June 2013	
Staffing of PMU	An accountant (rather than an accounts assistant) should be recruited as soon as possible to not jeopardise financial management with the project	15 April 2013	MAAIF has not been able to delegate an accountant while the project carries out staff recruitment

Additional observations

The complexity of the project and the high-level expertise required in supervision and implementation support make the available annual budget largely inadequate. There is need to mobilize additional resources to ensure proper technical backstopping.

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Progress/comments
Contribute to sustainable poverty reduction in the project area.	<ul style="list-style-type: none"> 50% of households with improvements in assets ownership index at project completion*. 20% reduction in the prevalence of child malnutrition, by gender (height/age, weight/age, weight/height)*. 	<ul style="list-style-type: none"> Method to be identified (RIMS or LSMS)
<p>Project Development Objective: Increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets.</p>	<ul style="list-style-type: none"> Level of vegetable oil self-sufficiency increased from 30% (2008 baseline) to over 60% by project completion (2018). Domestic oilseeds production increased from 70 000mt in 2008 to 150 000mt by 2018. Increased per capita vegetable oil consumption from 5.6 kg/capita in 2008 year to 7.0 kg by 2018. Oil palm and oilseeds profitably produced by smallholders. 	<ul style="list-style-type: none"> Baseline values to be updated
<p>Outcome 1: Oil palm consolidation and expansion An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers.</p>	<ul style="list-style-type: none"> 40 000 ha for oil palm plantations identified by 2018, 20 000 ha planted of which 7,000 ha by to smallholders. CPO annual production increases from 0mt in 2009 to 35 000mt by 2018. All oil palm activities (plantation, mill and refinery) are in compliance with NEMA regulations. Smallholders receiving import parity prices for ffbs and earning incomes of US\$1 500 ha at full development. 	
<p>Outputs: 1.1 Kalangala Oil Palm Scheme completed and producing 1.2 Buvuma Oil Palm Scheme established 1.3 New oil palm areas identified</p>	<ul style="list-style-type: none"> 6 050 ha of nucleus estate planted in Kalangala 4 700 ha planted by smallholders by 31 Dec 2016 with about 1 700 smallholders accessing KOPGT advisory services*. KOPGT re-structuring agreement signed by 31 Dec 2013. Four island environmental monitoring plans for smallholder oil palm completed and being implemented*. 6 500 ha nucleus estate planted by 2017 on Buvuma. BOPGT will be established within six months of agreement with OPUL to start the nucleus estate on Buvuma. 3 500 ha smallholder land planted by 2018 and 1 100 farmers accessing advisory service*. Oil palm mill constructed by 2017. Feasibility plans completed and agreed with OPUL by 2014 for achieving the remaining balance of the area Contained in 2003 Agreement. 	<ul style="list-style-type: none"> Nucleus estate planted in Kalangala Studies yet to be taken for outlying islands Land acquisition delayed on Buvuma and plantations have not yet started

<p>Outcome 2: Development of Oilseeds Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed providing inputs to farmers and milling, remunerative prices to farmers.</p>	<ul style="list-style-type: none"> ▪ Mill capacity utilization increased from 30% in 2009 to 85% by 2018, with establishment of second solvent plant. ▪ Farmers growing oilseeds increased from 55 000 in 2008 to 140 000 by 2018, with net cash earning per ha of US\$350.* 	<ul style="list-style-type: none"> ▪ Baseline levels to be established
<p>Outputs: 2.1 OSSUP helping oilseeds stakeholders to effectively coordinate among themselves 2.2 Farmers buying good quality hybrid seed for sunflower and soybean 2.3 Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers</p>	<ul style="list-style-type: none"> ▪ Two improved varieties for each oilseed crop released by 2012 by NaSARRI and NaCRRRI, and two each year after. ▪ 90% of oilseed growers, even in remote hubs of Arua and Gulu, buying certified hybrid seed commercially by 2014 ▪ Improved oilseed production practiced on 140 000 ha by 2018, up from 80 000 ha in 2008, average yield of 1.1t/ha ▪ 2900 farmer groups (with 30% participation of women) receiving extension services by 2015 and 5900 groups supported over project life.* ▪ 140 000 farmers (30% w) trained in conservation farming and sustainable land management, 60% applying techniques including fertilizer by 2018.* ▪ Average moisture content of oilseeds delivered to mills reduced from 14% to 10%. ▪ 1,000 farmer groups bulk selling and receiving 15% price premium by 2015. ▪ 150 farmer groups practicing intensive sunflower production (hybrids with fertilizer) by 2015 on credit.* ▪ 50% farmer groups use oilseed MIS by 2015. ▪ 3 new clusters providing 70% of oilseeds production. ▪ 90% of the medium/large-scale millers attain UNBS quality certification by 2018. 	<ul style="list-style-type: none"> ▪ Detailed targets yet to be set, at hub level
<p>Outcome 3: Project management Project Management helping farmers to provide growing amounts of crushing material for processing in edible oil and earning better incomes</p>	<ul style="list-style-type: none"> ▪ IFAD loan 55% disbursed by 30 June 2015 and 99% by 31 June 2019 	<ul style="list-style-type: none"> ▪ On track
<p>Outputs: 3.1 Project Management fully operation 3.2 Oil seeds subsector platform (OSSUP) providing forum for stakeholders.</p>	<ul style="list-style-type: none"> ▪ Full staff of qualified professionals working as a team ▪ Timely preparation and execution of AWP/B. ▪ Timely submission of withdrawal requests. ▪ PMU submits draft Government policy documents on oil palm and oilseeds to MAAIF by 2013. 	<ul style="list-style-type: none"> ▪ On track

Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
Oil palm Kalangala	Completion of 40 kms of roads on Bugala	KDLG	Immediately	
	Planting of 400 ha to commence on Bugala once new conditions are defined	KOPGT	31 March 2013	
	Shortlist for the two KOPGT positions will be sent to IFAD for NO; No Objection will be provided by 30 April.	PMU	15 April 2013	
	Expedite process for the delivery of the 4x4 trucks for KOPGT	MAAIF	15 April 2013	
	Consultations with the farmers on the new conditions and provide feedback to the PMU	KOPGT	15 April 2013	
	Bidding documents for KOPGT fertilizer store sent to IFAD for No Objection	PMU	15 April 2013	
	Revised bidding documents for roads in Kalangala District submitted to IFAD for No Objection	PMU	30 April 2013	
	KOPGT develop an independent website to share relevant information with the external audiences.	KOPGT	30 August 2013	
Buvuma	At least 3,000 ha., free of encumbrances, handed over to BUL	MAAIF	30 June 2013	
	Negotiations and compensations for the additional 2,500 ha already surveyed will be given maximum priority to have maximum land available for hand-over	MAAIF	31 August 2013	
Oil seeds	Engage processors/millers and seed companies/agri-dealers through MOUs and organise joint field visits	PMU	Immediate	
	EOI's shortlist for recruitment of pay for service providers submitted to IFAD for No Objection, with response within 5 working days	PMU	30 March 2013	
	Ensure availability of seeds for demonstrations and make available to farmers	PMU	15 April 2013	
	RFP documents for Quality Based Selection, incl. general framework agreement, revised TORs for No Objection	PMU	30 April 2013	
	Relations between service providers, districts and NAADS clearly spelt out in MoUs; MoU with NARO finalized	PMU	30 April 2013	
	Finalize situation analysis report (to be presented to OSSUP platforms for validation)	PMU	30 April 2013	
	Prepare a five year value chain development plan for each hub and present it to OSSUP platforms for validation	PMU	30 May 2013	
	Finalize oil seeds guidelines	PMU	30 May 2013	
Project management	Submit shortlist for hub coordinator for No objection	PMU	31 March 2013	
	Submit final evaluation report for engineer	PMU	15 April 2013	
	Advertise for an accountant	PMU	15 April 2013	
	Advertise for hub administrators and drivers	PMU	30 April 2013	
	Launch procurement process for staff insurance	PMU	30 April 2013	
	Agreement reached with IFAD for on impact baseline studies	PMU	30 April 2013	
	Bidding documents for procurement of imagery of oil palm areas submitted to IFAD for No Objection	PMU	30 April 2013	
	Updated log-frame submitted to IFAD for No Objection	PMU	31 May 2013	
	Concept for web-portal developed	PMU	31 May 2013	
	Recruit consultant for financial management	PMU	30 June 2013	
Fiduciary	Final draft PCR submitted to IFAD	PMU	27 March 2013	
	IFAD send to the Auditor General its guidelines on audit	IFAD	30 April 2013	
	A detailed plan of disbursement of expenditures for the following six months will be prepared. If necessary, a request to IFAD for the increase of the Initial Deposit allocations of the two DAs will be sent to IFAD.	PMU	30 June 2013	

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators (not compiled)

		Period: 1 July 2012 to 31 March 2013			Cumulative		Appraisal	
Component	Indicator	Unit	AWP&B	Actual	%	Actual	Target	%
Component 1 Oil Palm								
Development in Kalangala and Buvuma	Plant 571 hectares of oil palm divided as 171 hectares to achieve the VODP phase 1 target of 3,500 hectares under small holder/ out growers, and 400 hectares as part of the phase 2 target of 1,200 hectares.	571	171		30%			
	Provide extension services and credit for fertilizers and maintenance of the small holder/ out grower farmers gardens.			Continuous		On-track		
	Implement start up activities specifically Environmental and Social Impact Assessments in the outlying islands of Bunyama and Bubembe.			Procurement for Buvuma cleared by solicitor general; Kalangala still pending		Behind schedule		
	Negotiate the transfer of out growers' gardens from OPUL to KOPGT then to farmers in a phased manner			All gardens have been handed over and most to the farmers as well	100%			
	Clear all outstanding payments to OPUL for maintenance of the out growers' gardens and supply of fertilizers.			On-going		On-track		
	Providing the required 4,100 hectares of land to BUL for an oil palm nursery and start activities on the Nucleus Estate.			Not officially handed over. 2400 available free of encumbrances		Behind schedule		
	Mobilize and sensitize farmers on the benefits of oil palm growing and environmental protection.			Done by districts with VODP financing		On-track		
	Ensure that tenants on the land acquired for the project are fairly compensated.			Compensation of farmers started		On-track		
Component 2 Oil seeds								
	Establishment of physical presence (offices) in the four regional hubs.	4		4 offices secured with hub coordinators to be in place by 1 April	100%			
	Effective participation in the OSSUP platform meetings			Participated in all quarterly meetings in all hubs	100%			
	Conduct situation analysis studies for the four commodities and procure pay for service providers (PFS) for capacity assessment of farmer groups and value chain mapping			Situation analysis final draft available; procurement pushed to next FY		On-track		
	Procure PFS to provide extension support to farmers in the regional hubs.			Bidding docs of PFSs sent to IFAD for NO		On-track		
	Complete institutional arrangements with research and other partners			Draft MoUs in place		On-track		
Component 3 Project management								
	Work with Kalangala and Buvuma Districts to continue building up awareness of the project, secure farmers commitment to participating in			Frequent visits by PMU staff to both areas		On-track		

<p>oil palm development</p> <p>Play an intermediation role on behalf of Government with OPUL. This will include facilitation for the land purchase for the nucleus estate in Buvuma district and provision of title deeds.</p> <p>Ensure the completion of the environmental and social impact assessments in conformity with NEMA regulations in the islands of Bunyama, Bubembe and Buvuma</p> <p>Ensure that gender, HIV/AIDS and environmental management awareness are mainstreamed into the oil palm development activities in Bugala.</p> <p>Coordinate the activities in the regional hubs and ensure that the oil seeds component establishes networks with stakeholders and implementation partners to ensure that roles and responsibilities are agreed upon.</p> <p>Develop and implement a communication and knowledge management strategy for VODP 2. The PMU will also harmonize dissemination of messages by project partners in VODP 2.</p> <p>Develop and implement strategies for rural financing schemes for the oil seeds and oil palm components through reviewing at least four (04) financing options for oil seed development and, monitoring and backstopping the implementation of the credit scheme for oil palm farmers.</p> <p>Design and implement a participatory results based monitoring and evaluation system through building the capacity of implementing partners in results based planning and M&E, collecting baseline information on the indicators of the project components and tracking progress of the implementation of the project start up activities. An impact evaluation in Bugala.</p> <p>Facilitate and support timely acquisition of the required procurement items to support project implementation through putting in place procurement/ disposal plans for timely loan disbursements, seeking for contract committee approvals/ IFAD no-objections, implementing contracts committee decisions, implementing contracts monitoring and record keeping and, building capacity of VODP 2 in procurement/ disposal of items and assets.</p> <p>Implement financial best practices through maintaining a sound financial accounting system, timely financial reporting to IFAD & GOU and providing custody of the project assets.</p>	On-going	On-track
	TORs developed	Behind schedule
	Methodologies still developed; focal points review new activities	On-track
	Hub coordinators in place; posted to duty stations by 1 April	On-track
	Final draft reviewed	On-track
	Situation analysis and consultations carried out. Initial proposal in place for next FY	On-track
	Indicator profiling final draft reviewed.	On-track
	Overall procurement on track	On-track
	Financial management on track	On-track

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	52,000	9,640	18.54
IFAD Grant	1,140	342	30.0
Government of Uganda	14,140	1,168	8.26
Trust	4,440	0	0
KOPGT	1,040	0	0
Farmers	3,900	2,152	55.17
SNV co-financing	285	40	14
Sub-Total	76,945	13,342	17.34
Oil Palm Uganda Ltd (OPUL)	70,380	---	---
Total	147,325		

Note: IFAD loan disbursement amount includes USD 3,000,000 initial deposit

Table 5B: Financial performance by financier by component (USD '000)

Component	IFAD Loan			IFAD grant			Government			OPUL		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Oil Palm Development												
Consolidation and Expansion- Kalangala	8,608,100	6,427,698	74.67				3,250,000	-	-			
Support to KOPGT	4,482,801	493,656	11.01									
Mobilisation- Buvuma	4,028,000	103,279	2.56									
Development- Buvuma	9,217,299	-	-				10,490,000	361,739	3.45	70,380,000	0	0
Identification of new areas	673,000	45,406	6.75					1,928				
Sub total Oil Palm Development	27,009,200	7,070,039	26.18	0	0		13,740,000	363,667	2.65	70,380,000	0	-

Oil Seeds Development	-											
Seed Production	2,019,600	2,607	0.13									
Extension for Farmer Groups	12,830,200	31,123	0.24									
Other Value chain Activities	1,849,200	-	-	1,140,000	340,000							
Sub total Oil Seeds Development	16,699,000	33,731	0.20	1,140,000	340,000	0	0	0	0			
Project Management	-											
Project Management	8,291,800	1,029,219	12.41			1,260,000	211,372	16.78				
Sub total Project Management	8,291,800	1,029,219	12.41	0	0	1,260,000	211,372	16.78	0	0		
Total	52,000,000	8,132,989	15.64	1,140,000	340,000	29.82	15,000,000	575,039	3.83	70,380,000	0	0
<i>Initial Deposit</i>		3,000,000										
TOTAL	52,000,000	11,132,989	21.41									

Component	Trust			KOPGT			Farmers			SNV cofinancing			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Oil Palm Development				0											
Consolidation and Expansion- Kalangala							933,000	2,151,671	231				12,791,100	8,579,369	67.07
Support to KOPGT															
Mobilisation- Buvuma															
Development- Buvuma	4,440,000	0	0	1,040,000	0		2,967,000	0	0				98,534,299	361,739	0.37
Identification of new areas													673,000	47,334	7.03
Sub total Oil Palm Development	4,440,000	0	0	1,040,000	0		3,900,000	2,151,671	55.17	0	0		111,998,399	8,988,442	8.03
Oil Seeds Development							0						-		
Seed Production													2,019,600	2,607	0.13
Extension for Farmer Groups													12,830,200	31,123	0.24
Other Value chain Activities										340,000	0		3,189,200	-	-
Sub total Oil Seeds Development	0	0		0	0		0	0		340,000	0		18,039,000	33,731	0.19
Project Management													-		
Project Management													9,551,800	1,240,591	12.99
Sub total Project Management	0	0		0	0		0	0		0	0		9,551,800	1,240,591	12.99
Total	4,440,000	0	0	1,040,000	0	0	3,900,000	2,151,671	55	340,000	0		139,589,199	10,262,763	7.35

Table 5C: Status of funds SDR as at 28/02/2013										
Category	Category description	Allocation	Disbursement	%	W/A pending	Expenditures Not yet claimed	Commitments	Total	% Disb	Balance
1	Vehicles and equipments	4 400 000		-			332 960	332 960	7.57	4 067 040
2	Materials	1 430 000		-				-	-	1 430 000
3	Pontoon landing sites	820 000		-				-	-	820 000
4	Other Civil works	1 310 000	11 561	0.88	14 802			26 363	2.01	1 283 637
5	Smallholder oil palm development	8 030 000	3 787 789	47.17	362 574	202	1 128 604	5 279 169	65.74	2 750 831
6	Oil seed Guarantee Fund	920 000		-				-	-	920 000
7	Consultancies, Workshops and Train	2 070 000	128 732	6.22	46 988	28 969		204 689	9.89	1 865 311
8	Extension services	6 200 000		-		6 764	5 246	12 010	0.19	6 187 990
9	Salaries and allowances	3 270 000	176 773	5.41	224 526	64 753	176 255	642 307	19.64	2 627 693
10	Operating costs	1 980 000	176 116	8.89	98 762	121 525	24 551	420 954	21.26	1 559 047
	Unallocated	3 070 000		-				-	-	3 070 000
	Total	33 500 000	4 280 970	12.78	747 652	222 213	1 667 616	6 918 451	20.65	26 581 549
	<i>Initial Deposit</i>		1 903 227							
	TOTAL	33 500 000	6 184 197	18.46						

Figure 1: IFAD loan disbursement, comparisons between original and revised allocations and actual disbursement

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section E. Withdrawal conditions	1. A project manager and financial controller acceptable to IFAD are appointed	December 2010	May 2012	
	MAAIF will constitute a dedicated contracts committee		11 April 2012	
	Draft guidelines for oilseeds oil palm, operations and a financial management submitted to IFAD		Complied/May 2012	
	Removal or appointment of a project manager and financial controller is subject to IFAD's prior approval		Complied	Recruitment: PM in May 2012 and FC in Dec 2011
Schedule 1. A. 2	A Project Steering Committee will be established and composed of NARO, MFPED, OPUL, representatives of large scale oilseeds millers, OSSUP as from UNFFE and UOSPA, with the PMU as the Secretariat. The PSC will meet quarterly.		30 September 2012	
Schedule 1. B. 1	The existing framework documents for VODP (agreement between GoU and Bidco, Tripartite agreement between GoU, OPUL and KOPGT, and the KOPGT Trustee Document) will be used by VODP2, and may be amended from time to time.	ongoing	ongoing	IFAD's prior approval should be sought on an amendment
Schedule 1. B. 2	VODP shall conclude a framework MoU with NARO and operational MoUs with monitorable outputs with NaCRRi, NaSARRI and COREC)		Not complied	The processes started
Schedule 1. B. 3	IFAD will provided a grant to SNV for the continuation of OSSUP		December 2011	IFAD has approved a 5 year grant.
Schedule 1. C. 2	KOPGT shall ensure that 20% of its staff are women and special measures are put in place to encourage women to plan oil palm.		On-going	
Schedule 1. C. 3	KOPGT will submit short long-term business plans by 31 Dec 2012	31/06/2013		December 2012 mission postponed the due date
Schedule 1. C. 3	KOPGT will be become self-sustaining in its operational costs on Bugala Island by 31 December 2016		31 Dec 2012	
Schedule 1. C. 4	The GoU shall up-grade the ferry service between Buvuma and the mainland		Not finalised	
Schedule 1. C. 6(a)	NaSARRI and NaCRRi will produce foundation seeds and hybrid parent lines for sale to seed companies for multiplication and will be certified by NSCS			When MoUs with NaSARRI and NaCRRi are signed, these activities can start.
Schedule 1. C 7	The PMU will work with OSSUP and industry stakeholders to ensure			SNV and PMU will work and

	farmers have adequate quantities of seed and inputs		coordinate closely
Schedule 1. C. 6(b)	PMu shall mainstream gender, HIV/AIDS and environmental management awareness in oilseed extension activities, including targets for recruitment of female staff by PFS	To start in FY 2013/14	
Schedule 1. C. 6(c)	UNBS will provide quality control along the value chain for vegetable oil	To start in FY 2013/14	
Schedule 2 cat (5)	The first expenditure for new oil palm development on the outlying islands and Buvuma by farmers is subject to prior approval by IFAD	N/A	Buvuma activities not started yet
Schedule 2 cat (6)	Expenditure on the Oilseeds Guarantee Fund is subject to prior approval by IFAD	N/A	Oilseeds Guarantee Fund not yet operating
Schedule 3.	No new oil palm development shall be undertaken on the outlying islands or Buvuma until EIAs have been conducted and NEMA has issued its compliance certificate	N/A	
	GoU will ensure that repayment of loans by farmers to KOPGT are recycled to finance further loans for oil palm growers in Kalangala and other districts of Uganda	Ongoing	
	Changes in the conditions of loans to farmers to grow oil palm is subject to prior approval by IFAD		
	Oil palm development techniques supported by KOPGT will be those used by OPUL and compliant with RSPO	Complied	
	Establishment of island offices by KOPGT is subject to prior approval by IFAD	Not complied yet	No existing conditions for establishment yet
	A formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.	Not complied yet	No disbursement of any loan funding to farmers in Buvuma.
	BOPGT will be registered within six months of OPUL's formal commitment to develop the nucleus estate on Buvuma	N/A	BOPGT not created yet
	No loan funds for smallholder loans will be disbursed to BOPGT until it has a computerised accounting system in place	N/A	BOPGT not created yet
	If NaSARRI and NaCRRRI do not provide sufficient breeder and foundation seed for multiplication, GoU will ensure the import of sufficient quantities of hybrid seed by the private sector. To satisfy farmer demand	N/A	Oil seeds activities not started yet
	The modalities and institutional arrangements for operation the oilseeds guarantee fund will be submitted to IFAD for its prior approval	N/A	Oil seeds activities not started yet

Appendix 7: Knowledge management: Learning and Innovation

Innovation: Sunflower cake as cattle feed



“Last year” recalls Mr. Tito Wekasa, “these animals were skinny to the bone, and only producing two litres of milk per day”. Tito was planning to sell the animals, when he got in touch with the Bulambuli District Agricultural Officer. Today, the plans of selling the animals have long passed. The secret? Using a sunflower cake mixture as animal feed.

Mr. Tito Wekasa, lives in a humble homestead in Bulambuli District, with his two wives, 12 children and his elderly mother. He has two cows, along with several other domestic animals such

as goats, chickens and pigs. But Tito was having a hard time making ends meet, and suffering to pay school-fees. Today, he has adopted a new feeding regime for his cattle; he mixes rice husks, bran and sunflower cake. This nutritious mix has contributed to the well-being of his cows, who are now producing 7 litres of milk per day – each! The school fees are now secure, and Tito is considering growing his own sunflower; with vegetable oil production to be used as a by-product to his valued cake.

This story shows the potential of sunflower production for poverty reduction. When grain is crushed for oil production, the by product, sunflower cake, is a valuable product for feed. Traditionally, it has been used for poultry production, fetching markets across the border in Kenya, and in urban and peri-urban areas of Kampala. Sun flower grain can fetch a farmer between 80,000 and 130,000 shillings per kilo as crushing material; this will produce a 20 litre jerry can of refined vegetable oil and 70 kilos of sunflower cake. The oil can fetch as much as UGX 200,000 and the cake UGX 28,000. Two kilos of the feeding mix, containing about 500 g of sunflower cake and the rest rice by-products (with no current market price), roughly increases milk production by one litre; per day! Realising innovate usages of by products, especially for local markets, could make the value of this commodity increase even more!



Appendix 8: List of people met and field visit itinerary

Date	Mission schedule	Contact
11 March	Meeting of mission team with VODP 2 team. Finance meetings on-going through-out	
12 March	Meeting with Tororo District Local Government staff Meeting with Seba Foods Ltd. (Export Trading Group) Meeting with Pride Agro Ltd.	Mr. Arun Kumar Yadav Mr. Okiria Joseph
13 March	Meeting with Mbale Local Government staff Meeting with Ossup facilitators and SNV Meeting with P'Kwi Farmer Organization	Mr Edmund Mtinda, deputy CAO
14 March	Meeting with agrodealers in Mbale: El-Shadai Sukura Meeting with Sironko LG staff Meeting with Nalugugu Farmers Group Encounter with Mara Agriculture Meeting with Bulambuli District staff Meeting with Bulambuli oil millers Meeting with Bugaga Farmer Groups Meeting with livestock farmer	Partrick Ejoku Mutomyi Agnes Mr. Tito Wekasa, Bulambuli District
15 March	Meeting with Nile Agro Industries Ltd. Feedback meeting with VODP II team and CPM	Mr. Magan Patel, Director and Francis Baganzi, Corporate manager
16 March	Meeting with ISSD coordinator	
17 March	Report writing	
18 March	Meeting with SNV on OSSUP Meeting with Victoria Seeds Meeting with NAADS Meeting with ISSD team	Josephine Okot and Magero Polly Bantel
19 March	Discussion with the team on the main findings and report writing	
20 March	Discussion with the PMU on the draft Aide Memoire	
21 March	Aide Memoire presentation at MAAIF	Mr Vincent Rubarema, Permanent Secretary, Okaasai Opolot, Director Crop Resources
22 March	PMU meeting	