

Republic of Uganda

Vegetable Oil Development Project – Phase 2

Supervision report

Main report and appendices

Mission Dates: 9 – 20 Mar 2015
Document Date: Select date
Project No. UG-1486
Report No: 3501-UG

East and Southern Africa Division
Programme Management Department

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Abbreviations and acronyms

AWPB	Annual Workplan and Budget
BUL	Bidco Uganda Ltd.
CARs	Community Access Roads
COREC	Coffee Research Centre
EIA	Environmental Impact Assessment
FFB	Fresh fruit bunches
FLP	Farmer learning platform
GLTN	Global land tool network
ISSD	Integrated Seed Sector Development
KDLG	Kalangala District Local Government
KOPGA	Kalangala Oil Palm Growers Association
KOPGT	Kalangala Oil Palm Growers Trust
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MFPED	Ministry of Finance, Planning & Economic Development
MoJ	Ministry of Justice
MWT	Ministry of Works and Transport
NAADS	National Agricultural Advisory Services
NaCRRRI	National Crops Resources Research Institute
NARO	National Agricultural Research Organisation
NaSARRI	National Semi-Arid Resources Research Institute
NEMA	National Environmental Authority
OPUL	Oil Palm Uganda Ltd.
OSSUP	Oilseed Sub Sector Uganda Platform
PMU	Project Management Unit
SACCO	Savings and Credit Cooperative Organization
UBOS	Uganda Bureau of Statistics
UGX	Ugandan Shilling
UNBS	Uganda National Bureau of Standards
VCDP	Value-chain development plan
ZARDIs	Zonal research development institutes

Aide Memoire

Vegetable Oil Development Project – Phase 2

Supervision Mission 9-20 March 2015

A. Introduction¹

1. The mission objective was to review the overall implementation progress of the project, with particular emphasis on: the governance and institutional aspects of the oil palm component in Kalangala; the future scenarios for the investment in oil palm in Buvuma; and the implementation status of the interventions in the oilseeds component. This mission follows the Mid-Term Review undertaken by the project in December 2014. A key focus of the mission has therefore been to discuss and agree on the key MTR recommendations. The mission visited Bugala Island and met relevant stakeholders: the Kalangala Oil Palm Growers Trust (KOPGT) Board and Secretariat; the Kalangala Oil Palm Growers Association (KOPGA), farmers in their fields, Oil Palm Uganda Limited (OPUL); the Resident District Commissioner; and other officials of Kalangala District Local Government (KDLG). For oil seeds, the mission visited the districts of Jinja, Mayuge, Mbale in the Eastern Uganda hub, where meetings were held with representatives of all the service providers from the different hubs, the Local Government as well as with key stakeholders in the oilseeds value-chain, including farmer groups, millers, seed companies and agro-dealers. The mission was accompanied by the relevant PMU staff during the field visits. Thanks are extended to the PMU and KOPGT staff, and all of the partners who have contributed to the success of the mission.

B. Overall assessment of project implementation

2. The project is classified as a 'problem project' in the last IFAD portfolio review of June 2014. The main reason was the uncertainty regarding the likelihood for the project to achieve its development objectives given: (i) the withdrawal of the private sector partner from the original plan of establishing a nucleus estate of 6,500 hectares in Buvuma, which put at risk the whole oil palm investment on the island; and (ii) the accumulated delay in implementation of the oilseeds component, with very limited activities visible on the ground after almost four years of implementation.

3. Since June last year, some important developments have occurred that are expected to significantly shape project performance in the future. First, the oilseeds component geared up to full speed, with the recruitment of six service providers for extension services towards the end of 2014, in time to duly prepare for the 'short' agricultural season started in March this year. Meanwhile, the hub coordinators, in partnership with the district agricultural officers, have continued to promote Farming Learning Platforms for the provision of agricultural advisory services to oilseeds farmers and, more important, have showed a promising dynamism in facilitating and brokering linkages of oilseeds producers with other key players in the value chain, notably millers and, in particular, financial institutions.

4. Second, IFAD and the Government identified alternative investment options for Buvuma and agreed on the feasibility of a 'pure smallholder' model, with the private sector partner investing only on the processing side. The nucleus estate model remains the preferred option for the Government, which is therefore engaged in a dialogue with the private partner to convince them to reconsider their decision. An alternative investment plan envisaging the development of 10,000 hectares of smallholders' plantations has however been prepared as part of the project Mid-Term Review (MTR) conducted at the end of 2014. It is to be noted that any investment in smallholder plantations in Buvuma, irrespective of the model to be adopted, will require mobilization of additional financing, as the current financial resources under VODP2 will only be sufficient for investment in Kalangala and

¹ Mission composition: The mission was led by Alessandro Marini, IFAD Country Representative for Uganda and included Billy Butamanya, Uganda Cooperative Alliance, institutional development specialist; Harold Liversage, IFAD Senior Land Tenure Advisor; Godfrey Wanjohi, financial management specialist; Richard Morgan, value-chain specialist; and Ann Turinayo, IFAD Knowledge Management and Communication specialist. The Project Manager, Connie Masaba, and KOPGT General Manager, Nelson Basaalidde, with their respective teams have supported the IFAD team throughout the mission.

the oilseeds hubs. IFAD maintains its strong commitment to supporting the development of oil palm investment in Uganda in the long-term.

5. The MTR conducted provided important recommendations to adjust the project implementation strategy for enhanced performance. First, the target for the investment in Buvuma has been adjusted to a more realistic figure of 2,500 ha given the time left before project completion.. Second, important changes in the implementation arrangements of the oilseeds component were introduced, to realign the capacity of the project to achieve the desired targets in a shorter time than envisaged at design, including by recruiting more service providers to cover the target area. Finally, the financing gap to achieve the desired targets has been estimated at USD 6 million and the Government has committed to finance this gap through the loan reflows from Kalangala as well as through additional counterpart funding estimated at USD 2 million.

6. It is important that the Government comes clear on the model to be adopted for investment in Buvuma no later than June this year, in order to set the project on a solid path of improved performance.

C. Outputs and outcomes

7. Oil palm development in Bugala island continues its impressive positive trend, due to the new areas gradually getting to production stage. Major progress has been registered in terms of harvesting of FFBs. A total of 1,850 hectares from 563 farmers have reached mature stage and monthly production in February 2015 has reached 1.4 thousand tonnes of fresh fruit bunches (FFB), an increase of almost 100% compared to the same month of last year. A cumulative of 36,770 tonnes have been harvested since the beginning of the project, for a total value of UGX 41.1 billion, equivalent to about USD 5.4 million after loan repayment. Unfortunately, a substantial drop in yields during 2014, of almost 40% compared to the expected ones, has caused a shortage of more than 6,500 tonnes compared to the projections. The situation is however recovering in the initial months of 2015, when yields have showed an impressive recovery, 7.2 tons/ha (about the same as the expected for 2014) compared to an average of 4.9 tons/ha in 2014. Farmers in the seventh year after planting are currently harvesting an average of 15 tons ffb/ha, which, at current prices give a net annual income of UGX 2.8 million/ha.

8. Progress continues in the oilseeds component, although concrete outcomes are still somewhat limited. Extension services, farmer training and learning platforms are delivered through a combination of efforts by the Hub Coordinators, District Local Government and Pay-for-Service Providers (PSPs). The project is now operating in 34 Districts throughout the four hubs. All six PSPs are now fully operational in 4-6 Districts each and targets delivery to over 200 farmers groups. A total of 2,394 Farmer Learning Platforms (FLPs) have been supported in 2014 and the plan is to establish a further 600 FLPs in the forthcoming season. Collaboration with NARO institutions like NaSARRI, NaCRRI, UNBS and NCSC is expected to deliver initial quantities of pure lines of soybean foundation seed (20Mt) and hybrid sunflower varieties (20Mt over the two seasons in 2015). The project team has continued to build linkages between financial institutions, farmers groups and processors. To date five different FIs are working with 34 farmers groups across all four hubs. Loan products with a value of around 2.3 Bn UGX from three different financial institutions have been disbursed, mainly as working capital for land preparation and inputs. The project continues to broker linkages between FO/FGs and processors.

D. Project implementation progress

COMPONENT 1 – OIL PALM CONSOLIDATION AND EXPANSION

Status of Oil Palm Development in Kalangala

9. **Smallholder plantations.** As of 28 February 2015 a total of 3,863 ha. have been planted by 1610 oil palm farmers on Bugala island, representing above 99% of the targeted 3,900 ha for the

island and more than 82% of the target of 4,700 ha. for the whole of Kalangala district. This is in addition to 6,440 ha planted by the private sector. No new plantings have been done since early 2013 as seedlings are not yet ready. The remaining 837 hectares are planned for Bugala (37 ha), Bunyama (400 ha) and Bubembe (400 ha).

10. **Roll-out plan for new plantings.** About 100,000 seedlings are now ready for planting. These will be used for the few remaining hectares in Bugala, including gap-filling, and the new plantations in Bunyama. Planting will start as soon as the rains start. Further 50,000 seedlings were ordered and are expected in the next few weeks. They will therefore be ready for planting in Bubembe by the third quarter 2016. KOPGT plans for planting are as follows: Bugala and Bunyama during the months of April-August this year and Bubembe starting August-September 2016.

11. Roads on the outlying islands have been demarcated. It is important that farmer leaders, local government authorities and KOPGT continue to sensitize farmers on the importance of respecting such boundaries and not encroaching in this land. Farmers have been mobilized and organised to develop contiguous areas of 16 to 25 ha units (“bubondo”). It is expected that 300 new farmers will be supported, bringing the total of oil palm smallholders in Kalangala close to 2,000. The logistics of transport of the seedlings to the islands have been agreed upon with OPUL, and KOPGT will hire fisher boats for the exercise in the initial stage.

12. **Road development/maintenance.** Very limited progress has been made in this area over the last 12 months. The designs for the upgrading of 50 km of community access roads have been completed, but works have not started, neither has the opening of the remaining 40 km of farm roads. Similarly, the demarcation of roads on Bunyama has been completed, but actual works have not yet started. The main impediment has been the very limited capacity of the district to properly maintain and operate the machinery. All four key machinery (bulldozer, motor grader, wheel loader and vibrator roller) are currently non-operational. The costs for repairing them is estimated at UGX 168 million. **Agreed actions:** (i) the project will pay for the costs of repairing the machinery; (ii) the machinery will then be released to the project for the time necessary to complete all road works related to the oil palm plantations; (iii) the project will establish an alternative arrangement for operating the machinery and undertaking the works, to start with Bugala in May 2015 and continue with Bunyama as of March 2016.

13. **Provision of ferry services.** The first attempt to recruit a consulting company for the design of the landing sites and ferry services to the outlying islands has been unsuccessful. The Ministry of Works has therefore retendered and is now in the process of finalizing the technical evaluation. At this stage, it is realistic to envisage that the construction of the landing sites be completed by the end of 2018, just in time for the first harvest at the beginning of 2019. It is therefore important that due priority be given to these processes to avoid any further delays and ensure delivery of the infrastructure by the expected date.

14. **Environmental Impact Assessment.** The review of the EIAs for Bunyama and Bubembe has been completed and awaits NEMA certificate of approval, expected by the end of March.

Governance and Institutional Issues in Kalangala – KOPGA and KOPGT

15. A solid institutional framework will be required to ensure the sustainability of the oil palm investment in Kalangala after VODP2 completion at the end of 2018. KOPGA and KOPGT are the two key building blocks of such framework. A strong membership-based organization is key to ensure that the interests and voice of the oil palm growers are duly represented. On the other side, a professional, business-driven institution capable of providing efficient and effective services to the oil palm growers is essential to guarantee the profitability of the smallholders' enterprises. The MTR recommended to mobilize technical assistance to support the process of restructuring and capacity building of these two institutions. The mission has focused on operationalizing this recommendation.

16. The key findings of the mission in this respect, discussed and agreed with local stakeholders, include:

- (a) KOPGA needs to be strengthened and capacitated to enhance accountability to its members and be able to duly perform its key functions in the governance of the oil palm business in Kalangala. This would involve a bottom-up process of restructuring and revitalizing the organization; the training of its leadership to fulfil their roles and functions in the interest of the membership; the provision of basic governance and management tools such as registers, minute books, etc; and the definition of efficient mechanisms for internal communication and feedback to ensure transparency in decision-making.
- (b) KOPGT performs vital functions for the sustainability of the oil palm smallholders' business, which is expected to generate an average of annual business volume worth over UGX 20 billion once the whole 4,700 ha. of smallholder plantations will have reached maturity. This will require adequate professional and technical capacity and a business-oriented structure.
- (c) The institutional arrangements that regulate the interface between KOPGT and KOPGA need to be strengthened and the role that farmers play in the governance of KOPGT enhanced. Key changes in this respect include: (i) the increase of farmers' representatives in KOPGT Board from three to four; (ii) the reduction of the number of non-farmer representatives in the KOPGT Board to ensure better balance between farmer and non-farmer representatives; (iii) ensuring that the chairmanship of the KOPGT Board be restricted to a farmer representative; (iv) restructuring the FFB pricing committee to enhance its capacity to meet and be operational, thus including only people from Kalangala (two KOPGA representatives; one representative of Government at local level, such as the Kalangala District Agricultural Officer; one representative from KOPGT Board and one representative from OPUL)

17. Overall, the restructuring process described above is expected to address the farmers' legitimate expectations of being major players in the oil palm business. The new arrangement strengthens KOPGA as the representative of farmers interests in the decision making process for oil palm investment. It also strengthens KOPGT by increasing the ownership of farmers, while maintaining a governance structure that is conducive for a business-oriented operating model. Finally, it neatly ties together the boards of KOPGA and KOPGT and creates a conducive institutional environment for the oil palm business in Kalangala. The above changes will require modifications of some legal documents, such as the KOPGT Deed, the KOPGA constitution and, possibly, others.

18. Given its unique mandate and long-term experience in providing institutional strengthening support to membership-based business oriented organizations in the country, the Uganda Cooperative Alliance has been identified as the ideal partner for the project in this respect. **Agreed action:** The project will enter into a partnership agreement with UCA for the provision of the necessary support to KOPGT and KOPGA in the above restructuring process. The PMU will ensure that this agreement be signed by 30 May 2015, to allow UCA to start its work on the ground by the end of June 2015.

KOPGT financial management and sustainability

19. **Financial management.** The key actions identified from the MTR in this area include: clearing the accounting backlog; completing the installation of the accounting system to be able to report under International Financial Reporting Standards (IFRSs); reducing the outstanding posting of loans to farmers accounts to fully roll-out farmers' loan statements; installing the full interest ledger using compound interest (10%) but with a grace interest-free period during the development phase as recommended by the MTR. Overall, financial management of KOPGT has considerably improved, also thanks to the technical assistance provided, and many of the actions above have been almost completed. The Tally accounting software has been installed and has been put into adequate use for generating financial statements and reports. The financial statements accounts and reports for 2013/14 have been prepared. The financial statements for 2014/15 have not been prepared at the quarterly interval, but the underlying books of accounts have been updated. The posting of the farmers' loan accounts is yet to be updated to a satisfactory level. Overall, KOPGT is ready for

external audit, which is a major step towards the overall sustainability of the institution. **Agreed actions:** (i) External auditors for KOPGT and acceptable to IFAD will be recruited by 31 May 2015; (ii) the financial statements for 2014/15 will be prepared by 15 August 2015; and (iii) the audit for 2013/14 and 2014/15 will be carried out by 30 September 2015.

20. **Financial sustainability.** As part of the elaboration of its business plan, KOPGT management has engaged in a comprehensive process of analysis of projected costs and revenues to assess its prospects for financial sustainability. Farmers are already paying for an important share of some costs, such as ffbs' transport and fertilizers at commercial stage. Eventually, they will have to bear the full costs of KOPGT operations. The financial model clearly shows that KOPGT can easily generate enough revenue to sustain its capacity to provide quality and efficient services to the farmers. The mission has provided comments on the draft financial model. The agreed approach is to go for full cost-recovery by separate cost centres (i.e. transport and input supply) while charging overhead costs (i.e. management and technical advisory services) through a percentage fee on ffbs' sales. **Agreed actions:** (i) KOPGT management to finalize draft financial sustainability model by June 2015; (ii) KOPGT management with support by PMU to roll-out overall sensitization and discussions on the model after full restructuring of KOPGA and KOPGT (see above).

Land tenure and environmental issues in Kalangala

21. **Land tenure, resettlement and compensation issues.** There are various land disputes emerging at Bugala, involving oil palm farmers². The restitution of some of the public land in Kalangala to the Buganda Kingdom has created further uncertainty among farmers about their land tenure status. OPUL is also involved in various land disputes which require Government's support in resolving. Furthermore, the company is awaiting the lease agreements for about 1,800 hectares and Government acquisition of a further 300 hectares of land for the nucleus estate.

22. While the Government has been following good practice in ensuring that land owners and tenants are fairly compensated, such disputes are inevitable in situations of increasing land values. KOPGT has played a positive role in trying to resolve disputes but this is placing a growing demand on their time and resources. With the support of the VODP PMU, they have been assisting farmers to map their lands under oil palm production. Farmers and KOPGT have reported that this has been very useful for them. There is however a need to further inform farmers of their land rights and responsibilities and to strengthen local dispute resolution mechanisms. **Agreed actions:** (i) the project will explore the possibility of supporting the establishment of a legal advice centre, in partnership with the Ministry of Lands, and the Uganda Land Alliance (ULA), to assist farmers and the District government to deal with land issues; (ii) the PMU will follow up with OPUL, ULC, the Ministry of Lands, Housing and Urban Development and other relevant stakeholders on resolving disputes over land granted to OPUL and on expediting the granting of leases and the remaining land to the company.

23. On the positive side, the mission noted that: there are tenants interested in buying land from land owners; land has been provided to landless farmers, and especially women and youth; and options for securing the land rights of tenants on public land are being considered, either through lease agreements or Certificates of Occupancy. On the outlying islands, the District has reported that public land has been allocated to about 150 landless households and youths (2.8 hectares each) and about 20 tenants on public land on Bugala who gave up land for the establishment of the nucleus estate. Overall, there is a need for improving the record keeping by Government for land allocations, compensation agreements, disputes and dispute resolution efforts in Kalangala. **Agreed action:** the project will support the District local government with capacity for establishing a simple database for record keeping of key documentation related to land tenure issues and processes in Kalangala.

² These include: landowners disputing the status of people settled on their land or the land that they are using; landowners asking from tenants substantial increases in rent or percentage returns on net income from oil palm; disputes over ownership and use between tenants and within families; etc. There is one case that has gained negative publicity of tenants / occupants disputing a land owner's leasing of land to OPUL claiming they were not adequately compensated for the land.

24. **Encroachment on the buffer zone.** The PMU and KOPGT are analysing encroachments on the buffer zone using satellite imagery and GIS and are discouraging encroachments by oil palm farmers. OPUL is also experiencing encroachments on their land and there are reports of illegal logging in the buffer strip and in protected forests. This poses a serious challenge for OPUL, as its main shareholder, Wilmar is firmly committed to ensure that its suppliers, including smallholder farmers, fully comply with their “*No Deforestation, No Peat and No Exploitation*” policy by December 2015. The experience of VODP is considered a good practice that the company wishes to replicate elsewhere and Wilmar will continue to support smallholder farmers to meet the requirements of its policy. For this, there is need for Government to fully enforce the respect of rules on deforestation in Kalangala through NFA and NEMA. **Agreed action:** The PMU, with the support of the District Agriculture Office and KOPGT, will facilitate discussions with key stakeholders to develop an action plan for addressing the concerns regarding the encroachment on the buffer zone. The project will support farmers to replant areas of encroachment with indigenous trees.

Oil palm development in Buvuma

25. In May 2014, the private sector partner, BIDCO, officially informed the Government of Uganda that it does not wish to pursue the establishment of a nucleus estate on Buvuma. In August 2014, IFAD fielded a technical mission to work with the PMU on alternative scenarios for oil palm investment in Buvuma. The most viable alternative option retained was the development of a pure smallholder model with no nucleus estate, while BUL would ensure investment in processing capacity. In this perspective, the project MTR undertaken in December 2014 has elaborated a detailed investment plan for the alternative option of developing 10,000 ha of smallholder plantations in Buvuma.

26. The nucleus estate model, however, remains the preferred option for the Government, having proved its validity in Kalangala. The Government is therefore engaged in a dialogue with BUL for them to reconsider their position. Meanwhile, the process of land acquisition on the island continues. So far, about 4,400 hectares of land have been acquired for a total cost of about UGX 17 billion (USD 6.5 million). Further 2,500 hectares are in advanced stage for acquisition and for another 1,600 hectares the process of land surveying and valuation is ongoing. It is expected that 6,900 hectares could reasonably be secured, free of encumbrances, by end of June 2015. By then, a final decision on the way forward and the model to be adopted should be taken.

27. It is IFAD's view that, while the nucleus estate model has its advantages in terms of the easy access to technology and know-how for the smallholders, the pure smallholder model might have some advantages in terms of its suitability to the current socio-economic context of Buvuma, where the risk of emerging land tenure issues and conflicts is relatively high. Furthermore, a relatively sizeable nucleus estate is less necessary in Buvuma than in Kalangala, as oil palm is not any more a new crop for Uganda and it has been proved that smallholders can reach productivity levels comparable to those of a direct plantation. For the reasons above, alternative arrangements envisaging a smaller nucleus estate of 3,000-3,500 hectares and a larger share of smallholders would be a more sustainable option for Buvuma..

28. The project MTR shows that, due to some underestimation of investment costs at design stage, the current available resources in VODP2 are only sufficient for the investment in oil palm in Kalangala and in oilseeds in the four hubs. Furthermore, the remaining implementation period would not be sufficient to achieve the envisaged targets in Buvuma. Therefore, irrespective of the model adopted, no plantations' development could be financed by the current IFAD Loan for VODP2. Consequently, the Government commits additional financial resources from both the loan reflows from Kalangala at an estimated amount of USD 4 million and new counterpart funding of USD 0.8 million to ensure the planting of the targeted 2,500 ha for smallholders in Buvuma by VODP2 completion. .. The project will demarcate the roads while carrying out the planting to ensure that the planting does not cover the road areas to avoid uprooting and destruction of oil palm plants during roads construction.

29. IFAD confirms its long-term commitment to continue to support the development of oil palm investment in Uganda. Any IFAD future financing for Buvuma, will be the subject of a separate

negotiation. In this respect, it is to be noted that IFAD's new Social, Environmental, and Climate Assessment Procedures require that new projects and programmes which may involve significant resettlement or economic displacement should include a Resettlement Action Plan. This would be the case for future funding requests for oil palm production under VODP. It is therefore of utmost importance that the compensation process for land acquisition in Buvuma be properly documented and the records of compensation agreements and grievances or disputes be readily accessible.

30. **Agreed actions:** (i) Government to commit additional UGX 200 million as part of the budget for the FY 2015/16 as counterpart funding for the oil palm component; (ii) a final decision on the way forward and the development model to be adopted for Buvuma will be taken by the end of June 2015; (iii) depending on the above decision, an agreement will be reached with IFAD for the mobilization of additional financing for Buvuma investment, either through the reallocation of undisbursed ATAAS Loan funds to VODP2, which would need to be done by the end of 2015, or through a new loan from the 2016-18 allocation or through a combination of the two. IFAD will continue to provide technical support to the Government in the design of the investment plan for Buvuma.

COMPONENT 2 – OIL SEEDS DEVELOPMENT

31. Considering the restructuring of NAADS under ATAAS, the local government production departments were stretched beyond the project expectations. In view of that, the MTR made recommendations to adjust the implementation strategy and approach to increase the likelihood of the project to achieve the set objectives. The targeted number of mobilised FGs has been maintained at 5,900. This target will be met by a strategic prioritisation of different value chains in each hub; the continuation of the current six PSPs contracts for extension and advisory service delivery and the recruitment of an additional five PSPs for deployment in existing hubs; and the capacity building of mid-level farmer organisations in areas such as financial management, bulking, storage and marketing to strengthen their capacity to provide relevant economic services to their members. It is anticipated that two thirds of targeted beneficiaries will be reached through existing and new PSPs delivering general extension and the balance through strengthened farmers organisations. by focusing capacity building resources on a lower total of FGs, the quality and sustainability of project impacts and outcomes will be increased. Furthermore, investment in strengthened farmers organisations will provide much greater leverage to other project components linking producers with finance, processors, bulk traders, seed companies and input suppliers where real value addition is created.

32. **Situation analysis reports and strategic action plans.** The MTR recommended that both these documents be revised to reflect the agreed strategic changes in hub specific value chain focus and the redirection of capacity building and ultimately service delivery through strengthened farmers organisations. **Agreed action:** the Hub Coordinators will amend these documents once specific alterations to annual plans have been agreed and ensure dissemination via the website/dashboard and OSSUP MSP.

33. **Valuable crop production and financial data** generated from the wide variety of production trials conducted at Farmer learning Platforms (FLPs) was not being collected in a systematic way and represents a lost opportunity. This data can be used to build case studies and crop models useful for business plan development, links to financial institutions and modelling returns to hired or family labour. **Agreed Action:** Pay-for Service Providers (PSPs) and Hub Coordinators (HCs) to develop and use systematic data capture forms and sample frame to build yield models, gross margin analysis, etc.

34. **Pay-for-Service Providers (PSPs):** All six PSPs are now fully operational in the four project hubs and each presented a detailed outline of current work plans, extension message content and anticipated geographical coverage. None of the PSPs' work-plans has been modified from those outlined in the hub-specific strategic plans in the light of the MTR recommendations, despite these being circulated beforehand. As a result the work plans still reflect the pre-MTR emphasis on extension delivery through FLPs, farmer field days and sub-county based Farmers Groups (FGs). While the broad content of extension message delivery remains relevant, there is a need to apply value chain specific emphasis in each hub. PSP work plans, ToRs and budgets are directed to deliver

services to a predetermined numbers of FGs per District, based on a ratio of 20 FGs per PSP extension officer at sub-county level. In order to achieve a larger number of groups by project completion There is also a need to increase both the quantity and quality of extension. **Agreed actions:** (i) HCs to work with PSP on revising existing work plans running to fourth quarter where practical; work plans for contract renewal through 2015-16 to fully mainstream the agreed strategic changes; (ii) the number of PSPs operating in of the four hubs will be increased by a total of five, two in the Eastern hub with one each in the other three hubs.

35. A detailed outline of required reporting requirements was presented to all six PSPs, emphasizing the need to clearly defined outcomes and impacts directly relating to Project Development Objectives (PDOs). The current process of reporting purely numbers of beneficiaries attending FLPs and farmer field days does not capture physical rates of adoption and increases in productivity and therefore needs to be changed. **Agreed action:** PMU M&E to implement detailed data collection program to identify impacts and outcomes of extension delivery and impact of FLPs. Data collection will identify actual numbers of FLPs per District, which crops are demonstrated and yield outcomes achieved. This data will be fed into extension activity planning and provide an audit on the volumes of seed and inputs used in the FLP demonstration program.

36. Available financial resources under VODP2 will not be sufficient to recruit the additional SPs to achieve the required target of groups. The financing gap has been estimated at USD 1.2 million. The Government has committed to finance this gap with additional counterpart funds starting from FY 2016/17.

37. **Availability of improved seeds.** Availability of improved seeds remains the major constraint for all for crops covered by the project's value chains and should therefore constitute one of the key priorities areas of intervention. Predicted shortages are particularly acute in hybrid sunflower seed and inbred lines of soybean. The main reasons for the shortage remain: (i) risk aversion in commercial seed companies limiting imports of sunflower hybrids; (ii) low incentives to domestic production of sunflower hybrids because of a lack of varietal "exclusivity"; (iii) very limited domestic capacity to multiply parent or foundation soybean varieties; and (iv) no suitable commercial soybean varieties available for importation. The following strategies are envisaged to respond to the above constraints:

- (a) *Soybean seeds.* The PMU has continued to work with project-funded development partners (NaSARRI, NaCRRI, Makerere University and NSCS) to secure as much improved seed as possible for multiplication through FLPs and identified FGs. **Agreed actions:** (i) PMU to model and forecast seed demand and circulate estimates through the value chain; (ii) HCs to closely monitor development partner's activities and ensure delivery of required seed to selected FLP and FGs. (iii) HCs to plan and coordinate FLPs growing soya to plant single varieties at each site, supervise the harvest and cleaning of seed and coordinate allocation to FGs for subsequent sale or planting in the following season.
- (b) *Sunflower seeds.* The situation with hybrid sunflower remains more complex and requires longer-term solutions. In the short-term the project plans to procure imported hybrid sunflower seed through Mukwano Industries Ltd for distribution to FLPs. The project should not however get directly involved in funding or underwriting the importation of external seed but rather focus on modelling demand and linking FG/FOs to millers, banks and importers for direct sale. Commercial seed companies have requested "exclusivity" to either of the two certified domestic hybrid varieties before they will commit to large-scale multiplication. Negotiations are ongoing with NaSARRI to agree an experimental exclusive agreement to pilot and expand domestic seed production. Further work needs to be done with local millers to convince them of the milling quality of this seed and the oil content, which in turn will determine farm-gate price. The PMU team also continues to negotiate with large-scale millers, banks and input dealers to plan importation of hybrid sunflower from sources other than Pannar in South Africa currently linked to Mukwano Industries. **Agreed actions:** (i) PMU to model and forecast seed

demand and circulate estimates through the value chain; (ii) PMU to secure trial “exclusivity” deal with NaSARRI and selected seed company and agree targets for subsequent seed delivery; (iii) PMU staff to continue linking millers, banks, FG/FOs and seed importers to predict seed demand and secure financing of sunflower hybrids imports as an alternative to domestic multiplication in its nascent stages.

38. **Farmer institutional development.** The most significant strategic adjustment recommended by the MTR is an emphasis on building institutional strength in identified farmers organisations. The rationale is that the original extension approach through PSPs was not going to be enough to fully achieve the project development objectives given the short remaining delivery period. Furthermore, there are concerns about the sustainability of PSP service delivery after the end of the project. Field visits during the mission confirmed the suitability of the new approach. While there is existing provision in the PSP work-plans to supply training in financial literacy, business planning, aggregation, etc. it is agreed that current contracts and subject specialisation of the PSPs require the services of an additional, specialized PSP. The mission confirms that, given her mandate, UCA would be the most suitable institution for the project to partner with for the implementation of this new activity. A description of the broad areas of intervention of UCA is provided in the MTR report. It is envisaged that a total of 40 higher level organisations throughout the four hubs will be supported. **Agreed actions:** (i) the HCs to undertake a quick inventory and classification of existing FOs at mid-tier level for subsequent detailed capacity needs assessment, capacity building and training by UCA; (ii) PMU and UCA to sign a partnership agreement for the undertaking of the agreed institutional development activities.

39. **Market infrastructure development.** The MTR identified demand from mid-level FOs for construction and rehabilitation of infrastructure related to post harvest aggregation and marketing. The main focus was to be on new storage facilities, repairs to existing sheds, roads and culverts and bottle-necks linking FOs to bulk buyers on main transport routes. Following a preliminary assessment of the budget estimates and examples of requested construction sites, the VODP2 Engineer found that the high cost, remote locations and difficulties in supervision would limit this intervention to relatively few structures and few beneficiaries. Consultation with the project management team concluded that this budget would be better spent on additional capacity building and building linkages with other sources of external finance to fund such investment. **Agreed action:** PMU to re-allocate funds identified at MTR for small infrastructure to other, more relevant investment.

40. **Access to financial services.** The progress by VODP2 in linking processors, financial institutions and FOs to secure external finance should be commended. The PMU continues to work with financial institutions, FO, processors and seed suppliers to build self-sustaining linkages that lower risks to all participants. This process has been expanded from working with two to five different financial institutions (Finca, Post Bank, Equity Bank, Uganda Development Bank and Opportunity Bank) supporting 34 FOs across all four hubs. Loan products with a value of around 2.3 billion UGX from three different financial institutions have been disbursed, mainly as working capital for land preparation and inputs. The plan is to work in 2015 with 12 FOs strengthened under the institutional building component and support them to present “bankable” business plans to FIs. It is agreed not to pursue the MTR recommendation to provide matching grants to FGs/FOs due to the complexity of managing such an arrangement and potential distortion to what rapidly needs to evolve into a self-sustaining market. **Agreed action.** PMU to continue following the current approach of facilitating linkages of value chain actors with FIs to develop appropriate loan products as FIs seek to increase lending to the oilseeds sector.

41. **Oilseeds value chain platforms (OSSUP Grant).** The multi-stakeholder platforms (MSPs) will continue to be jointly funded by IFAD and SNV until July 2016. Activities remain broadly the same as previously reported with the annual theme publication focusing on “Inclusive trading”. The first quarterly meeting of 2015 has been replaced with a series of sector-specific meetings targeting processors, trader and producers separately. OSSUP facilitators are conducting an inventory and capability assessment of FOs at various levels of development in all oilseeds hubs. Furthermore OSSUP facilitators are gradually investing increasing time in the provision of brokering services for

the value chain actors. The MSPs appear to be working well in collaboration with the project in the two hubs where PSPs have a common interest in service delivery (Lira and Mbale). HCs and PMU staff need to coordinate activities to avoid duplication and share as much data as possible. Conflicts in activities and communication need to be cleared up here to avoid reputational damage and lost opportunities through collaboration. **Agreed Actions:** Continue coordinating oilseed activities between the OSSUP facilitators and HCs with specific emphasis in Gulu and West Nile hubs.

COMPONENT 3 – PROJECT MANAGEMENT

42. **Monitoring and evaluation system.** There has been considerable progress in mapping smallholder plantations in Kalangala using the GLTN tool for monitoring and impact assessment. The same exercise will be implemented in the oilseeds area after the selection of the cooperatives and associations to be supported. The PMU has a detailed excel-based data base for both oil palm and oilseeds. There is a plan to develop a web-based MIS by the end of the first quarter 2015/16, with remote access for key indicators, to make access to relevant project data easy and quick. The KOPGT Farmer Management System, has improved their capacity to provide statements to farmers. However, it has a number of development glitches that must be resolved by the developer. At the moment, it takes a lot of time and funds to get the developer to Kalangala to deal with arising issues, and this is not a suitable mode of operation. **Agreed actions:** (i) Provide technical support to KOPGT for participatory planning, data collection and analysis; (ii) KOPGT IT staff should explore options to purchase all rights to the farmer management system, obtain technical support to resolve arising issues, and thus make it more effective to meet the reporting needs.

43. **Baseline and impact surveys.** The final draft reports for the oil palm and oilseeds baselines are now available. Final comments shall be provided by PMU before 30 March, and final reports will be ready by 30 April 2015. The impact survey for oil palm in Kalangala will be completed by 30 September 2015. **Agreed actions:** the baseline reports and impact survey report will be finalized, respectively, by 30 April and 30 September 2015.

44. **Revised results framework and RIMS reporting.** The project has revised the results framework, including RIMS indicators as per MTR recommendations and discussion during this mission. The project has progressed from reporting on RIMS first level indicators to reporting on second level indicators. The key highlights of the revised results framework to note include:

- (a) 2,500 hectares of oil palm will be planted by smallholder farmers in Buvuma by 2018;
- (b) Under the oil seeds component, a new outcome indicator on the number of secondary farmer institutions operational has been introduced, targeting 40 farmer institutions by 2018 to ensure sustainability of the activities.
- (c) The target of lower level farmer groups has been maintained at 5,900 and individual farmers growing oilseeds at 140,000 as provided for at design.

45. **Satellite imagery** The PMU has already obtained satellite imagery for the project areas for 2007 and 2014 for both Bugala and Buvuma. **Agreed actions:** i) Finalise the maps for the project areas based on the already acquired project satellite images, by 30 April, and post the maps on both the KOPGT and VODP websites. ii) Utilise the maps to monitor protection of the buffer zone both for the nucleus and small scale farmers

46. **Mid-term review.** The MTR was undertaken and a draft report is available. The PMU will provide further comments on some issues, including the addendum on Buvuma by 31 March. A final MTR report should be ready by 15 April 2015.

47. **Communication.** While progress has been made in sharing project information with relevant stakeholders through various communication channels and participation in events, there is still need to be more proactive in this respect. The recent spurt of negative publicity citing land grabs confirms the fact that the project must continuously document and share project stories widely. Furthermore, engaging media should be a continuous activity, where the project proactively shares their story, rather than waiting to react when there are negative stories. For the oilseeds, a number of brochures

per value chain have been produced. These are already being simplified and translated into hub area languages so that the information can be used by the farmers. The farmer newsletter for Kalangala, a powerful way to share information with farmers on key issues such as protection of the buffer zone and the pricing formula, has not been issued for a while. The website has been established but it needs to be reorganised and improved. The photos are scarce and some pages are inactive. **Agreed actions:** (i) PMU to revamp the website as fast as possible to ensure coherence of information, include more pictures and add social media platforms that will drive traffic to the website; (ii) PMU to review and reinstate farmer-focused communications such as radio programmes and the Kalangala newsletter. iii) revive media engagement events such as open days and share fares

48. **Knowledge management.** There are efforts to make access to documents and information faster and easier, especially with the proposed acquisition of an MIS for M&E data. The PMU has a physical resource centre, but this has limitations as it can only be accessed physically. **Agreed action.** Have all materials scanned and stored on a web-based platform so that the resources are accessible in the hubs and from anywhere else.

49. **Cross-cutting issues.** Support has been provided through KOPGT to the district community development office and to local NGOs in Bugala to raise farmers' awareness on gender mainstreaming and HIV/AIDS issues. These interventions are important especially in view of increased gender-based conflicts and HIV/AIDS infection rates in the island. There is however limited planning of activities in this respect, which negatively affects the PMU and KOPGT capacity to monitor and track progress. **Agreed actions:** (i) PMU to assist KOPGT in developing simple planning and reporting templates for the different partners to ensure that recipients of funds provide detailed work/activity plans, as well as activity reports; (ii) provide further training and start the implementation of household methodologies to help addressing issues of gender equity and equality, financial literacy and HIV/AIDS.

E. Fiduciary aspects

50. **Financial management capacity and financial reporting.** The financial team and IT equipment at PMU level is fully in place at the required levels. The Tally accounting software is fully installed and utilized.

51. **AWPB execution.** The budget for the financial year 2014/2015 amounts to UGX 30.1 billion. As at 28 February, 2015, the actual expenditure is UGX 17.3 billion and represents 57.6% of budget execution. This level is satisfactory given the 8 months implementation period.

52. **Statement of expenditures (SoEs) review.** The mission reviewed 21 expenditure payment items out of WAs 30 and 34, submitted for replenishment since the last mission. The majority of expenditure items were agreed to the supporting documentation and were found to be eligible for claim from IFAD. However, the mission has made some recommendations (detailed out in the technical annex) to improve the clarity in accounting especially for DSAs in workshops, farmers' demonstration activities in oilseeds and diesel procured for road constructions. In addition, the mission reviewed the expenditure on SACCO support, identified as potentially ineligible expenditures during the review of WA 34. The expenditures amounting to USD 898.27 refer to salaries for a cashier and a manager for 6 months of start-up of the SACCO. After further explanations by the PMU, this expenditure was considered as an acceptable capacity building support. The mission therefore confirms that these expenditures are eligible for claim from IFAD and should be submitted as part of the next WA. The PMU and KOPGT have confirmed that no further expenditures will be incurred for direct support to the Kalangala SACCO.

53. **Register of assets.** The mission reviewed the register of assets. It is well maintained and a random test of a sample of assets indicates a timely update of the register.

54. **Designated account.** The combined allocation of USD 4 million of the two designated accounts is fairly accounted for. As at 28 February, 2015, the combined cash balance of the designated accounts, operational and sub-accounts amount to USD 592,407. The WA pending

settlement (but since paid) by IFAD is USD 1.04 million, while expenditures in WAs 36 and 37 pending approval and submission account for USD 1.56 million. Review and approval process of the WAs at MAAIF is still taking longer than necessary, hence the low level of funds in the SPA. In addition expenditures awaiting preparation of WA amount to USD 1.5 million. The total of pending WAs and expenditures not yet claimed exceeds the overall initial allocation. Included in the operational account are GOU funds for land acquisition amounting to USD 713,970. This indicates challenges in liquidity management that might affect project implementation. The recently approved increase in the initial allocation of one of the designated account from USD 2 to 3 million will partly mitigate this risk, but overall liquidity management needs to improve. **Agreed action:** The PMU will continue to prepare and submit WAs as soon as the 30% threshold is achieved.

55. **IFAD Loan disbursement.** As at 28 February 2015, the actual total disbursement reflected in the IFAD records up to WA 34, and including the initial deposit amounted to SDR 11.7 million, representing 35% of the total IFAD Loan of SDR 33.5 million. Actual utilisation of funds, including expenditures incurred and not yet submitted to IFAD (total of about SDR 2.8 million equivalent), but excluding the initial deposit, is estimated at SDR 11.9 million, equivalent to 36% of the total loan. Consequently, the balance of resources available for the programme is SDR 21.6 million, or approximately USD 30.6 million. Overall, there has been an important progress in disbursement since June 2014. With almost 10% of the total loan disbursed in 8 months. Disbursement is overall moderately satisfactory compared to the average disbursement profile of similar IFAD-financed projects.

56. **Loan categories re-allocation.** The MTR report presents cost estimates for the activities for the post MTR phase of the programme. The estimates indicate the need for re-allocation in some expenditure categories. The key categories requiring additional funds are category V: Smallholder Palm Oil Development and Category VII: Consultancies Workshops and Training. The PMU is yet to comprehensively review and finalise the MTR proposed re-allocation table.

57. **Counterpart funds.** The mission notes that the Project has received USD 11.4 million equivalents from the GoU. This represents 81% of the allocation at appraisal of USD 14.1 million. The mission is satisfied with this level of contribution and commends the Government for fulfilling its commitments.

58. **Procurement.** The mission reviewed the procurement processes since the last mission. The procurement delays occurred in 2013/14, mainly occasioned by inefficiencies in the operation of the procurement and contracts committee, have been resolved and the mission is satisfied with the progress of implementing the 2014/15 procurement plan. The plan, providing for USD 1.9 million, of which USD 1.8 million for consultancies is being managed well. All the consultancies have been awarded and implementation is at various stages of progress and completion.

59. **Contracts register.** A review of the contracts register reveals a well maintained record. A sample test of a number of contracts indicates a timely update of the procured contracts.

60. **Statutory audit.** The audit function of the Programme financial accounts, statements and reports is up-to-date. The last audit as at 30 June 2014 was carried out within the set timelines and the audit financial statements and reports were rated with unqualified opinions, and submitted to GoU and IFAD by the 31 December deadline. The mission reviewed the management letter by the auditors and notes that the Programme is following up the few issues raised. The quality of the financial statements was reviewed and the mission notes their high quality in terms of presentation, accuracy and adequate details in the disclosures in the notes to the accounts.

61. **Internal audit.** The mission is pleased to note the internal audit unit of MAAIF is adequately mainstreamed in the internal controls and checks in the approval and authorisation processes of the financial payments and procurement. This has strengthened the internal controls of programme financial management and is highly appreciated.

62. **Compliance with loan covenants.** On the overall, the programme is being implemented in compliance with the key covenants of the financing agreement with the exception that the KOPGT

business plan, which is being finalized. The Environmental Impact Assessment on the outlying Islands that is also a financing agreement covenant is underway.

63. **Amendment of the Financing Agreement.** The MTR has highlighted the need to amend the Financing Agreement in a few areas, notably with respect to the changes related to Buvuma investment, some adjustments to the targets for the oilseeds component as well as the reallocation among categories in Schedule 2. The details of the envisaged changes are provided in the technical annex on fiduciary issues. The PMU is yet to comprehensively review and finalise the changes proposed by the MTR. **Agreed action:** the PMU will review and finalise the proposal for the necessary amendments to the Financing Agreement as a matter of urgency with a view of submitting a formal request to IFAD by 30 April 2015.

F. Conclusion

64. This Aide Memoire was discussed and agreed upon in a wrap up meeting on 20 March 2015, chaired by Mr , Under-Secretary of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). The mission members, as well as the PMU, KOPGT staff and relevant officers from MAAIF also participated. IFAD and the Government of Uganda endorsed the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Uganda	Project ID	1468 [1100001468]	Loan/DSF Grant No.	806
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF Grant	
Date of Update	14-May-2015				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	3		
Last Supervision	04-July-2014	Last Implementation Support/Follow-up mission	03-Dec-2014		

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	37
First disbursement	03-Jun-2011			DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	31-Dec-2018	Last audit	03-Jan-2013	Domestic Total	93.89	
Current completion	31-Dec-2018			Beneficiaries	3.89	105
Original closing	30-Jun-2019			Government (National)	14.14	81
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	55
				SNV	0.34	55

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	3	3
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	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	5	6	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Oil palm development	3	3	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	3	3	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

Quality of PMU financial management remains satisfactory (audit unqualified, full staff in place and flow of funds efficient), with potential to evolve to highly satisfactory if the slight challenges in liquidity management are solved. KOPGT financial management considerably improved and ready for external audit FY 2014/15. Government counterpart funding for land

acquisition timely disbursed. Procurement systems and capacity improving, but some challenges in delays and use of appropriate templates. External audit highly satisfactory. Management attempts addressing the significant implementation delays, but insufficient proactiveness in key priority areas for project outcomes and objectives (Buvuma investment framework; strengthening of KOPGT/KOPGA; availability of quality seeds for oilseeds). MTR not yet finalized more than 6 months after start. Some loan covenants not yet complied with (related to the Buvuma investment). M&E systems in place, progress made in many areas (baseline, logframe review, indicators' profiling, use of GIS technologies) but results framework still shows some gaps (partial reporting at outcome level, gaps in baseline values, gaps in some targets, etc.). Rating for main investment components remain moderately unsatisfactory, with limited output progress since last supervision. For oil palm development, apart from the consolidation of the investment of phase 1, no progress has been made on new plantings since last year (both in Kalangala and Buvuma). The outputs (and outcomes) of Buvuma investment are at serious risk due to the uncertainty of the investment framework. Outputs in oilseeds development also still modest, with the only exception of access to financial services and, to a limited extent, the number of groups receiving extension services (supported through FLPs). Institution building and empowerment remain moderately satisfactory but are expected to be prioritized in next AWPB (KOPGT business plan and self-sufficiency; institutional strengthening of KOPGA; and institutional building of farmers groups and associations in oilseeds areas).

Overall Assessment and Risk Profile

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

While some measures (from MTR) are being taken to improve implementation progress (more realistic targets for Buvuma smallholders' plantations; review of intervention strategy and increase of number of SPs for oilseeds), the overall implementation progress remains moderately unsatisfactory and substantially below target. For oilseeds, the recent changes proposed at MTR will require a few months to show their effects. All main outputs remain substantially below target, although, if the identified corrective measures are adopted quickly, there is moderate optimism that the component could catch up with its quite ambitious targets (maintained at MTR). The limited remaining time of implementation calls for strong proactiveness by management to implement the agreed corrective measures. The next 6-8 months will be critical. For oil palm, the prospects are less encouraging. While the progress on consolidation of the investment in Kalangala remains positive and achieving the envisaged output targets is likely, the overall uncertainty persisting around the investment framework for Buvuma leaves the whole outputs and outcomes of this sub-component at risk. An alternative investment model (pure smallholders) has been elaborated during the last two quarters of 2014, but Government's preference remains the original model based on nucleus estate. So far, no decision has been taken and the uncertainty persists, preventing the investment to take place. Although the targets for Buvuma smallholders plantations have been reduced by almost 30%, doubts still persist about the possibility of these targets to be meaningfully achieved in the absence of a solid investment model. Furthermore, the existing target for nucleus estate is absolutely out of reach. Given the weight of the outputs and outcomes of the Buvuma sub-component on the total of the oil palm component (between 50-80%) and the overall project, underperformance under this sub-component remains the main factor behind the moderately unsatisfactory performance of the whole project.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	3	3
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The likelihood of the project to achieve its development objectives remains at stake. Nine months after the last supervision mission there is limited evidence on the ground of the implementation of any necessary corrective measures. The adjustments to the implementation strategy of the oilseeds component as well as the increase of resources for the recruitment of additional service providers are yet to be translated into concrete achievements. The outcomes for the component, albeit hardly quantified in the results framework, are still far from being achieved at an acceptable level given the age of the project. In oil palm, given the uncertainty still prevailing for Buvuma, it is realistic to expect that no more than 50% of the outcomes will be achieved by the end of the project. No crude palm oil production can be expected in Buvuma by the end of the project, meaning that a maximum of 60% of the target of 35,000 tonnes could reasonably be reached.

Operational self-sufficiency of BOPGT is also out of reach, as the institution has not yet been created.

C.6 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>	
Fiduciary aspects	(a) Slow procurement process for new SPs (moderate, given the accumulated experience from previous processes); (b) Government delaying new counterpart funds for Buvuma smallholders' investment and oilseeds (moderate, given excellent performance on counterpart funding so far, although these are additional funds not foreseen at design).
Project implementation progress	(a) Limited capacity of service providers for oilseeds component to facilitate viable partnerships for farmers groups with private sector operators; (b) very slow progress of Ministry of Works to complete the study on water transport for Kalangala outlying islands might jeopardize investment.
Outputs and outcomes	Uncertainty about investment framework for Buvuma risks jeopardizing the whole investment plan (processing capacity, nucleus estate and smallholders' plantations).
Sustainability	(a) Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis (need of clear business plan); (b) Limited capacity of KOPGA to play a positive and constructive role in future development of KOPGT towards sustainability (need for institutional strengthening); (c) Lack of viable long-term solution for access to seeds for soyabean and sunflower: limited interest of seed companies to important hybrid seed varieties for maize; slowness of national institutions to develop and commercialize local breeds; (d) limited enforcement of

environmental safeguards by national and local authorities; (e) emerging land conflicts and no measures for conflict resolution in place.

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
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	Done (delayed)
Recruitment of service providers	Finalize the recruitment of service providers for the oilseeds component	31 December 2013	Done (5 SPs recruited in Aug 2014)
Staffing of KOPGT	Finalize recruitment of financial manager and accountant	30 June 2013	Done (with delay)
Financial sustainability of KOPGT	KOPGT Board to approve a business plan towards financial sustainability	30 June 2014	Partly done. Draft finalised in Mar 2015. Submission to Board postponed
Investment in Kalangala outlying islands	Undertake study of viability of investment in Kalangala outlying islands and decide on future development plans	30 September 2013	No yet done
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	Not done. BUL has withdrawn.
Staffing of PMU	An accountant (rather than an accounts assistant) needs be recruited as soon as possible	15 April 2013	Done (with delay)
KOPGA	Undertake diagnostic study and elaborate plan for capacity building and institutional strengthening	31 December 2013	Not done.
Oil palm Buvuma	Assess the viability of 'pure' smallholder model and re-design the sub-component as necessary	31 December 2014	Partly done. Investment plan elaborated, but sub-component not yet re-designed, waiting for GoU decision on investment model.
M&E	Baseline report completed and results framework updated	30 April 2015	
MTR	MTR report finalised (including investment paper for Buvuma)	30 March 2015	Not done
KOPGA	Sign MoU with UCA for capacity building of KOPGA	31 May 2015	
KOPGT fin management	External auditors recruited	31 May 2015	
Oil Palm Buvuma	Final decision on investment framework (nucleus estate vs pure smallholders)	31 June 2015	
oilseeds	5 new SPs to be recruited	30 Sep 2015	

Additional observations

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

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>EOP 2018</i>	<i>Means of Verification</i>
Goal:									
1.0 Contribute to sustainable poverty reduction in the project area.	1.1 50% of households with improvements in assets ownership index at project completion.	%						50%	RIMS Baseline, and Completion Surveys.
	1.2 20% reduction in the prevalence of child malnutrition, by gender (height/age, weight/age, weight/height)	%							Uganda Bureau of Statistics.
Purpose/Objectives:									
2.0 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.	2.1 Level of vegetable oil self-sufficiency increased from 30% (2008 baseline) to over 60% by project completion (2018).	%	30					60%	UBOS statistics on Ugandan vegetable oil production. database.
	2.2 Increased per capita vegetable oil consumption from 5.6 Kg/capita in 2008 year to 7.0 kg by 2018.	Kg/capita		5.6?				7.8	FAO food balance sheet The figure is the DES: Dietary energy supply. indicator used by IFAD.
	2.3 Oil palm and oilseeds profitably produced by smallholders.								Baseline studies and PCR.
	2.4 Households receiving project services	No of HHs	1,115	1,118	1,353	6,801	19,658	140,000	Project M&E
3.0 An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers.	3.1 Crude palm oil annual production increases from 0 tonnes in 2009 to 35 000 tonnes by 2018.	Tons	4,692	10,475	13,552	19,209	18,652	28,500	OPUL and KOPGT databases, reports BOPGT reports Project M&E database
	3.2 Smallholders earning net incomes of USD 700 per ha per year at full development.	USD						1,500	
	3.3 Operational self-sufficiency of KOPGT in 2018	Yes/ No	No	No	No	No	No		
OUTPUTS									
New oil palm areas identified	4.1 40,000 ha identified for oil palm plantations by 2018	Ha	10,197	11,705	13,937	15,806	15,806	40,000	Project progress reports and M&E database
Kalangala Oil Palm Scheme completed and producing	4.1 6,500 ha of nucleus estate planted in Kalangala by 2016	Ha	5,939	5,939	5,939	6,440	6,440	6,500	OPUL and KOPGT databases
	4.2 4 700 ha planted by smallholders in	Ha	2,258	2,36	3,498	3,863	3,863	<u>4,700</u>	KOPGT reports

Narrative Summary	Verifiable Indicators		Unit	Baseline 2010	2011	2012	2013	MTR 2014	EOP 2018	Means of Verification
	Kalangala by 31 Dec 2017				6					BOPGT progress reports Special studies District Local Government reports
	4.3 1 800 smallholders served by KOPGT		No.	1,115	1,118	1,353	1,610	1,610	1,800	
	4.4 KOPGT re-structuring agreement signed by 31 Dec 2017		Yes/ No	No	No	No	No	No	Suggest 2018	
	4.5 Roads constructed in Kalangala	Bugala	Kms	210	210	210	240	250	390	
		Bunyama	Kms						40	
		Bubembe	Kms						40	
	4.6 Fertilizer store constructed	Bugala	Kms	0	0	0	0	1	1	
		Bunyama	Kms	0	0	0	0	0	1	
		Bubembe	Kms	0	0	0	0	0	1	
Sustainable Oil Palm Development	4.6 Three island environmental monitoring plans for smallholder oil palm completed and being implemented.		Number	1	1	1	1		3	
Buvuma Oil Palm Scheme established	4.7 2 500 ha smallholder land planted by 2018 in Buvuma		Ha	0	0	0	0	0	2,500	
	4.8 1 ,250 farmers served by BOPGT.		No.	0	0	0	0	0	1,250	
	4.9 All oil palm activities (plantation, mill & refinery) are in compliance with NEMA regulations.		%	100	90%	90%	90%	90%	100%	
	4.10Kms of farm roads constructed/rehabilitated		Kms	210	210	210	210	210		
5.0 Continued upscaling of Lira to a modern agro industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production.	5.1 Mill capacity utilization increased from 30% in 2009 to 85% by 2018.	%	30	-				51%		Millers study
	5.2 Farmers growing oilseeds with net cash earning per ha per season of US\$350 increased by 10% each year in each hub	Eastern Hub	-	-	-					Baseline study, Completion report
		West Nile								Farm models
		Northern Hub								Production statistics from MAAIF
		Lira Hub								M&E system
	5.3 Oilseeds production of sun flower and soya bean increased by 10% each year	Sunflower ³	70,000	161,000	197,000	167,000			UOSPA/UNFFE/OSS	
		Soybean ¹	19,000	22,000	16,000	16,000			UP statistics	
	5.4 Number of secondary farmer organisations operational/ functional	Number							Mid-term/project completion reports	
5.5 Number of farmers using purchased quality controlled seed	Sunflower						1.5			

³ Estimated at 70% of national production.

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>EOP 2018</i>	<i>Means of Verification</i>
OUTPUTS 6.0 Production of certified good quality seed and oil Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers	6.1 20 MT each of foundation/ breeder seed of hybrid parental lines of sunflower, ground nuts and soybean produced annually by NARO	Soybean					15		OSSUP reports NaSARRI/ NaCRR/ MAAIF Seed Certif. Rep UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using Info. from millers, UBOS and UNBS reports, and mobile service provider
		Sesame					2		
		Ground nuts					3		
		Sunflower							
	6.2 90% of oilseed growers buying quality controlled seed by 2017	Soybean							
		Ha	80,000			93,856 ⁴			
	6.3 10% annual increase in the hectares under oil seeds cultivation in each regional hub	Sunflow							
	6.4 Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1.1t/ha for soybean	Soybean							
		Farmer groups % women				737	2,394		
	6.5 5 900 farmer groups (with 30% participation of women) receiving extension services from the project by 2018	Farmer groups % women				30	30		
	6.6 1000 Farmer groups bulk selling by 2017								
	6.7 90% of the medium/large-scale millers attain UNBS quality certification by 2018.	Ushs.	0	0	0	0	2.1 billion		
	6.8 Amount of credit facility disbursed to value chain actors by participating financial institutions	HHs	0	0	0	0	1,385		
	6.9 Number of beneficiaries of the credit facility.	% per financial year	0%	11%	13.5%	19.7%	32.3% ⁵		
7.0 Project Management helping farmers to provide growing amounts of crushing material for processing in edible oil & earning better incomes	7.1 IFAD loan 55% disbursed by 30 June 2015 and 100% by 31 June 2019	Number	2	2	12	13	13	100	VODP2 progress reports. IFAD loan disbursement report Audit reports in line with IAS.

⁴ 45,007 ha from farmer learning platforms added to the 80,000 ha from baseline

⁵ September 2014

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>EOP 2018</i>	<i>Means of Verification</i>
8.0OUTPUTS									
8.1 Project Management fully operational	8.1 Full staff of qualified professionals	%	100	100	100	100	100	100	Audit reports PMU financial reports VODP2 project progress and M&E reports
8.2 Oilseed subsector platform (OSSUP) providing forum for stakeholders	8.1 Percentage of actions that OSSUP platform meetings agreed upon that have been implemented	%			58%	59%	68%	100	
	8.2 Timely preparation and execution of AWPB (budget performance by financial year).		Y	Y	Y	Y	Y	Y	
	8.3 Timely submission of mandatory reports		Y	Y	Y	Y	Y	Y	
	8.4 Timely submission of withdrawal requests		Y	Y	Y	Y	Y	Y	

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

Action Area	Action Agreed	Whom	Date
Oil palm – Kalangala	Pay for costs of repairing road machinery	PMU	30 Apr 2015
	Release machinery to the project to complete road works in the oil palm plantations	DLG	30 Apr 2015
	Start works in Bugala	PMU	1 May 2015
	Start works in Bunyama	PMU	1 Mar 2016
	Issue certificate of approval (EIAs) for Bunyama and Bubembe	NEMA	30 Mar 2015
	Sign MoU with UCA for support to KOPGT/KOPGA	PMU	31 May 2015
	Finalize draft KOPGT financial sustainability model	KOPGT	30 Jun 2015
	Explore possibility of establishment of a land legal centre	PMU	30 Jun 2015
	Support DLG with capacity (intern) for establishing a data base for records on land tenure	PMU	30 Jul 2015
	Facilitate discussions and develop action plan to address encroachment on Buffer zone	PMU	30 Jun 2015
	Support farmers to replant trees in areas where encroachment has taken place	PMU/KOPGT	30 Sep 2015
	Recruit external auditors for KOPGT acceptable to IFAD	PMU	31 May 2015
	Prepare financial statements for 2014/15	PMU	15 Aug 2015
Oil Palm - Buvuma	Carry out audit for 2013/14 and 2014/15	PMU	30 Sept 2015
	Government to commit additional UGX 200m in FY 2015/16 as counterpart funding	MoFPED/MAAIF	30 Jun 2015
Oil seeds	Decision on development model to be adopted for Buvuma	GOU	30 Jun 2015
	Revise existing/future work plans with PSPs to mainstream change of approach agreed at MTR	Hub coordinators	30 Apr 2015
	Recruit 5 new PSPs	PMU	30 Sep 2015
	Model and forecast seed demand (soybeans and sunflower) and circulate through the VC	PMU	30 Jun 2015 – cont.
	Secure trial exclusivity deal NaSARRI/company and agree on targets for seed delivery	PMU	30 Aug 2015
	Continue to link millers, banks and FG/FOs and seed importers to predict seed demand and secure financing of sunflower hybrid imports	PMU	
	Undertake quick inventory and classification of existing mid-tier FOs	HCS	30 Jul 2015
Project management	Sign MoU with UCA for institutional development activities to mid-tier FOs	PMU	30 Aug 2015
	Purchase all rights to the farmer IMS	KOPGT	30 Apr 2015
	Finalize baseline reports (oilseeds and oil palm)	PMU	30 Apr 2015
	Finalize impact assessment report Kalangala	PMU	30 Sep 2015
	Finalise maps for Kalangala and Buvuma based on available satellite images	PMU	30 Apr 2015
	Finalize MTR	PMU	15 Apr 2015
	Revamp website and ensure coherence of information	PMU	30 Apr 2015
	Review and reinstate farmer-focused communications eg radio programs	KOPGT/PMU	30 June 2015
	Further training and implementation of HHM	PMU	30 Sep 2015
	Continue to prepare and submit WAs as soon as the 30% threshold is achieved	PMU	cont
Fiduciary	Finalise proposal for necessary amendments to FA as per MTR	PMU	30 Apr 2015

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%	Comment
Component 1 Oil palm consolidation and expansion								
Outcome 1: An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers								
Output 4.0c: Kalangala oil palm scheme completed and producing								
<i>Indicator: 4,700 ha planted by smallholders in Kalangala by 2016</i>								
Plant 437 hectares of oil palm: 37 hectares on Bugala to achieve the VODP phase2 target of 3,900 hectares under small holder/ out growers, and 400 hectares on Bunyama island.	ha	450	450	101	4,213	4,700	90%	Planting of 50 Ha completed on Bugala island. Planting of 400 ha on Bunyama to be completed by June 2015. When planted, the total will be 4,313 ha planted by smallholder farmers.
Support 1,610 smallholders to maintain 3,863 hectares of oil palm in Kalangala, by providing fertilisers and extension services	No.	1,700	1,610	95%	1,610	1,800	89%	100 new farmers expected in Bunyama
Demarcation and mapping of 40 kms community access and farm roads on Bunyama								Demarcation of 40 km of farm roads has been done on Bunyama
Land preparation on Bugala (50 ha) and on Bunyama (400ha) by smallholders, for readiness to plant in March 2015								450 ha of oil palm planted on Bugala (50 ha) and Bunyama (400 ha).
Complete the fertilizer store on Bugala island, Kalangala								Fertilizer store construction on course, completion expected by end of June 2015.
<i>Indicator: 1,800 smallholders serviced by KOPGT (*)</i>								
Provide extension services and credit for fertilizers and maintenance of the small holder/ out grower farmers gardens.								KOPGT is continuously providing quality services to its members
Output 4.0d: Buvuma oil palm scheme established								
<i>Indicator: 6,500 ha nucleus estate planted by 2017 in Buvuma</i>								
Acquire 1500 hectares of land and make available the 6,500 hectares required by the	ha	1,500	585.26	39%	4.986	6,500	77%	BUL pulled out

private sector for the nucleus estate	even after 4200 HA was made available. GoU negotiating with BUL for a new arrangement for Buvuma						
Ensure that tenants on the land acquired for the project are fairly compensated.	Compensations started in March 2013. As landlords were not fairly compensating tenants, the project took on that task, before executing payment.						
<i>Indicator: 3,500 ha smallholder land planted by 2018 in Buvuma (*)</i>							
Mobilize and sensitize farmers on the benefits of oil palm growing and environmental protection.	Farmers continuously being sensitised and mobilised as they wait for the planting materials						
Component 2 Oil seeds							
Outcome2 : 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 production							
<i>Indicator: Domestic oil seeds production of sunflower and soya bean increased from 70,000 tonnes in 2008 to 150,000 tonnes by 2018 of which 70% is from the newhubs of Gulu, Eastern Uganda and West Nile</i>							
Support NARO to produce 12MT of soybean foundation seed, 10MT of hybrid parental lines of sunflower, 12MT of groundnut seeds, and 10 tons of simsim	MT	12 MT of soy beans	15 MT of soybean foundation seed	125%			
		10 MT of sunflower	1.5 MT of sunflower	15%			
		10 MT of simsim	2 MT of sim sim	20%			
		12 MT of ground nuts	2 MT of ground nuts	17%			
Active participation in the OSSUP platform meetings	Quarterly meetings are held and hub and national level (20 meetings annually). VODP2 officers participate to the extent possible.						
Carry out impact survey of soybean varieties in collaboration with NaCRRRI	Soybean impact study carried out						
Carry out an assessment of the existing mills in the oil seeds project area through UNBS	Mill assessment carried out by UNBS						
Establish linkages between the farmer groups and the other VC plays	4 new millers identified and linked to farmers (Lira – 2, Eastern Uganda – 1, Gulu - 1						

Provide extension support to 3,000 farmer groups through PFSP in the regional hubs.	2,497 farmer groups provided with extension services through PFSPs.
Engage 4 financial institutions to provide credit and financial services to oilseeds farmers	
6 Pay for Service Providers for oilseeds on board and implementing activities	6 pay for service providers recruited and implementing activities under oil seeds.
Link 1,000 oil seeds farmers to financial institutions for production credit	1,300 soil seeds farmers linked to FIs and have accessed over Ushs. 3 billion.
Component 3 Project management	
Finalise the baseline surveys for Buvuma and Kalangala	Draft baseline survey reports submitted for oil palm in Kalangala and Buvuma and oil seeds
Complete GIS based mapping of all project beneficiaries in Kalangala	Smallholder farmers in 5 out of 6 blocks mapped using GIS
Introduce GIS mapping in the oilseeds areas	Pilot carried out in West Nile and Lira Hubs.
Undertake a MTR to assess progress made and inform future implementation	MTR conducted, draft report submitted to the PMU.
Finalise the project M&E system	Results framework reviewed, indicators profiled, databases created and updated with project performance.
Completion of the fertiliser store in Kalangala	85% works completed at the fertilizer store in Kalangala
Delivery of motorcycles for use in the project areas	Motor cycles delivered in the MAAIF Store. Awaiting distribution to the districts
Procurement of fertilisers for farmers in Kalangala	Fertilizer order made, delivery expected in May 2015
Land purchase for the nucleus estate in Buvuma	4,794 hectares acquired for the nucleus estate in Buvuma

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

Table 5A: Financial performance by financier (USD '000), at 28 February 2015

Financier	Appraisal	Disbursements	% disbursed
IFAD loan	52 000	17 920	34%
IFAD Grant	1 000	644	64%
Government of Uganda	14 140	11 443	81%
Oil Palm Uganda Ltd (OPUL)	70 380	-	0%
Trust	4 440	-	0%
KOPGT	1 040	-	0%
Farmers	3 900	4 114	105%
SNV cofinancing	340	186	55%
Total	147 240	34 307	23%

Table 5B: Financial performance by financier by component (USD '000), at 28 February 2015

Component	IFAD Loan			IFAD grant			Government			OPUL		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Oil Palm Development												
Consolidation and Expansion- Kalangala	8,608	8,685	101%				3,250		0%			
Support to KOPGT	4,483	1,468	33%									
Mobilisation- Buvuma	4,4028	174	4%				9,630	2,913	30%			
Development- Buvuma	9,217	33	0%							70,380	0	0
Identification of new areas	673	81	12%					2	0%			
Sub total Oil Palm Development	27,009	10,442	39%	0	0		12,880	2,915	23%%	70,380	0	-
Oil Seeds Development												
Seed Production	2,020	138	7%									
Extension for Farmer Groups	12,830	249	2%									
Other Value chain Activities	1,849	0	0%	1,140	491	43%						
Sub total Oil Seeds Development	16,699	388	2%	1,140	491	43%				0	0	
Project Management												
Project Management	8,292	2,106	25%				1,260	372	30%			
Sub total Project Management	8,292	2,106	25%	0	0		1,260	371	30%	0	0	
Total	52,000	12,935	25%	1,140	3491	43%	14,140	3,286	23%	70,380	0	0
<i>Initial Deposit</i>		3,000										

Component	Trust			KOPGT			Farmers			SNV co-financing			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Oil Palm Development					0										
Consolidation and Expansion- Kalangala													12,791	12,799	100%
Support to KOPGT							933	4,114	441%				4,483	1,468	33%
Mobilisation- Buvuma													4,028	174	4%
Development- Buvuma	4,440	0	0	1,040	0		2,967						97,674	2,946	3%
Identification of new areas													673	83	12%
Sub total Oil Palm Development	4,440	0	0	1,040	0		3,900	4,114	105%	0	0		119,649	17,470	15%
Oil Seeds Development															
Seed Production													2,020	138	7%
Extension for Farmer Groups													12,830	249	2%
Other Value chain Activities										285	158	55%	3,274	649	20%
Sub total Oil Seeds Development	0	0		0	0		0	0		285	158	55%	18,124	1,037	6%
Project Management															
Project Management													9,552	2,477	26%
Sub total Project Management	0	0		0	0		0	0		0	0		9,552	2,477	26%
Total	4,440	0	0	1,040	0	0	3,900	3,964	105%	285	158	55%	147,325	20,984	14%

Table 5C: IFAD loan disbursements and Projected Loan Utilization as at 28 February 2015

EXPENDITURE CATEGORY	Financing	Original Allocation	Disbursement up to WA 34	Disbursement	Expenditure pending WA submission and WAs 36 and 37 settlement by IFAD	Projected Loan Utilisation as at 28 February 2015	Projected % age utilisation	Projected Loan Balance as at 28 February 2015 .
		%AGE SDR'000	SDR'000	% age	SDR	SDR		SDR
I Vehicles and Equipments	100	4,400	703	16%	125	828	19%	3,572
II Materials	100	1,430	70	5%	179	249	17%	1,181
III Pontoon Landing Sites	100	820		0%	-	-	0%	820
IV Other Civil Works	100	1,310	127	10%	242	369	28%	941
V Small Holder Oil Palm development	100	8,030	5,654	70%	800	6,454	80%	1,576
VI Oil Seed Guarantee Fund	100	920	-	0%	-	-	0%	920
VII Consultancies, Workshops and Training	100	2,070	470	23%	189	659	32%	1,411
VIII Extension Services	100	6,200	273	4%	632	905	15%	5,295
IX Salaries and Allowances	100	3,270	1,033	32%	471	1,504	46%	1,766
X Operating Costs	100	1,980	799	40%	138	936	47%	1,044
Unallocated		3,070		0%	-	-	0%	3,070
SUB-TOTAL		33,500	9,129	27%	2,775	11,905	36%	21,595
SPA			2,560					
TOTAL		33,500	11,689	35%	2,775	11,905		21,595

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section E.1	The Project Manager for the Project Management Unit (PMU) and the Financial Controller, both acceptable to the Fund, shall have been appointed;	Withdrawal condition	Complied, May 2012	
	MAAIF shall have constituted a Contracts Committee and shall have delegated authority to it to undertake procurement review and selection;	Withdrawal condition	Complied, April 2012	
	Draft guidelines for oilseeds and oil palm development and a Project operations and financial management manual shall have been submitted to the Fund.	Withdrawal condition	Complied, May 2012	
Schedule 1, II.A.2	A Project Steering Committee will be established, chaired by MAAIF and composed of NARO, MFPED, OPUL, representatives of large scale oilseeds millers, OSSUP, UNFFE and UOSPA, with the PMU as the Secretariat. The PSC will meet quarterly.		Complied, Sep 2012	
Schedule 1, II.B.2	Conclude a framework MoU with NARO for the research on oil palm and oilseeds as well as operational MoUs with monitorable outputs with NaCRRi, NaSARRI and COREC		Not complied	
Schedule 1, II.B.2	Conclude MoUs with NCSC and UNBS		Not complied	
Schedule 1, II.B.3	Conclude MoU with NAADS			Not applicable. NAADS has been restructured and mandate changed
Schedule 1, II.B.4	IFAD will provide a grant to SNV for the continuation of OSSUP		Complied, Dec 2011	IFAD approved 5 year grant.
Schedule 1, II.C.2	KOPGT shall ensure that 20% of its staff are women and special measures are put in place to encourage women to plant oil palm.		On-going	
Schedule 1, II.C.3	KOPGT to submit plans for self-sustainability by 31 Dec 2016	30 Dec 2012	Not complied	Draft finalized Mar 2015. Due date as per FA postponed a few times during supervision mission (currently 30 Jun 2015)
Schedule 1, II.C.3	KOPGT to become self-sustaining in operational costs by 31 December 2016	31 Dec 2016	Not yet due	Unlikely by due date as per FA
Schedule 1, II.C.4	GoU to ensure regular ferry barge service on the outlying islands	Within 5 years from first planting	Not yet due	First planting no yet done
Schedule 1, II.C.5	GoU to up-grade ferry service between Buvuma and the mainland		Not complied	Planting in Buvuma not yet started

Schedule 1, II.C.6(a)	NaSARRI and NaCRRRI will produce foundation seeds and hybrid parent lines for sale to seed companies for multiplication (to be certified by NSCS).	Not complied	MoUs with NaSARRI and NaCRRRI not yet signed.
Schedule 1, II.C.6(c)	Put in place a loan guarantee fund to cover the weather-related risks for FIs lending to oilseeds production		
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	Not yet due	Buvuma and outlying islands investments have not started yet
Schedule 2 cat. 6	Expenditure on the Oilseeds Guarantee Fund is subject to prior approval by IFAD	Not yet due	Oilseeds Guarantee Fund will not be implemented
Schedule 3, par. 2	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	Not yet due	Buvuma and outlying islands investments have not started yet, EIAs being finalized
Schedule 3, par. 3	Ensure that repayment of loans by farmers to KOPGT are re-cycled to finance further loans for oil palm growers in Kalangala and other districts of Uganda	Not yet due	Loan repayments have not been used yet
Schedule 3, par. 4	Changes in the conditions of loans to farmers to grow oil palm is subject to prior approval by IFAD	Complied	
Schedule 3, par. 5	Oil palm development techniques supported by KOPGT will be those used by OPUL and compliant with RSPO	Complied	
Schedule 3, par. 6	Establishment of island offices by KOPGT is subject to prior approval by IFAD	Not yet due	No existing conditions for establishment yet
Schedule 3, par. 7	Disbursement of any funding for oil palm smallholders development in Buvuma is subject to formal commitment from OPUL to develop the nucleus estate.	Complied	No disbursements for smallholders development in Buvuma yet (no commitment by OPUL for nucleus estate)
Schedule 3, par. 7	BOPGT to be registered	Within 6 months of OPUL's commitment to nucleus estate	Not yet due BOPGT not created yet
Schedule 3, par. 8	No loan funds for smallholders to be disbursed to BOPGT until it has a computerised accounting system in place	Not yet due	BOPGT not created yet
Schedule 3, par. 9	Ensure the import of sufficient quantities of hybrid seeds by the private sector if NaSARRI and NaCRRRI do not provide sufficient breeder and foundation seeds for multiplication	Not complied	
Schedule 3, par. 10	The modalities and institutional arrangements for the oilseeds guarantee fund will be submitted to IFAD for its prior approval	Not applicable	Oil seeds guarantee fund will not be implemented
Schedule 3, par. 11	GoU to exempt the proceeds of the Loan from all taxes, to the fullest extent possible. Any taxes/duties paid, to be reimbursed.	Complied	

Appendix 7: Knowledge Management: Learning and Innovation

Learning

The concentration on expansion to Buvuma has led to limited focus on addressing communication issues on Bugala, hence the need for emphasis on continuous and coherent communication at all times. This especially needed in the area of developing key messages on environmental protection, good agronomical practices and responsible sharing of information. The communication aspect in KOPGA needs to further be strengthened to ensure that farmers know who their spokespersons are and direct all enquires to them. For this to happen, there is need to coach the KOPGA leadership on the key messages and lessons to share with the general public as well targeted messages for various audiences.

Agreed action	Responsibility	Agreed date
Revamp the websites to ensure coherence of information	PMU/KOPGT	immediate
Resume the sharing of farmer focused information through radio programmes and news letters	KOPGT	Continuous

Innovation: Describe any interesting innovation noted during supervision

The farmer financial information management system in KOPGT. Although still riddled with some challenges such as the fact that it can still only be modified by the developer (KOPGT staff have no administrator rights), the platform has proved to be useful in expediting the production of farmer statements.

The platform needs to be further modified to suit the needs of KOPGT to better serve the farmers. KOPGT should also have a designated staff who can take on the administrator rights and be trained to manage the platform. It is not only good for accountability to the farmers, it also has the potential to build more trust of the Trust by the farmers, and to reduce significantly the amount of time spent in entering data and producing reports.

Technical Annex I

Institutional Aspects of Oil Palm Development in Kalangala

Technical Annex I – Institutional Aspects of Oil Palm Development in Kalangala

VODPII – Oil Palm Component.

Institutional Arrangements for sustainability.

The VODP2 is scheduled to close in 2018. There is therefore a need to put in place institutional arrangements and strengthen them in order to enable them to handle and sustain the investments that have been and will be made in the oil palm enterprise.

Main Observations

a) *Functions of KOPGT*

KOPTG is presently performing the following functions:

- Serving as an intermediary between OPUL and the farmers to ensure effective oil palm plantation development / maintenance and marketability of the harvested FFB
- Offering extension services to farmers in the course of oil palm plantation development
- Serving as the administration centre of the Trust Credit Fund on behalf of the Government of Uganda
- Extending social and economic support to the oil palm farming community in Kalangala
- Acting as a representative of the oil palm farmers on the OPUL Board, oil pricing committee (OOPC), services cost panel (SCP) and the impact management system (IMS)
- Being a spokesperson for the oil palm enterprise.

From the foregoing, it is clear that:

- The functions being handled by KOPGT are specialized and vital for the sustainability of the palm oil enterprise.
- As the palm oil enterprise matures, KOPGT will be handling a big and sophisticated business involving big sums of money and delicate relationships
- Within the whole oil palm industry, there is presently no other institution that can perform the functions of KOPGT.
- KOPGT is legally embedded in the tripartite agreement and cannot therefore be done away with without first amending the agreement that sets up the oil palm enterprise which may be a difficult course to take.

KOPTG therefore needs to be strengthened to enable it continue performing its functions sustainably.

b) *Functions of KOPGA*

KOPGA is a farmers' own organization started to be their voice in the oil palm industry. Among others, KOPGA is expected to perform the following functions:

- Gather and present the farmers' issues in KOPGT's Board and management.
- Actively participate in KOPGT's Board affairs/business
- Reporting back to farmers and their leaders on all important decisions made by KOPGT's Board
- Participate in the FFB Price Setting Committee activities
- Exercising peer pressure on its members on issues related to FFB quality management and, implementation of the recommended agronomical practices
- Linking oil palm farmers with the rest of the district's social and economic communities.

- Resolve conflicts between oil palm farmers and, between farmers and other parties in respect to their oil palm business.
- Guide its members to start different activities in their units and blocks to meet their social and economic needs.

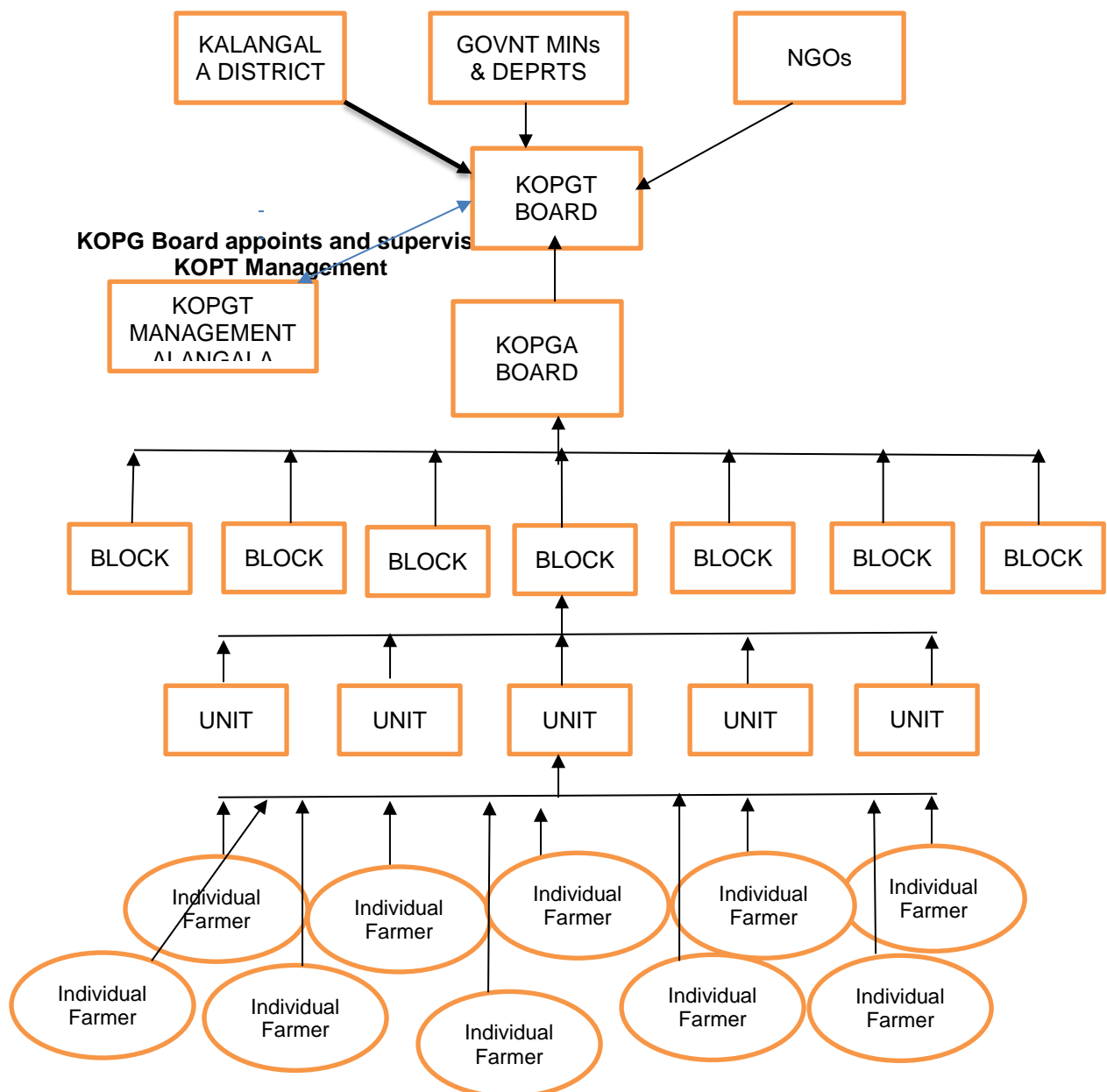
From the foregoing, it is clear that there is a need to strengthen KOPGA as well as the relationship between KOPGT and KOPGA so that the two organizations can be enabled to effectively and sustainably support the oil palm enterprise. In particular:

- KOPGT should continue performing its functions as “a business” for the benefit of the oil palm enterprise
- KOPGA should become an active farmers’ representative and voice in KOPGT’s Board
- KOPGA should get four representatives (3 elected representatives (by its AGM) and its Chairperson) on KOPGT Board.
- KOPGA should be represented by 2 people in the FFB price setting committee. Furthermore, this committee should be made up of Kalangala District Agricultural Officer, One representative from KOPGT, 2 representatives from KOPGA and one representative from OPUL
- KOPGA should become more accountable to its members
- KOPGT should become more accountable to the oil palm farmers

To realize the institutional arrangements proposed for sustainability purposes in Nos. (a) and (b) above, it is recommended that VODP II implements the following activities:

- In liaison with KOPGT management and KOPGA leadership, facilitate planning and conduct grass root (individual oil palm farmers) mobilization and sensitization meetings for farmers in all Units and 7 Blocks;
- Facilitate KOPGA’s AGM to approve the proposed governance and, KOPGA & KOPGT’s roles and responsibilities;
- Facilitate the Unit, Block and District levels of KOPGA to conduct meetings to elect competent (qualified) leadership;
- Train/build the capacity of the elected KOPGA’s Unit, Block and District leadership to equip them with governance knowledge and skills for a membership based organization;
- Develop and set-up KOPGA basic governance structures and legal documentation to support the operations of member-based organizations;
- Guide KOPGA build systems that will enable/foster increased participation in the oil palm growers SACCO;
- Guide KOPGA to develop and implement strategies that will enable its members to make financial contributions towards the financing of KOPGT and KOPGA operations;
- Regularly monitor, mentor and backstop KOPGA (at its three levels) to ensure that it is professionally governed and operated so that it becomes efficient and effective in serving its members;
- Review and propose to the Board, the necessary changes that need to be made to KOPGT Deed to provide for the changes suggested and accepted by its key stakeholders during the March 2015 IFAD Supervision Mission (i.e. Increased representation of farmers (through KOPGA) from 3 to 4 on KOPGT’s Board, Chairperson of KOPGT Board to always be an oil palm farmer and Revision of the membership of the FFB price setting committee)
- Review and propose to KOPGA’s Board the necessary changes (i.e. its new roles its new relationship with KOPGT, the changes in its governance arrangements (elections, representations), and financial contributions towards the funding of KOPGT as well as its own operations) that must be made to its constitution and provide guidance to the changes meant to revitalize it and make it a true and effective voice for the oil palm farmers.
- Support KOPT to establish and operate a land centre.

CHART OF INSTITUTIONAL ARRANGEMENTS FOR KOPGT & KOPGA FOR SUSTAINABILITY PURPOSES.



How to elect KOPGA leadership

Step 1.

All oil palm farmers should meet at their units and elect their KOPGA unit leaders (7 or 9 in number). These should then constitute the Unit Committee

Step 2:

All Unit leaders should then meet at their blocks to constitute a block general meeting that should then elect the block leaders (7 or 9) in number. These would then constitute the Block Leadership Committee and also, block delegates to KOPGA's General Assembly.

Step 3:

All block leaders will meet at the district level (in KOPGA's General Assembly) and elect KOPGA's district KOPGA leadership. The General Assembly will also elect three representatives who will together with the chairperson represent KOPGA in KOPGT's Board. The meeting will also elect 2 people to represent KOPA at the FFB Price Setting Committee.

All KOPGA leaders at different levels should serve a two year term of office after which they will seek re-election.

Technical Annex II

Oil Seeds Development

Technical Annex II – Oil Seeds Development

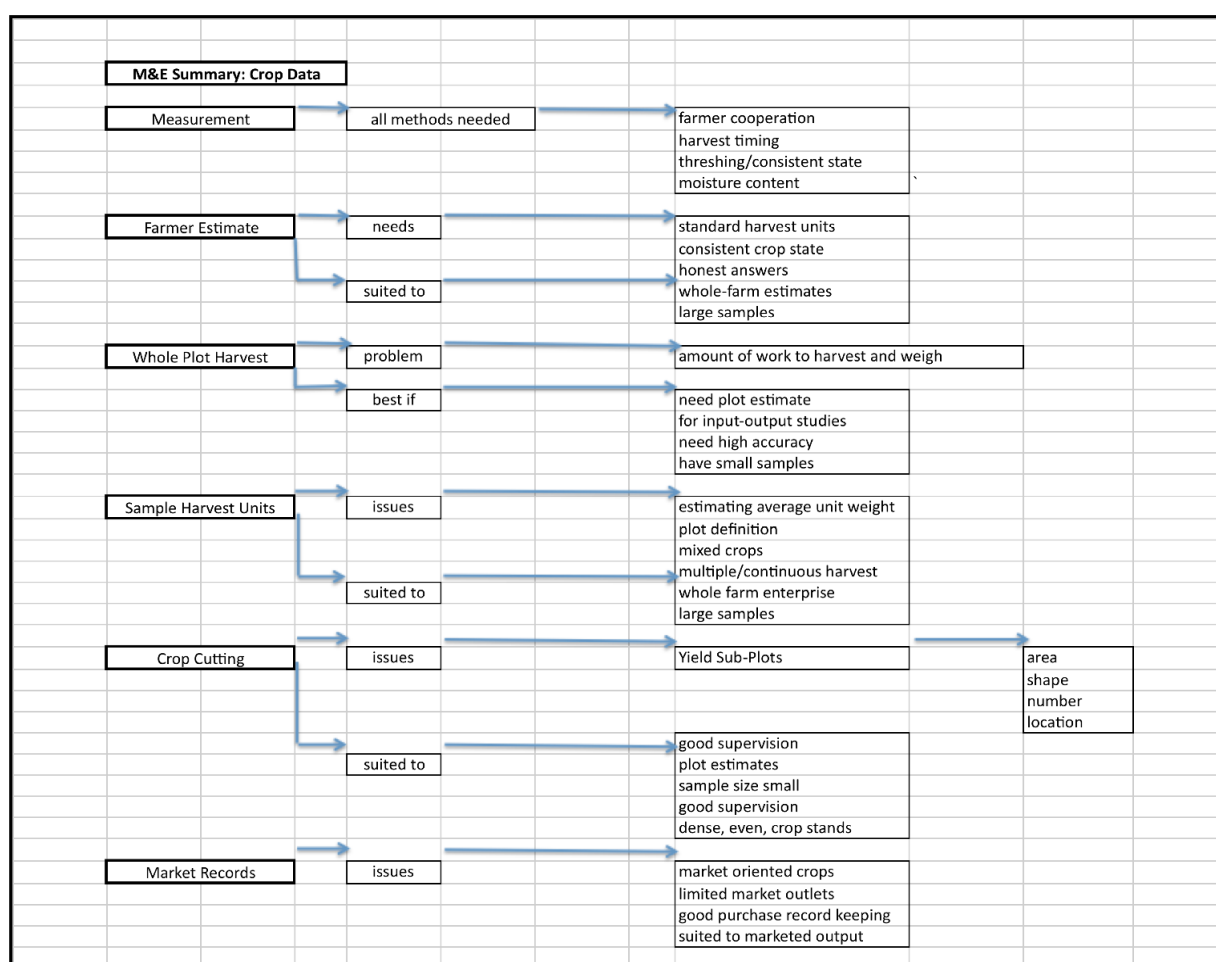
1. **Introduction:** The supervision mission's main field focus was a two day workshop in Mbale (Eastern Hub) where all PSPs, local Government, NARO seed multiplication units, Soybean foundation seed developers and private sector partners (seed companies, input suppliers and oil millers) convened to agree changes in approach following the MTR. Additional field visits were made in the eastern hub to established FOs, oilseed crushers and bulk commodity trading companies. Additional meeting were held in Kampala with OSSUP/SNV, ISSD, Mkwano Industries, Nile –Agro and Ngetta Tropic, a new entrant to the seed importation sector. All six of the Hub Coordinators were present through out a series of meetings under direction of the IFAD CPM, Project Director and Oilseeds Coordinator, which contributed significantly to the results of this study.

2. **Progress since the MTR:** While the MTR was conducted in November 2014 the final report was submitted by end January 2015. As this mission started in early March there has been little time for the main recommendations to be fully effective. The main emphasis of the MTR recommendations were known to the Oilseeds management team and work plans have been adapted to align field operations with these. Planning activities for seed and input procurement for FLPs, PSP AWP changes and continued development and support of linkages with financial institutions have progressed well. There have been significant changes to the procurement process that aim to simplify and expedite activities more efficiently. This will be vital in the appointment of another six PSPs to deliver capacity building and training activities to FGs and apex FO in the next year of the project.

3. **Results framework, Data Collection, M&E and Analysis:** The MTR recommended significant changes to the methodology of extension message delivery and subsequent linkages to other key actors in the value chain. The main change was a shift of focus away from solely relying on PSP, FLP and FFDs to building institutional capacity in apex farmer's organisations. The rationale behind this move was based on the practicality of achieving Project Development Objectives (PDOs) within the remaining time period and, more critically, the sustainability of project out-puts post the remaining four year period. Expert opinion suggested that a minimum of three years progressive capacity building and training is required for *established* FOs to reach a point of financial and organisational durability. Further opinion stated that resources available should target a total of 40 Apex FOs and associated membership to HH level. These changes estimated that the total number of beneficiaries for the Oilseeds Component would need to be reduced from 136,000 HH to nearer 100,000 HH. Following detailed discussions within the project team and members of the Project Steering Committee, it was decided that the original number of target beneficiaries in the PDO should be maintained through a combination of six additional PSPs (including specialists to develop Apex institutions) and re-allocations within the overall Oilseeds Component Budget. The MTR recommendation that the overall focus of project activities be directed to commercial clusters around processing "hubs" within soya and sunflower value chains was maintained. Significant changes have also been made to the M&E framework of the project that operates through the PMU and the hub coordinators. The primary data collection function will be performed by PMU staff and PSPs as routine elements of their duties. The M&E Officer re-oriented the PSPs, Hub-Coordinators and District Focal Point Officers on the planning and reporting processes. PFPs reports focused on activities carried out and preliminary outputs with no mention of outcomes. All implementation partners will produce annual implementation plans, which will show the planned activities, location, targets and time frames in line with the project objectives. Reporting will move from out-put based to a focus on out-comes with a clear linkage shown between the activities and the outcomes in line with the project targets. The project will ensure that the MIS, which will be completed by September 2015, captures all the appropriate indicators to enable users to regularly assess the progress under the component in line with the project targets. The GIS impact mapping shall focus on farmer associations being strengthened starting with those that have accessed credit services with support from the Project. The project will complete the review of the project targets in line with the MTR recommendations and the remaining project implementation timelines.

4. **Additional Data Collection:** Data collected for M&E that feeds into the results framework does not capture agronomic, economic or physical production parameters. The FLP network provides an idea opportunity to collect information at the field level to build detailed data sets on different crop, variety and environmental variations. Accurate estimates of yield harvest index, fertiliser response, labour use, IPM strategies, soil and water conservation innovations and links with livestock integration models. The recommendation here is not build a large structured sample frame but rather use a standardised technique that PSP field staff, FPPs and lead farmers can use to gather targeted data. The framework in figure 1 below is an example of the parameters that could be considered in designing such a data collection exercise:

Figure 1



Economic production data can be used directly in building business plans and loan applications to financial institutions

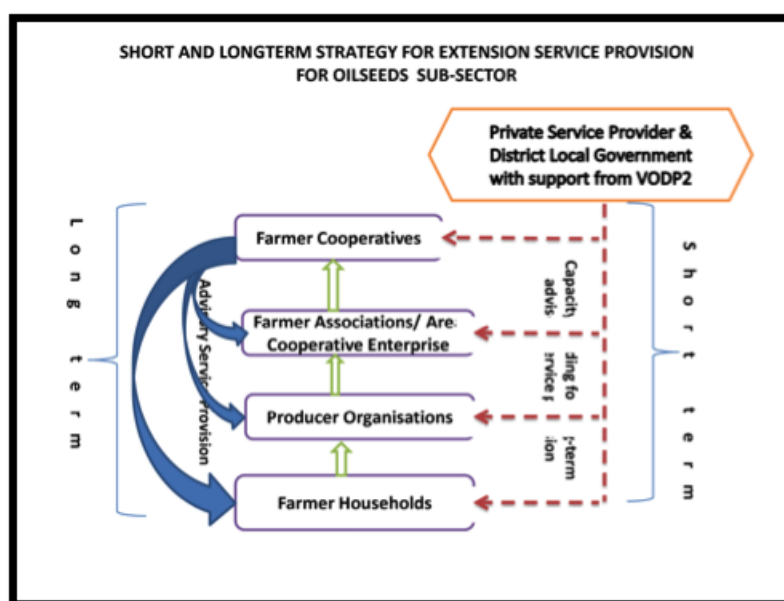
5. **Private Service Providers: Action Plans and Extension Approach:** The first six Private Service Providers (PSPs) were all appointed by the end of November 2014 at the time of the MTR. Since then, all six have commenced operations in the three hubs with Annual Work Programs (AWPs) adapted to hub situation analysis reports and strategic value chain plans subsequently adopted through the OSSUP platform in December 2014. PSPs are allocated sub-counties across Districts under the jurisdiction of regional hub coordinators. AWP vary according to the physical geography and distribution of oil seed value chains in each hub. However, all PSPs operate on a basic formula of employing between 6-8 field staff each managing around 20-25 farmers groups each in turn consisting of between 20-30 HH per group. PSPs work closely with District Local Government and appointed Focal Point Person

(FPP) coordinating Farmer Field Days (FFDs) and ensuring legal standards are applied in areas such as seed provenance, input authenticity and oil milling compliance.

6. The MTR recommended significant changes to the extension approach placing greater emphasis on the development of “apex” farmer’s organisations. These enhanced FOs will in turn assume the mantle of service delivery to their members ensuring sustainability post project closure. The MTR recommendation was based on two fundamental changes to the anticipated schedule. Firstly, because of radical changes to NADS operations, parallel service delivery support was no longer available. Secondly, due to delays in early PMU mobilisation and subsequent difficulties in procurement of PSPs, the practical project implementation period has been significantly curtailed. Following the MTR recommendations, it was agreed that a specialist PSP would be recruited to focus capacity building efforts on a selected contingent of around 40 established FOs that could realistically been “grown” by the end of project implementation to deliver services to members and the wider value chain. Details of the proposed approach to institutional strengthening are outlined in greater detail later in this annex. In addition it was agreed that a further five new PSPs would be recruited to enhance coverage in existing regional hubs and ensure coverage of beneficiaries in the original Results Framework (RF). The first six PSPs cover around 1,200 FGs across six Districts. The subsequent additional 5 PSPs will contact another 1,000 FGs and it is anticipated that enhanced FOs will network with another 4,000 lower-level farmers groups.

7. The overall strategic approach adopted for the delivery of extension services by the VODP2 management team is summarised in figure 2. below:

Figure 2.



8. Project interventions (short term) are directed four levels of the production base starting from individual producers through higher levels of cooperative aggregation. As capacity is built over the implementation period, service delivery is taken over by apex FOs and cascaded down to institution members and client organisations (the left hand side of the model)

9. Detailed outlines of PSP/Hub action plans are listed in Annex 1. but cover broadly the same topics. Commercial comparative advantage will be clustered around soya and sunflower value chains in Eastern, Lira and Gulu hubs with additional delivery on food security and niche aspects of groundnut and sesame development. PSP extension service delivery can be summarised around the following topic headings:

- Baseline data collection based on the framework of project baseline survey⁶.
- Sub-County value chain comparative advantage assessment – refocusing of extension, seed multiplication and development partner linkage building.
- Seed multiplication with FGs, FOs, research and development organisations and seed companies.
- LSB and FG/FO seed multiplication capacity building and training
- Building and maintaining links with NARO
- Capacity building and training with FGs and low level groups focusing on FLPs, FFDs, agronomy, soil and water conservation, record keeping and financial literacy.
- Capacity building activities focused on higher-level FOs with an emphasis on leadership, marketing, post harvest management, links to processors and financial literacy/training.
- Building links with financial institutions, business plan development.

10. Table 1 below estimates the number of FLPs in each of the project hubs with a standard size and seed rate. In this way the amount of seed required for the roll out programme is planned and coordinated. Total requirement for FLPs is estimated at 2.75 Mt. Discussions with the project team recommended that individual FLPs would only grow one variety of soybeans at each location. In this way, seed would remain “true” and could be either saved by the group for planting expanded areas the following season or sold as “certified” true breeding seed to local input suppliers at a price premium. Assuming a total planted area of 110 acres with an average yield of 800Kg per acre, it is anticipated that this segregated production cycle could produce around 88Mt of quality seed. Planted at the above rate, this would then provide planting material for around 3,500 acres the following season. FLPs focused on sunflower agronomy do not have the same potential for seed multiplication because of the hybrid nature of the varieties. Sunflower FLPs will focus on basic agronomy (plant density, weed & pest control, nutrition and post harvest treatments in combination with linkages to input suppliers, seed companies and oilseed crushers. Details of sunflower seed requirements are listed below.

Table 1: Soybean Farmer Learning Platforms

Hub	# of FLPs	Plot Size (acre)	Total acreage	Seed rate (kg/acre)	Seed quantity required
West Nile	160	0.25	40	25	1,000
Gulu	120	0.25	30	25	750
Lira	128	0.25	32	25	800
Eastern Uganda	32	0.25	8	25	200
TOTALS	440		110		2,750

11. The FLP below is a sunflower variety and nutrition trial in Gulu hub and is typical of the scale and scope of planting plots at around a quarter of an acre. Farmers were varying plant density here to test different yield and weeding strategies. This is an example of where techniques and innovation derived from farmer’s practical knowledge can feed into the formal R&D process. In many instances, farmers will adopt management techniques that make the most sense to them in terms of economic yield and risk management. The MTR pointed out one negative consequence of this – soil fertility mining using hybrid varieties of sunflower to boost yields without compensating nutrient loss. It will be vital to incorporate basic element of soil conservation in the extension to avoid this. Green manures, post-harvest trash incorporation, minimum tillage, and crop rotation with soybeans and livestock manures are still rarely seen in conventional farming systems.

⁶ Baseline Survey Report (oil seed), Statistics Division, Planning Dept., MoAAIF, Entebbe, Feb 2015



12. **Availability of Seeds:** The previous IFAD ISM in July 2014 and the MTR identified major failings in the availability of improved seed for all for crops covered by the project's value chains. This situation has not improved with predicted shortages particularly acute in hybrid sunflower seed and inbred lines of soybean. Reasons for the shortage remain risk aversion in commercial seed companies limiting imports of sunflower hybrids, low incentives to domestic production of sunflower hybrids because of a lack of varietal “exclusivity” and very limited domestic capacity to multiply parent or foundation soybean varieties. There are apparently no suitable commercial soybean varieties available for importation either. Seed millers are also reducing the volumes of imported sunflower hybrid for the first season to 60 Mt for distribution to their own agents and farmers groups.

13. The PMU OS team has continued to work with project-funded development partners (NaSARRI, NaCRRI, Makerere University and NSCS) to secure as much improved seed as possible for FLPs and identified FGs for further multiplication (in the case of soybean at least). In summary, it is estimated the project can secure between 15-20Mt of soybean foundation seed from Makerere University, which can plant around 330Ha for multiplication. This in turn will provide commercial seed to plant around a further 500Ha commercially in the second season. VODP2's agreement with NaSARRI plans to secure around 9,000Kg of domestically grown sunflower seed for release to FLPs and identified FGs for subsequent testing with seed crushers. This quantity of seed can be used to plant around 1,800Ha commercially without the option to save or replant due to the hybrid nature of the seed. VODP2 plans to procure around 2,500Kg of imported hybrid sunflower seed through Mukwano Industries Ltd for distribution to FLPs and selected FGs. This quantity will plant a further 506Ha commercially. HC, PSPs and PMU staff will coordinate the planting of soybean seed at FLPs such that only one variety of soybean is planted at each site. This will avoid mixing of seed at harvest and ensure “true” breeding when saved for planting in the subsequent season further expanding the area under cultivation and linked where possible to seed millers and local seed companies.

14. The situation with hybrid sunflower remains more complex and requires longer-term solutions. Commercial seed companies have requested “exclusivity” to either of the two certified domestic hybrid varieties before they will commit to large-scale multiplication. Negotiations are ongoing with NaSARRI to agree an experimental exclusive agreement to pilot and expand domestic seed production. Further work needs to be done with local millers to convince them of the milling quality of this seed and the oil content, which in turn will determine farm-gate price. The PMU team continues to negotiate with large-scale millers, banks and input dealers to plan importation of hybrid sunflower from sources other than Pannar in South Africa currently linked to Mukwano Industries. The ISM is not recommending VODP2 becomes directly involved in funding or underwriting the importation of external seed but rather focus on modelling demand and linking FG/FOs to millers, banks and importers for direct sale. In the same light, the ISM is not recommending the establishment of matching grants available to FGs/FOs at this stage due to the complexity of managing such an arrangement and potential distortion to what rapidly needs to evolve into a self-sustaining market.

Figure 3.



Figure 4.

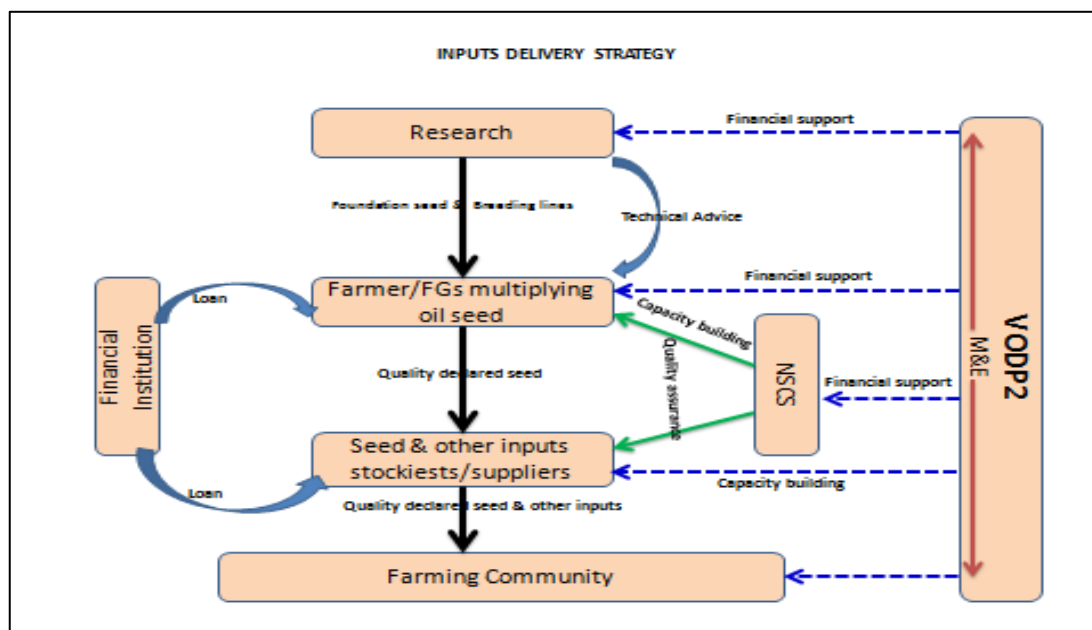


15. Figure 3 above shows a 10-acre soybean seed multiplication plot run by a progressive farmer in Eastern Hub. Plots like this, grown in isolation from other growers, provide significantly higher returns to farmers who fully understand the techniques involved. Plots need to be kept weed free, must be planted from approved foundation seed and kept free from fungal diseases. Harvested seed needs to be cleaned, dried and stored to remain viable. The graphic in figure... below outlines VODP2 approaches to integrating project support to four key participatory groups: Government research units funded by the project to supply high quality foundation soya seed, OPV sunflower varieties and domestically developed hybrid sunflower varieties. Financial support is also extended to seed and input certification bodies to ensure compliance and eliminate where possible, counterfeit and adulterated seed. Hub coordinators, development partners and PSPs will work with FGs and FOs to develop specialised local seed producers who are legally licensed under seed multiplication Act. VODP2 is working with ISSD to develop a standardised training model to build capacity at this intermediate level to fill the void left by commercial seed companies⁷. Where existing functional Apex FOs are running seed multiplication programs for their members, the project will provide target technical support and linkages to financial institutions to develop these businesses. There are currently low levels of trust between producers and intermediary input suppliers. The latter includes Ugandan seed companies and secondary retail sellers of seed. Field visits confirmed widespread malpractice by alleged “seed companies” actively encouraging side selling of commercial soya grain for re-packaging as “certified seed”. Links must be built between genuine seed and input suppliers to develop local “brands” of seed that will garner trust from local producers.

16. Figure 4 shows a sunflower farmer in Gulu Hub in a productive field of hybrid sunflower. Producers fully understand the productivity benefits of improved seed and are prepared to pay way high than “real” market prices for hybrid seed. Demand is strongest for known varieties of imported seed (Pannar varieties in particular) because millers will pay a premium for high oil content and known milling characteristics.

⁷ Supporting Local Seed Businesses – A Training Manual for ISSD Uganda, Jan 2015

Figure 5.



17. Figure 6. below from ISSD shows how dependent Ugandan farmers are on informal sources of seed. Over 50% is either home-saved or sourced from a neighbour (also surplus home saved seed). Another 33% is from what is termed “the local market” – uncertified mixed varieties of no known provenance. Only 11% (the balance) has any chance of being of improved quality. It is a high priority set by VODP2 PMU to expand the volume of known provenance seed available to growers. Given that there is little practically to be done to increase the performance and reliability of private seed companies, the main focus will be through LSBs and strengthened FOs. Figure 7. shows a lead farmer of a women’s group in Eastern Hub in a field of soya. The group had switched cropping activities from sugar cane due to falling revenues. Targeting quality seed to groups such as these has the potential to make significant impacts on crosscutting issues such as gender and financial independence.

Figure 6.

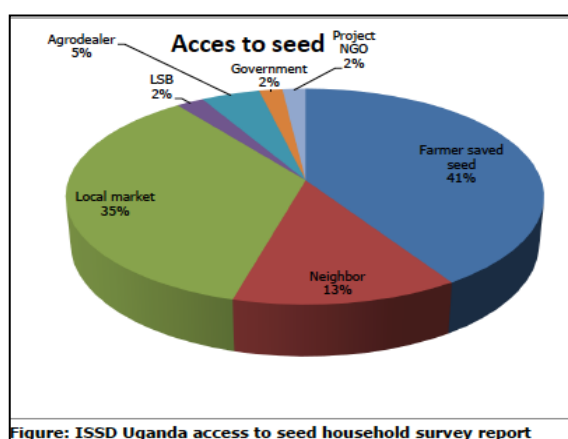


Figure 7.



18. VODP2 PMU has formulated a program to expand LSBs in each of the four hubs with 10 groups in each. Total planted area is estimated to be around 130 acres producing an estimated 52,000 Kg of commercial seed. Assuming this is planted at recommended rate of 25 Kg per acre, this should see an area of 2,000 acres planted the following season with improved seed. Assuming this is planted and maintained according to best practice by

affiliated FG and FOs, the intervention could result in total production of around 1,600mt. Regional hub totals are listed in Table ... below.

Table 2: Soybean seed multiplication through LSB groups

Hub	# of LSB groups	Total planting acreage	Seed rate (kgs/acre)	Seed quantity required	Multipli-cation ratio	Expected QD seed quantity (kg)
West Nile	10	20	25	500	16	8,000
Gulu	10	30	25	750	16	12,000
Lira	10	40	25	1,000	16	16,000
Eastern Uganda	10	40	25	1,000	16	16,000
TOTALS		130		3,250		52,000

QD= Quality declared

19. Links with Oil Seed Crushers and Input Suppliers: The PMU has formulated a series of practical field trials that combine FLPs with key issues that need to be addressed with private sector partners in the sector. The tables below set out the seed requirement for this program and imply the quantities of grain generated ultimately for cost/benefit analysis. Firstly, millers prefer imported varieties of hybrid seed because of their greater uniformity and high oil content. As a result, they are averse to buying anything else unless it is highly discounted to the producers' detriment. VODP2 PMU has agreed with members of the milling fraternity that there are good quality locally produced hybrid varieties of sunflower seed that can perform to a high level of milling efficiency. In order to convince them of this, a series of local hybrid multiplication trials will be set up with miller's involvement. Grain from these plots will be milled in batches and analysed for oil extraction, press performance and cost/benefit levels in comparison with established imported varieties. Without pre-empting the results, the aim is to demonstrate that if producers are able to access good quality locally produced hybrid seed (in the absence sufficient quantities of imported varieties), this will provide suitable feedstock that should not be over discounted on the basis of oil content, uniformity, etc. Given that the project has neither the scope, funds or remit to import large quantities of foreign sunflower hybrid seed, this avenue is by far the most sustainable but it is vital to have support from the millers if adoption rates are to rise. As was highlighted in the MTR, locally developed hybrid varieties of sunflower have potential advantages over imported ones for a number of reasons. Local hybrids are well suited to farming systems found in the four project hubs in that they are less demanding of soil nutrients, are more drought resistant and present a lower risk profile to growers. While initial yields might be lower, these varieties are lower cost in terms of overall production. Lower costs more than off-set lower yields and fit better with farmers risk aversion strategies. Local varieties will also do better under lower soil fertility conditions and will respond to soil conservation techniques, mulching, minimum-tillage and thus be lower cost options. Using best practice methods 144 acres yielding 800Kg per acre should deliver around 115 Mt for test crushing at say five of the main mills over the four hubs. Provided the milling results are evaluated carefully, it will then be possible for the hub coordinators to model future seed multiplication, producer adoption and milling agreements to expand the volume of local varieties processed. In time, this should provide an alternative to the automatic preference for imported hybrids that the commercial market appears incapable of supplying.

Table 3: Sunflower Variety Oil Yield Performance trials with millers

Hub	# of millers involved	# of varieties involved	Plot size (acres)	Total acreage	Seed rate (Kgs/acre)	Seed requirement (Kgs)
West Nile	2	6	4	48	2	96
Gulu	1	6	4	24	2	48
Lira	2	6	4	48	2	96
Eastern Uganda	1	6	4	24	2	48
TOTALS				144		288

20. **Sunflower technology demonstration with input suppliers:** The PMU has developed a demonstration program that combines FLPs with actors in the input supply sector. The aim is to demonstrate key aspects of crop nutrition, weed and plant density management and varietal performance with different OPV and hybrid options. Total seed requirement for these trials will be around 7.00 Mt.

a) Nutrient management

Hub	# of technologies for demonstration	# of plots	Plot size acres	Total acreage	Seed rate (Kgs/acre)	Seed requirement (Kgs)
West Nile	4	16	0.25	16	2	32
Gulu	4	16	0.25	16	2	32
Lira	4	32	0.25	32	2	64
Eastern Uganda	4	32	0.25	32	2	64
TOTALS		96		96		192

21. Nutrient management is a vital component of the extension message. Fertiliser use by Ugandan farmers is very low by any standard. As the MTR pointed out, the reason for this might be the benefit/cost ratio, which is most favourable in a farming system, which combines, improved seed variety with majority family labour and a reliance on residual, innate soil fertility. There is an urgent need to broaden the understanding that Ugandan soil fertility is finite – i.e. under continuous cropping of demanding annual crops (like hybrid sunflower) will deplete soil nutrients and yields will decline. The alternatives are to replace nutrients with inorganic fertiliser in combination with high-yielding varieties (that deliver known higher yields), adopt an organic approach using crop residues, animal manures and green mulches, or a combination of the two. These trials will provide data and demonstrations of different levels and types of nutrition on different varieties. Ex-post evaluation in economic terms will provide guidance on “optimal” levels of nutrition for different farming systems that deliver highest margins to producers.

b) Weed management; Similarly, weed management is linked initially to plant density, seed rate and then, labour use. All these are critical to costs of production and require field investigation.

Hub	# of technologies for demonstration	# of plots	Plot size acres	Total acreage	Seed rate (Kgs/acre)	Seed requirement (Kgs)
West Nile	4	32	0.25	32	2	64
Gulu	4	32	0.25	32	2	64
Lira	4	64	0.25	64	2	128
Eastern Uganda	4	64	0.25	64	2	128
TOTALS		192	1	192		384

c) Variety performance trials

i) With new FGs

Hub	# of varieties for demonstration	# of plots	Plot size per variety (acres)	Total acreage	Seed rate (Kgs/acre)	Seed requirement
West Nile	6	190	0.25	285	2	570
Gulu	6	352	0.25	528	2	1,056
Lira	6	317	0.25	476	2	951
Eastern Uganda	6	230	0.25	345	2	690
TOTALS		1,100	1	1,650		3,267

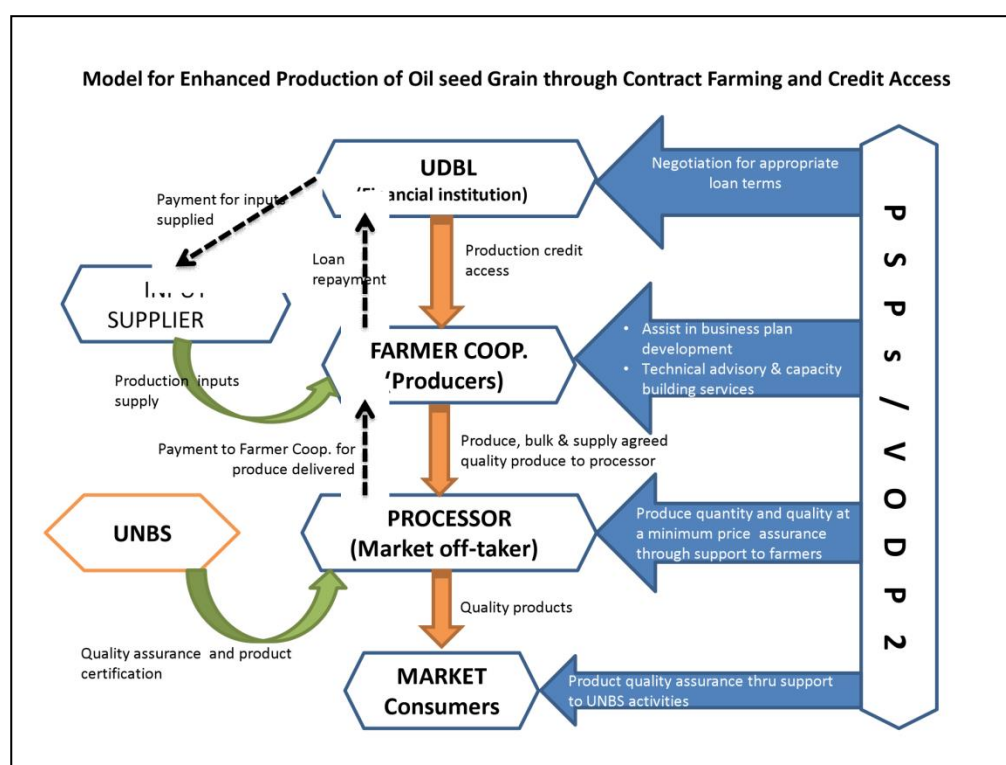
ii) New districts

Hub	# of varieties for demonstration	# of plots	Plot size (acres)	Total acreage	Seed rate (Kg/acres)	Seed requirement (Kg)
West Nile	6	126	0.25	189	2	378
Gulu	6	340	0.25	510	2	1,020
Lira	6	320	0.25	480	2	960
Eastern Uganda	6	237	0.25	356	2	711
TOTALS		1,012		1,518		3,069

22. **The Fiduciary and Financial Management** component of this ISM pointed out that this series of trials and FLP demonstrations requires significant volumes of procurement. The main proportion of this will be for improved seed and lesser amounts of fertiliser and crop protection chemicals. For both M&E and External Audit purposes it will be necessary to demonstrate a clear paper trail for the disbursement and use of these inputs. M&E has recommended that a sample of FLPs and demonstration plots be taken with additional recommendations that field staff use GPS coordinates to record the locations of all plots. Data collection and analysis recommendations earlier in this paper can be used to model the volumes of seed and grain generated from all trial plots and account for the proceeds of this production. As recommended earlier, all soybean demonstrations should use only on variety

of seed at each site. In this way, all soya seed could be collected and allocated for a second year of distribution as “quality” saved seed. Hub coordinators need to be responsible for the collection and aggregation of all seed and input distribution data and provide documentary evidence of its use at specific locations.

23. Links with Financial Institutions, Farmers Organisations, Input Suppliers, Bulk Trade Intermediaries and Oil Seed Processors: The graphic below summarises the role of the PMU in facilitating and building strategy linkages between the main protagonists in the oilseeds sector. Developing links between financial institutions and organised farmers groups is a central component of the oilseeds component. Activities have focused on identifying FOs involved in oilseed grain production and building these into tri-partite agreements with banks and processors. The objective is to facilitate access to working capital to FOs that have up until now, not had credibility with lending banks. The project aims to link registered FO with large-scale processors while at the same time, de-risking the banks transaction with small-scale producers. This model has been piloted and developed with three District farmers Organisation in Easter Hub in collaboration with Nile-Agro (a processor) and Uganda Development Bank Limited. This model is still in its first season of implementation and needs to be fully evaluated as soon as completion is achieved.



Farmer Institutional Development (Oil Seed Component)

24. The MTR states as a targeted that by 2018, the project should be working with 4,000 lower level farmer organizations and 40 higher-level farmer organizations operating under a co-operative business models. Together, the farmers' organizations should be serving 100,000 smallholder farmers / households. Furthermore, the project is to ensure that the 40 higher-level farmer organizations will have requisite technical capacity and willingness to provide support services needed by lower level farmer organizations in all the 4 project hubs. High-level farmer organizations may be formed at a sub-county level or higher government administrative levels by 8 – 12 lower level farmer organizations (though the number could be higher depending on the geographical area covered). Low-level farmer organizations, based

at village or parish level are formed from about 25 smallholder farmers. However a bigger membership is usually encouraged for the group's viability purposes.

Oil Seeds Farmer Organizations

	Project Hubs	Lower Level Farmer Organizations			Higher Level Farmer Organizations			No. of Districts	
		March 2015 - Actual	2018 - Target	Still to be Formed/Mobilized	March 2015 - Actual	2018 - Target	Still to be Formed/Mobilized		
	Lira	210	1,200	990	06	10	04	9	
	Mbale							13	
	Arua	230	1000	770	06	10	04	5	
	Gulu	250	950	700	04	10	06	5	
	Total		4,000					32	

Source: VODP2, March 2015

25. In pursuit of the above targets, the project presently faces a challenge of limited knowledge and understanding of the state of the existing high-level farmer organizations in terms of:

- The businesses or enterprises they are undertaking relation to those being promoted by the project
- Their current membership
- Their technical and resource capacities
- Their exact locations and area of operation in relation to that of the project
- Their willingness to open up for new members and later on, participating in the project
- Their capacity building need.
- The areas where new higher-level farmers' organizations are needed.

26. To address the above limitations and enable the project to achieve its targets, it is proposed that the project implements the following activities / measures:

- Conduct a situational analysis in all 4 hubs to take stock of and establish the state of the existing higher-level farmer organizations. These may or may not already be working with the project. Those that are not working with the project should express their interest to do so. An appropriate tool for this exercise should be developed.
- Assess the high-level farmer organizations identified and select those that qualify to work with the project.
- Determine areas where new high-level farmers' organizations are needed and therefore, farmers and their low level organizations need to be mobilized to form them and the number that must be formed.
- Determine the technical capacity needs of the identified high level farmer organizations and which of those needs should be covered under the project's capacity building interventions. The interventions must enable the 40 organizations to meet the needs of their existing and potential members.
- Where needed, mobilize farmers and their low level organizations to form the high level farmers organizations.
- Build the technical capacities of the selected 40 high-level farmer organizations.

- Monitor, mentor and backstop high level farmer organizations as they conduct their operations and provide support services to low level farmer organizations.
- Encourage and guide low-level farmer organizations (that have not yet joined or do not have any within their vicinity) to join existing or form high-level farmers' organizations of their own for purposes of aggregation and joint action.

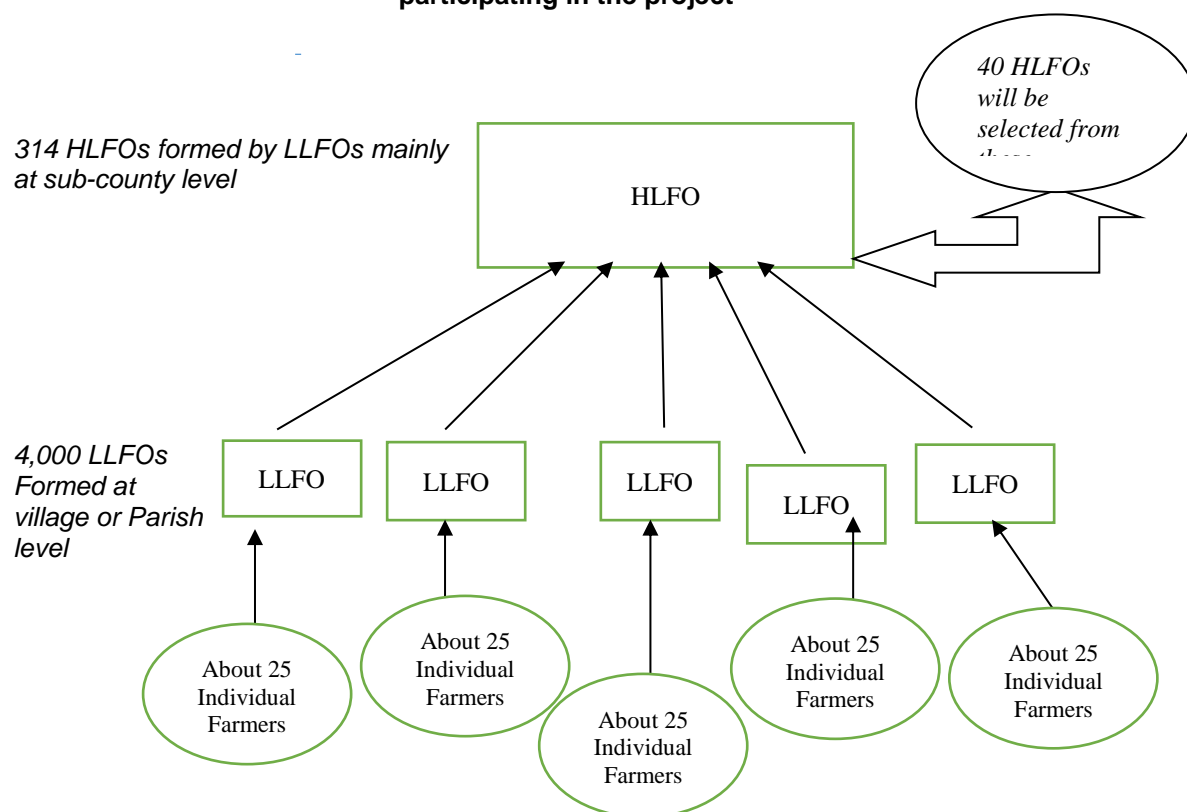
27. To implement the above activities, the project should engage services of an organization like Uganda Co-operative Alliance, which has capacity and institutional interest in doing so. A co-operative business model was recommended by the MTR for the higher-level farmer organizations because it affords them more legal and operating flexibility for collective smallholder farmers' businesses.

28. UCA should be engaged to implement the above activities under a partnership arrangement (governed by an MOU). This implementation arrangement would be more suitable for the engagement because UCA:

- Has the requisite technical capacity to undertake the work and a track record in doing so.
- As the apex organization for co-operatives in the country, it is better placed to build the technical capacities of secondary co-operatives as well as membership based organizations.
- UCA is already working with some of the co-operatives in the project area
- Some of the target high-level farmers' organizations are already members or potential members of UCA.
- Even when the project ends, UCA will be able to continue supporting the high level farmers' organizations.

	Agreed Action	Responsibility	Agreed Date
1	Conduct a situational analysis in all 4 hubs to take stock of and establish the state of the existing high-level farmer organizations.		
2	Assess the high-level farmer organizations identified and select those that qualify to work with the project.		
3	Determine areas where new high-level farmers' organizations are needed.		
4	Determine the technical capacity needs of the identified high level farmer organizations and which of those needs should be covered under the project's capacity building interventions.		
5	Where needed, mobilize farmers and their low level organizations to form the high level farmers organizations		
6	Build the technical capacities of the selected 40 high level farmer organizations		
7	Monitor, mentor and backstop high level farmer organizations as they conduct their operations and provide support services to low level farmer organizations		
8	Encourage and guide low level farmer organizations (that have not yet joined or do not have any within their vicinity) to join existing or form high level farmers' organizations of their own for purposes of aggregation and joint action		

Low Level Farmer Organizations (LLFO) and High Level Farmer Organizations (HLFO) participating in the project



Appendix 1: PSP Action Plans post MTR and Mbale Workshop

Oil Seeds Action Plan for 2015 – Gulu Hub

Key Issues	Strategic activities	Targets	Expected Output Indicators	Timeframe	Responsible Persons
Data	<ul style="list-style-type: none"> - Baseline data collection -Setting up data base - Seasonal data collection; - Record keeping 	<ul style="list-style-type: none"> - Base line data – Once; - Twice a year i.e. every season 	Data in place	March – June & July to December	IIRR, DLG & VODP2
Targeting	Selection of Sub-Counties with comparative advantage	<ul style="list-style-type: none"> - 11 Sub-counties, at least 2 Sub-counties per district; - 35 farmer groups per district; - 2 major enterprises per district 	<ul style="list-style-type: none"> - 11 Sub-Counties selected - 175 farmer groups registered; - Enterprises per district selected 	February - March	IIRR, VODP2, DLG
Availability of quality Seed	Formal seed multiplication with farmer groups	25 farmer groups; 5 acres of single crop variety	No of farmer groups involved in seed multiplication; Acreage under seed multiplication No of farmers accessing and using to improved seed;	April – June; August - October	DLG Product ion Office; IIRR; SCS; VODP2
	Training of seed multiplication groups	25 farmer groups	No of farmers trained	April, and July, 2015	DLG/SCS; IIRR
	Linkage with NARO/Seed companies to multiply sunflower seed (OPV & Hybrids from Serere)	2 Seed companies; 30 acres	Acreage of sunflower seed multiplied; No of MoUs signed	April – JUNE and July – October, 2015	IIRR, DLG, VODP2, NARO, SCS
Limited access to extension services	Capacity development of farmer organizations				
LLFOS	<ul style="list-style-type: none"> -Agronomy - FLPs - Learning routes - Farmers field day - Soil & water conservation - Record keeping - Mainstreaming cross cutting issues - FAAB 	175 FGs	No of FGs trained; No of farmers trained No of farmers adopting; No of FLPs established; No of exchange visits conducted and ; No of farmers benefiting.	March to December, 2015	IIRR, DLG & VODP2

	<ul style="list-style-type: none"> -PHH - Marketing -VSLA - Group dynamics - Cross cutting issues - HH mentoring 				
HLFOs	<ul style="list-style-type: none"> -Leadership - Marketing - PHH - Agro-processing - Financial literacy 	10 HLFOs (2 per district)	No of HLFOs trained; No of members trained	July - December	IIRR, DLG & VODP2
Market access	<ul style="list-style-type: none"> - Capacity development of LLFOs to HLFOs; - Collective marketing/bulking - Contract farming; - Market transparency dialogue - pricing 	10 HLFOs; 10 contracts	<ul style="list-style-type: none"> - No of HLFOs formed; - No of contracts signed; - No of market transparency meetings conducted 	April – December, 2015	IIRR, DLGs & VODP2
Credit Access	<ul style="list-style-type: none"> Development of fundable business plans; Financial literacy training; Strengthening VSLA; HH mentoring; Linkage to financial institutions; Multi stakeholder meetings on oil crops/credit 	175 farmer groups	<ul style="list-style-type: none"> - No of FGs with fundable business plans; - No of farmer strained in financial literacy; - No of HHs mentored 	March – December, 2015	IIRR, DLGs & VODP2

VODP2 Priority Strategic Actions for West Nile

Project Title: WENIPS CONSORTIUM VODP 2 PROJECT									
Project Goal:									
Long-term Impact or Outcome:									
Long-term Indicator:									
Strategic Action	Expected Results	Activities	2015	2016	2017	Start Date	End Date	Responsible Party	
1. Conduct a Baseline Survey to develop data on oil seeds development in West Nile	<ul style="list-style-type: none"> ✓ Oil seeds Baseline Data / Report ✓ Data base on oil seed maintained ✓ Report shared / informing implementation & M&E 	<ul style="list-style-type: none"> ✓ Questionnaire development ✓ Training of data collectors ✓ Data collection ✓ Data capture and analysis ✓ Report writing ✓ Holding Report sharing meeting 	X			April 2015	June 2015	<ul style="list-style-type: none"> ✓ District DFPO ✓ PFS (WENAC) ✓ Hub Coordinator 	
2. Strengthening farmer Institutions (FID)	<ul style="list-style-type: none"> ✓ 10 HLFOs formed & supported ✓ 10 HLFOs are registered as ACEs 	<ul style="list-style-type: none"> • Mobilize & sensitize farmer groups • Form and train HLFOs • Develop business plans for HLFOs • Develop operational policies & guidelines • Prepare financial accounts & reports for HLFOs • Register HLFOs with CDO at District • Register ACEs with registrar of cooperatives • Institutional capacity development of HLFOs & ACEs based on identified needs 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator ✓ Commercial officers ✓ Community development officers 	

		<ul style="list-style-type: none"> • Monitor and backstop HLFOs & ACEs 						
3. Establish and support at least 40 FLPs (2 per Sub-county)	<ul style="list-style-type: none"> ✓ 3,000 farmers accessing extension services annually ✓ 20% of farmers adopting good agronomic practices (GAP) ✓ 10% increase in the selected oil seed yields (simsim, sunflower & soybean) ✓ Standard FLPs developed to facilitate learning as per VODP2 guidelines 	<ul style="list-style-type: none"> • Mobile & sensitize farmers • Train on FLP site selection • Supervise land opening • Train on planting & other agronomic practices • Train on pests & diseases control • Train on Harvest and post harvest handling • Monitor & supervise groups 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator
4. Promoting local seed businesses (LSBs) in West Nile	<ul style="list-style-type: none"> ✓ 5 WENAC staff capacity built in seed multiplication ✓ 5 LSBs established and are functional ✓ 20% increased production of quality declared seeds (<i>simsim, soya bean and sunflower</i>) ✓ 10% increase in income per year 	<ul style="list-style-type: none"> • Identify farmer groups • Carry diagnostic studies of groups • Carry market survey • Select enterprise & procure foundation seed • Identify sites • Conduct agronomic trainings • Train on post harvest handling • Support in marketing & storage • Monitor & supervise 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator ✓ VODP2/NARO ✓ DAOs
5. Promoting access to financial services and credits	<ul style="list-style-type: none"> ✓ 30 VSLAs established, supported and operating per year; ✓ 80% of VSLA clients trained on Financial literacy ✓ 30% of VSLAs linked to formal financial institution to access financial services (UDBL, PostBank, etc) 	<ul style="list-style-type: none"> • Mobilize & sensitize on VSLA • Train farmer groups on VSLA • Monitor & support the groups • Train groups on financial literacy 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator

		<ul style="list-style-type: none"> Link trained groups to formal financial institutions 						
6. Promoting market linkages & access	<ul style="list-style-type: none"> ✓ One (1) additional contract signed with a local processor ✓ 10 HLFOs/ACEs are established, supported and linked to bulk buyers/millers ✓ 10% increase in sales volume per annum ✓ 10% increase in incomes for participating farmers/HHs per annum ✓ 10% increase in crushing materials available to millers per annum ✓ Market information system promoted 	<ul style="list-style-type: none"> Train WENAC staff on marketing Map value chain actors Train farmers on marketing Establish bulking centre Introduce warehouse receipt system to bulking centres Link bulking centres to buyers/actors Collect & disseminate marketing information to farmers & value chain actors Monitor & supervise 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator ✓ District DFPO
7. Refocusing PFS's (WENAC's) extension service delivery	<ul style="list-style-type: none"> ✓ One (1) FEW per 2 Sub-counties (2 per district) deployed ✓ All WENAC staff skilled in VODP2 implementation approach ✓ WENAC using result based approach in its reporting ✓ Gender & HIV/AIDs activities mainstreamed in services ✓ Apiculture as a complimentary enterprises promoted 	<ul style="list-style-type: none"> Deploy staff to all the sub-counties of operation Train staff on VODP 2 implementation & reporting approach Conduct TOT in HIV/AIDS and gender mainstreaming (HH mentoring) Conduct TOT in apiculture as a business Promote enterprise based clusters based on comparative advantages of areas Monitor & supervise performance 	X	X	X	April 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC) ✓ Hub Coordinator
8. Refocusing and	<ul style="list-style-type: none"> ✓ Oilseed stakeholders mapped 	<ul style="list-style-type: none"> Carryout stakeholder 	X	X	X	July 2015	June 2017	<ul style="list-style-type: none"> ✓ PFS (WENAC)

Strengthening local partnerships for oil seed development in West Nile	<ul style="list-style-type: none"> ✓ Increased engagement of other oilseed stakeholders including district local governments ✓ Regular data update and use 	<ul style="list-style-type: none"> • mapping • Hold radio talk shows • Share reports • Hold stakeholder meetings • Joint monitoring and supervision 						<ul style="list-style-type: none"> ✓ Hub Coordinator ✓ District DFPO
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Presentation from Lira Hub

Access to quality Seed

Promote the multiplication of breeder seeds locally with selected 40 producer groups linked to the seed companies.

Activities:

- Mobilize the producers group
- Build the capacity of the extension staffs in seed multiplication
- Train the producers on the seed multiplication
- Procuring foundation seeds

Transparency in market

- Activities:
- Formation of marketing committees in all the HLFOs to negotiate for better prices for the farmers produce
- Facilitate contracting process between the producers and buyers
- Build capacity of the marketing committee
- Continue to use OSSUP meetings to advocate for better prices for farmers produce

Market failure

Cluster 30 farmers groups into high-level farmers organization (cooperatives) and promote bulk marketing

Activities:

- Mobilizing and clustering the farmers organization
- Linking the marketing groups to financial service providers
- Training on bulk marketing
- Training on post harvest handling

- Provision of market information

Transparency in market

Activities:

- Formation of marketing committees in all the 40 HLFOs to negotiate for better prices for the farmers produce
- Facilitate contracting process between the producers and buyers
- Build capacity of the marketing committee
- Continue to use OSSUP meetings to advocate for better prices for farmers produce

Extension service delivery

Promote farmer to farmer learning among the producers groups for sustainability (every farmer group in the HLFO will have an ELF (Extension Link Facilitator). Continue with the farmer learning plat form approach (311 per season)

Activities:

- Identify the model farmers within the farmers groups and train them
- Continue with the farmers learning plat form, field days etc
- Transport facilitation for the extension link farmers

The coverage should target the current potential areas and use the existing producers groups in those areas (9 Districts, 40 sub-counties). The project should concentrate on the three oil seed crops in Lira hub (Soya beans, sunflower and Sesame)

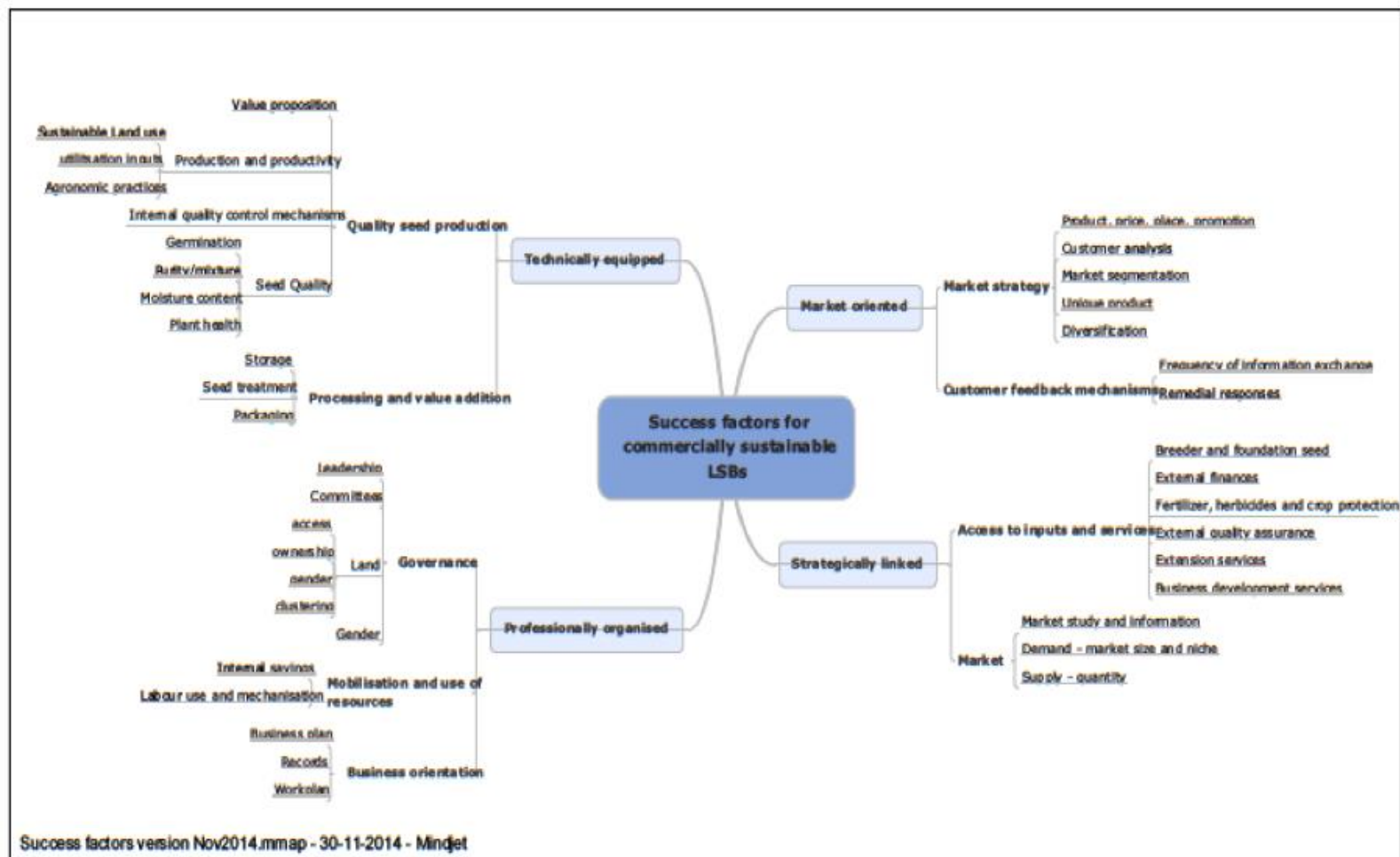
Activities:

- Identify the model farmers within the farmers groups and train them
- Continue with the farmers learning plat form, field days etc
- Transport facilitation for the extension link farmers

Eastern Uganda Hub Priority Strategic Proposed Actions

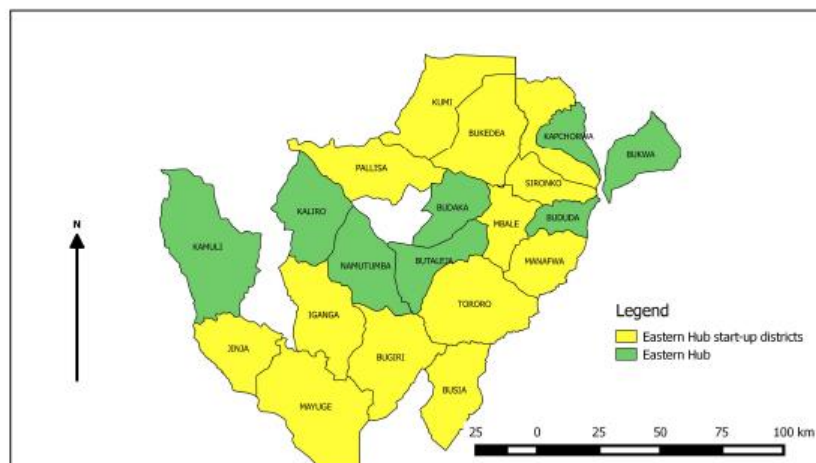
ISSUE	ACTION	TARGET	
Seed access	<ul style="list-style-type: none"> Mobilize farmers to engage in seed multiplication 	112 MT of soy beans, 4.5 MT of Sunflower, 6.7MT of groundnuts	
	<ul style="list-style-type: none"> Mobilize farmers to save money and access credit for buying seed through VSLA approach 		
	<ul style="list-style-type: none"> Strengthen seed information exchange platform through OSSUP 		
	<ul style="list-style-type: none"> Build capacity of agro-input dealers to improve seed service provision 		
Limited access to market	<ul style="list-style-type: none"> Build the high level farmer organizations to bulk and do collective marketing 	1575 MT of soybean, 1800MT of sunflower and 675MT of nuts sold	
	<ul style="list-style-type: none"> Create local competition among oilseed traders Map oilseed actors 		
Limited Access to extension services	<ul style="list-style-type: none"> Offer Integrated extension services sustainably Establish and facilitate FLPs Form and build capacity of community marketing committees at Sub-county level 	190 FLPs 66 committees	
Conflicting messages o cross cutting issues	<ul style="list-style-type: none"> Handle cross cutting issues in OSSUP platforms Hold joint platforms to harmonize training manuals Organize and facilitate in-house gender training 		

Appendix 2: Local Seed Companies



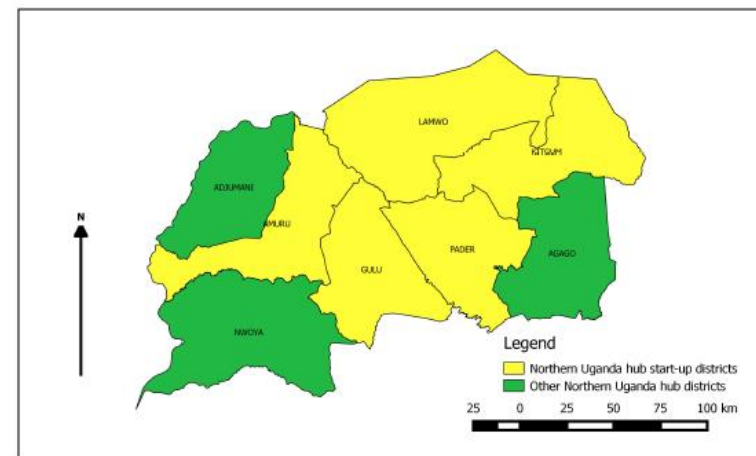
Appendix 3: Oil Seeds Project areas.

MAP OF EASTERN UGANDA HUB SHOWING START-UP DISTRICTS



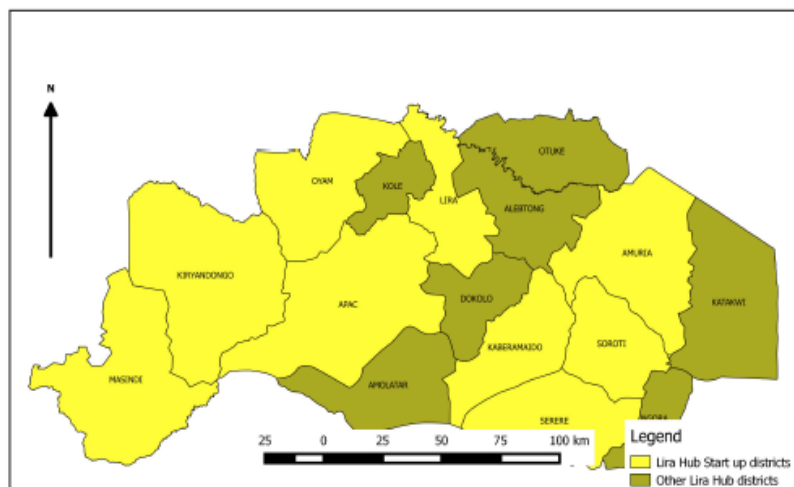
PREPARED BY VODP2 M&E OFFICE

MAP OF NORTHERN UGANDA HUB SHOWING START-UP DISTRICTS



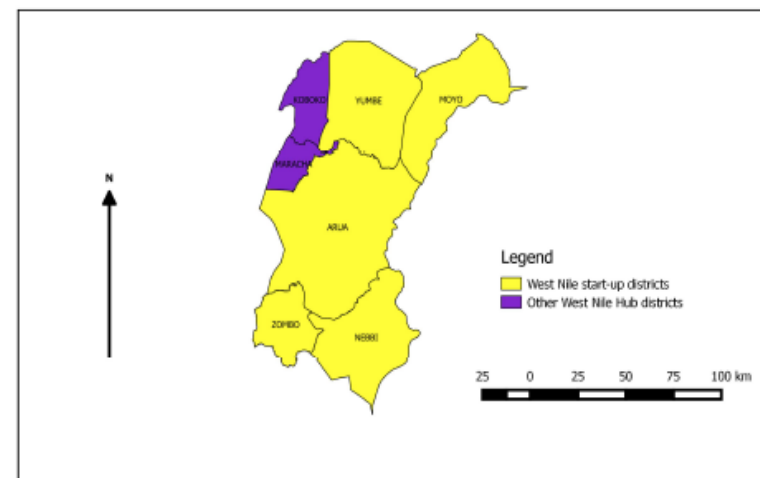
PREPARED BY THE VODP2 M&E OFFICE

MAP SHOWING LIRA HUB START-UP DISTRICTS



PREPARED BY VODP2 M&E OFFICE

MAP OF WEST NILE HUB SHOWING START-UP DISTRICTS



PREPARED BY THE VODP2 M&E OFFICE

TECHNICAL ANNEX III

FINANCIAL MANAGEMENT

TECHNICAL ANNEX III: FINANCIAL MANAGEMENT

Attachment 1

Financial Management Assessment at Supervision

Country: Republic of Uganda	Loan ID: IFAD Loan 806-UG
Project name::	Vegetable Oil Development Project – Phase 2 (VODP2)
Executing Agency: Ministry of Agriculture, Animal Industry and Fisheries	CPM: Alessandro Marini
Reviewing FMS: Godfrey Wanjohi	Date of this review: 20 April 2015.

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
A. Inherent Risks			
The Transparency International (TI) Corruption Perception Index for the year 2014 is 3.1 out of 10, and has been placed under high level Risk countries. There fore it can be assumed that the inherent risk is High risk.			
B. Control Risks			
1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	Adequate structures exist. PMU under the control of the Ministry of Agriculture.(MAAIF) The expenditures are reviewed by the office of the PS (MAAIF)
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	These exist.
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	M	
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	Adequate manuals exist
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Evaluations are carried out
f.	Adequacy of health insurance coverage for all staff (where applicable).	H	Not yet but under consideration
g.	Timely payment of social security fees (where applicable).	L	This is done
h.	Staff adequately informed about Ifad's national and anti-corruption policy and relevant contact details.	L	Done

2. Budgeting			
a.	Timely preparation and approval of AWPB.	M	Slight delays
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	M	This is done but the document can
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	This has been carried out
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	M	
3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	H	Funds disbursed on time by IFAD and GoU, but the Private sector financier still being waited for his participation
b.	Timeliness of counterpart funds disbursed.	L	Very good
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	Timeliness efficient and traceability trail exists.
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	N/A	
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	The level has been USD 4 million and has been increased by another 1 million to USD 5 million
	ii) Appropriateness of disbursement methods used	L	Have been using replenishment and Direct methods.
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	M	There are concerns for accountability of seeds and diesel oil.
	iv) Timely preparation and accuracy of Withdrawal Applications	M	Taking a bit longer. Need to be improved.
	v) Authorization of WA preparation.	L	Timeliness adequate
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	M	
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	M	No structured monitoring through a reconciliation of the SPA regularly at the end of the month, only carried out during the mission and submission of WAs.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time.	M	

	Provide comments as appropriate		
	ix) Recovery of SA balances by loan closure	N/A	
4. Internal Controls			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	THE MAAIF IS DEEPLY INVOLVED IN THE AUTHORISATION OF EXPENDITURES.
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	M	
c.	Adherence to Financial Manual.	M	
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	GOU inflow is in accordance with the appraisal and the AWPB plans.
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	The controls are good as they are backed up by the PS of the MAAIF
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	DOCUMENTS AVAILABLE including asset registers
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	Documents are available.
i.	Adequacy of physical management of cash.	L	Minimal cash is held by the Project
j.	Timely payment to suppliers and consultants.	L	No undue delays were noted
k.	Eligibility of expenditures with respect to Financing Agreements.	L	SO FAR SO GOOD. No eligibility has been noted.
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Accountability is up to date
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	All financial related covenants have been complied
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	Asset registers are up to date
o.	Adequacy of controls concerning project assets including: i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) ii) Fuel management (do drivers maintain a log book?) iii) Travel authorisations (incl. DSA paid to staff)	L	There are adequate controls.
p.	Adequacy of vehicles and assets insurance.	L	
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants	M	

	iii) Receipts for workshop expenditure		
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	M	
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	M	
t.	Existence of a proper IT support unit in place.	M	None. The staff at PMU are deeply learned in IT.
5. Accounting			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD'd requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	IPSAS
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	
b.	Recordkeeping (including documentation and filing/archiving)	M	
c.	Fixed assets register maintained and reconciled (sample and physical check).	L	Sample checked
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	H	Will be carried out when the manual is expanded.
e.	Adequacy of chart of accounts for project accounting purposes	L	Largely exist.
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	M	Reasonably timely.
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	L	ACCOUNTING IS CLEAR.
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	Reasonable but with improvement
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	Require improvement
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	M	Require improvement
d.	Follow up of previous aide-memoirs fiduciary recommendations.	L	Done
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	H	Implementation of key components remain.
7. Internal Audit			
a.	Existence of Internal Audit arrangements.	L	
b.	Adequacy of internal audit arrangements (organization - staff capacity).	L	The MAAIF unit is currently committed and is carrying out its work in depth.
c.	Adequacy of internal audit scope of work and quality of reports.	L	
d.	Assessment of matters raised in audit reports.	L	
8. External Audit⁸			
a.	Adequacy of scope and ToR.	L	
b.	Adherence to ToR.	L	

⁸ Refer to IFAD audit review.

c.	Timeliness of audit report.	L	
d.	Quality of audit.	L	
e.	Implementation of audit recommendations/agreed action plan in place to address these.	L	

Attachment 2

Summary of Project Fiduciary Risk Assessment at Supervision

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk	H	N/A
Control Risks		
1. Organization and Staffing	L	
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	L	
4. Internal Controls	L	
5. Accounting	M	Improve Preparation of Financial statements
6. Financial Reporting and Monitoring	M	
7. Internal Audit	L	
8. External Audit	L	
Overall Project Fiduciary Risk	L	
H=High, M=Medium, L= Low RISK		

Comments: The PMU has to improve the financial accounting and reporting by ensuring monthly updates and reconciliations as well as quarterly financial statements for use in the Physical and financial Progress reporting.

Attachment 3

SOE Review Checklist

	SOE Review	Performed by, Date	Comments
3.1	Obtain the SOE-based withdrawal applications from Project or CPM, or Loan Officer, identify and select a sample of SOE withdrawal applications and transactions for field review. A random sample of SOEs shall be selected from the list of SOE disbursement applications available within the IFAD. The LG system is another way to obtain information about withdrawal applications.	Godfrey Wanjohi 16-17 March 2015	Selected 21 items at random, from, WAS 24,25, and 26 submitted to IFAD since the last mission.
3.2	Review the control procedures related to SOE disbursement. The reviewer should consider the effectiveness of the following controls and document any exceptions:	Godfrey Wanjohi 16-17 March 2015	The controls are good and include the oversight of the PS MAAIF
3.2.1	Appropriate levels of review and approval are in place and are followed for each stage of the expenditure process	Godfrey Wanjohi 16-17 March 2015	Prepared by Accountant, approved by the FC, then PC, then Principal Accountant MAAIF, Internal Audit, and PS
3.2.2	Procedures and responsibilities are clearly defined and are adequately documented	Godfrey Wanjohi 16-17 March 2015	Procedures are in the PIM
3.2.3	Adequate segregation of duties exists between the initiation, authorization, disbursement, and recording functions	Godfrey Wanjohi 16-17 March 2015	approved by the FC, then PC, then Principal Accountant MAAIF, Internal Audit, and PS
3.2.4	Authorization and approval is obtained prior to incurring of the expenditure	Godfrey Wanjohi 16-17 March 2015	Principal Accountant MAAIF, Internal Audit, and PS
3.2.5	Documentation is maintained for an adequate period of time for purposes of fulfilling audit requirements as well as review by IFAD staff	Godfrey Wanjohi 16-17 March 2015	Documentation is properly maintained for ease of retrieval.
3.2.6	Commitments are made after applicable procedures have been followed	Godfrey Wanjohi 16-17 March 2015	Procurement is generally inconsistent with the Budgetary provisions, and approvals by Procurement committee and the PS
3.2.7	The expenditures are properly accounted for into the books and financial reports of the project, and in cross-references in the SOE to relevant documentation (e.g. vouchers), presentation of information in the SOEs allows for ready access to the files for review and audit purposes	Godfrey Wanjohi 16-17 March 2015	Accountability in the books of the project is complete and SOEs properly referenced to the payment vouchers
	Review supporting documentation. For each loan, the	Godfrey	Relevant

3.3	<p>documentation of a sample of withdrawal applications is reviewed. The documents that normally support payments are (a) evidence of receipt, invoice or performance, (b) evidence of payment, and (c) proper procurement documents. Such documents might include:</p> <ul style="list-style-type: none"> • procurement documents (bid documents, invitation, evaluation, award) • purchase contract • purchase order • letter of credit • supplier's invoice and certificate of origin • shipping or import documents and inspection certificates • contractor's or consultant's invoices or certificates • force account records • recurrent cost records • authorization for payment • evidence of payment/bank statements accounting records of approvals, disbursements, and balances available <p>Question to address in review are:</p>	Wanjohi 16-17 March 2015	documentation seen
3.3.1	Is the documentation readily available?	Godfrey Wanjohi 16-17 March 2015	documentation is readily available
3.3.2	Does it indicate that the expenditure was approved by an authorized official?	Godfrey Wanjohi 16-17 March 2015	Yes
3.3.3	Is it in original form?	Godfrey Wanjohi 16-17 March 2015	Yes, not a copy
3.3.4	Does it relate to the project concerned?	Godfrey Wanjohi 16-17 March 2015	Yes not a copy
3.3.5	Are the computations correct and are there any errors or alterations?	Godfrey Wanjohi 16-17 March 2015	.Yes
3.3.6	Are the category and disbursement percentage used correctly?	Godfrey Wanjohi 16-17 March 2015	Yes

7.4	<p>Verify eligibility of expenditures. The review determines whether the expenditures are properly supported and are eligible for IFAD disbursement in accordance with legal agreements. Ineligible expenditures would include:</p> <ul style="list-style-type: none"> • duplicate invoices • payments made in advance of receipt of good or delivery of services, unless these payments are consistent with contract provisions and are established commercial practice; • payments that should have been made under normal disbursement procedures with full documentation (e.g. payments against contracts subject to the IFAD's prior review, or payments against contracts with values exceeding defined SOE limits); and • payments for items that are not procured in accordance with the legal agreements, such as: <ul style="list-style-type: none"> ◊ payments for items from countries that are not eligible under the IFAD's Procurement Guidelines; ◊ payments for items not specified in the procurement and withdrawal schedules set forth in the Loan Agreement; ◊ payments made prior to credit signing or before the eligible date specified for retroactive financing; ◊ payments made for the expenditures incurred after closing date; ◊ payments for items on the negative list or not on the positive list (for adjustment operation lending). ◊ Payments and allowances made outside the contracts ◊ DSAs and other allowances over and above those in Government Circulars and not having received No Objection from IFAD ◊ Expenses claimed included taxes 	Godfrey Wanjohi 1-3 July 2014	<p>None found None Found</p> <p>None found</p> <p>None found</p> <p>Not found</p> <p>Not found</p> <p>Not found</p> <p>Not found</p> <p>None found</p> <p>None found None found</p>
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TECHNICAL ANNEX IV

MISSION NOTE: KALANGALA

Technical Annex IV - Mission Note: Kalangala

Introduction⁹

65. An IFAD mission visited Bugala Island on 10-14 March to review the implementation progress of oil palm investment activities in Kalangala District. The mission met relevant stakeholders: the Kalangala Oil Palm Growers Trust (KOPGT) Board and Secretariat; the Kalangala Oil Palm Growers Association (KOPGA), farmers in their fields, Oil Palm Uganda Limited (OPUL); the Resident District Commissioner; and other officials of Kalangala District Local Government (KDLG). The mission was accompanied by the relevant PMU staff during the field visits, including the Project Manager. Thanks are extended to the PMU and KOPGT staff, and all of the partners who have contributed to the success of the mission. This note presents the main findings of the mission as discussed with local stakeholders in Kalangala on 13 March 2015.

Implementation Progress

Oil Palm Development

66. Oil palm development in Bugala island continues its impressive positive trend, due to the new areas gradually getting to production stage. Major progress has been registered in terms of harvesting of FFBs. A total of 1,850 hectares from 563 farmers have reached mature stage and monthly production in February 2015 has reached 1.4 thousand tonnes of fresh fruit bunches (FFB), an increase of almost 100% compared to the same month of last year. A cumulative of 36,770 tonnes have been harvested since the beginning of the project, for a total value of UGX 41.1 billion, equivalent to about USD 5.4 million after loan repayment. Unfortunately, a substantial drop in yields during 2014, of almost 40% compared to the expected ones, has caused a shortage of more than 6,500 tonnes compared to the projections. The situation is however recovering in the initial months of 2015, when yields have showed an impressive recovery, 7.2 tons/ha (about the same as the expected for 2014) compared to average of 4.9 tons/ha in 2014.

67. **Smallholder plantations.** As of 28 February 2015 a total of 3,864 ha of smallholders' oil palm plantations have been planted by 1,610 farmers (36% women) on Bugala island, representing above 99% of the targeted 3,900 ha for the island and more than 82% of the target of 4,700 ha. for the whole of Kalangala district. This is in addition to 6,440 ha planted by the private sector. No new plantings have been done since early 2013. The remaining 837 hectares are planned for Bugala (37 ha), Bunyama (400 ha) and Bubembe (400 ha).

68. **Roll-out plan for new plantings.** About 100,000 seedlings are now ready for planting. These will be used for the few remaining hectares in Bugala, including gap-filling, and the new plantations in Bunyama. Planting will start as soon as the rains start. Further 50,000 seedlings were ordered and are expected in the next few weeks. They will therefore be ready for planting in Bubembe by the third quarter 2016. Given the above, KOPGT plans for planting are as follows: Bugala and Bunyama during the months of April-August this year and Bubembe starting August-September 2016.

69. Roads and the buffer zone on the outlying islands have been demarcated. It is important that farmer leaders, local government authorities and KOPGT continue to sensitize farmers on the importance of respecting such boundaries and not encroaching in this land. Farmers have been mobilized and organised to develop contiguous areas of 16 to 25 ha units ("bubondo"). It is expected that 300 new farmers will be supported, bringing the total of oil palm smallholders in Kalangala close

⁹ The mission was led by Alessandro Marini, IFAD Country Representative for Uganda and included Billy Butamanya, Uganda Cooperative Alliance, institutional development specialist; Harold Liversage, IFAD Senior Land Tenure Advisor; Godfrey Wanjohi, financial management specialist; and Ann Turinayo, IFAD Knowledge Management and Communication specialist. The Project Manager, Connie Masaba, and KOPGT General Manager, Nelson Basaalidde, with their respective have supported the IFAD throughout the mission.

to 2,000. Logistics of transport of the seedlings to the islands has been agreed upon with OPUL, and KOPGT will hire fisher boats for the exercise in the initial stage.

Roads infrastructure

70. Very limited progress has been made in this area over the last 12 months. The designs for the upgrading of 50 km of community access roads have been completed, but works have not started, neither has the opening of the remaining 40 km of farm roads. Similarly, the demarcation of roads on Bunyama and Bubembe has been completed, but actual works have not yet started. The main impediment has been the very limited capacity of the district to properly maintain and operate the machinery. All four key machinery (bulldozer, motor grader, wheel loader and vibrator roller) are currently non-operational. The costs for repairing them is estimated at UGX 168 million.

71. It is agreed that the project will pay for the costs of repairing the machinery, on condition that the machinery will then be released to the project for the time necessary to complete all road works related to the oil palm plantations. The project will establish an alternative arrangement for operating the machinery and undertaking the works through contractors. Priority will be given to the opening of the remaining farm roads on Bugala, as farmers are facing severe constraints in the transport of their produce. It is estimated that works in Bugala may start by May this year and will be completed by February 2016. Works in Bunyama are due to start in March 2016.

Land tenure

72. The Mission heard of various land disputes emerging on Bugala. At the same time various tenants are interested to buy the land they are using. Options for securing the land rights of tenants on public land are also being considered. While the Government has been following good practice in ensuring that land owners and tenants are fairly compensated, land tenure issues normally emerge in a context of steady economic development such as Kalangala, as a result of the increase in the economic value of land. KOPGT has played a positive role in trying to resolve disputes but this is placing a growing demand on their time and resources. With the support of the VODP PMU and IFAD, they have been assisting farmers to map their lands under oil palm production. Farmers have reported that this has been very useful for them. There is however a need to better inform farmers of their land rights and responsibilities and to strengthen local dispute resolution mechanisms. KOPGA should play an important role in this and more generally in securing the land rights of its members. The project will explore the possibility to support the establishment of a Legal Advice Centre in Kalangala to respond to the emerging challenges.

Governance and institutional framework - KOPGA and KOPGT

73. The achievements of VODP2 in Kalangala are impressive. At full maturity, the 4,700 ha of smallholder plantations planned for the district will produce an average of more than 55,000 tonnes of ffbs per year, for an estimated business volume worth over 20 billion UGX or more than 7 million USD, providing the main source of income for about 2,000 smallholders in the district and many more through the spill-over effects on the local economy. VODP2 is scheduled to complete at the end of 2018. There is therefore a need to strengthen the institutional framework that will ensure the sustainability of this investments. KOPGA and KOPGT are the two key building blocks of such framework. A strong membership-based organization is key to ensure that the interests and voice of the oil palm growers are duly represented. On the other side, a professional, business-driven institution capable of providing efficient and effective services to the oil palm growers is essential to guarantee the profitability of the smallholders' enterprises.

74. The mission has worked with farmer leaders at different levels, as well as with the management of KOPGT to identify the key weaknesses of the current institutional framework and design a road map to strengthen it in view of the future sustainability of the oil palm business in Kalangala.

75. The key identified functions of KOPGA and KOPGT are as follows:

<p>KOPGA:</p> <ul style="list-style-type: none"> • Represent the farmers' in KOPGT's Board • Reporting back to farmers and their leaders on all important decisions by KOPGT's Board • Participate in the FFB Price Setting Committee activities • Exercising peer pressure on its members on issues related to FFB quality management and implementation of the recommended agronomical practices • Linking oil palm farmers with the rest of the district's social and economic communities. • Lobby, advocacy and representation of oil palm farmers. • Address arising socio-economic challenges (gender, HIV/AIDs, financial literacy) that affect farmers 	<p>KOPGT:</p> <ul style="list-style-type: none"> • Serve as an intermediary between OPUL and the farmers to ensure effective oil palm plantation development / maintenance and marketability of the harvested FFB • Offer extension services to farmers in the course of oil palm plantation development • Serve as the administration centre of the Trust Credit Fund on behalf of the Government of Uganda • Extend social and economic support to the oil palm farming community in Kalangala • Act as a representative of the oil palm farmers on the OPUL Board, the pricing committee, services cost panel and the impact management system. • Spokesperson for the oil palm enterprise.
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76. From the foregoing, it is clear that KOPGA needs to be strengthened and capacitated to duly perform its key functions in the governance of the oil palm business in Kalangala and become fully accountable to its members. In particular, the following steps are envisaged:

- KOPGA should delay its next AGM by 6 months to allow for proper sensitization and mobilization of its members towards a bottom-up process of restructuring and revitalizing the organization
- Grassroots mobilization and sensitization meetings for farmers in all units in the seven blocks are conducted to discuss the necessary governance and organizational changes to better align KOPGA structure with its functions
- KOPGA conducts its AGM to approve the proposed governance and organizational changes
- KOPGA conducts meetings at different levels (unit, block and district) to elect its leadership
- KOPGA leadership will be trained to fulfil its functions in the interest of the membership and the institution will be provided with the basic governance and management tools such as registers, minute books, etc.
- KOPGA mechanisms for internal communication and feedback from leadership to the grassroots levels will be strengthened to ensure transparency in decision-making and accountability of the leadership towards the members as well as lobby, advocacy and representation of oil palm farmers.

77. The project will assist KOPGA by providing technical support through the Uganda Cooperative Alliance to facilitate this process, as well as a budget line for KOPGA to facilitate its operations during the first few months, with the understanding that the organization will eventually be operating on the basis of its members' contributions through membership fees, annual subscriptions and, if needed, a small commission on FFB sales.

78. With respect to KOPGT, it is also clear that:

- The functions handled by KOPGT are specialized and vital for the sustainability of the oil palm smallholders' business.
- Within the whole oil palm industry in Uganda, there is presently no institution other than KOPGT that can perform such functions.

- KOPGT will be supporting a sizeable and sophisticated business, requiring adequate professional and technical capacity and a business-oriented structure.
- KOPGT and its functions are legally embedded in the tripartite agreement that sets up the overall framework for oil palm investment in Kalangala.

79. The governance and executive structure of KOPGT must therefore be strengthened to enable it continue performing its functions efficiently and sustainably. Furthermore, KOPGT financial sustainability needs to be addressed. The farmers are already paying for an important share of some costs, such as ffb's transport and fertilizers. Eventually, they will have to bear the full costs of KOPGT operations. KOPGT management has engaged in a comprehensive process of analysis of projected costs and revenues to assess its prospects for financial sustainability. This clearly shows that KOPGT can easily generate enough revenue to sustain its capacity to provide quality and efficient services to the farmers. Farmers should gradually be sensitized on this aspect. A restructured and strengthened KOPGA will play a critical role in this respect.

80. Key for the future sustainability of the oil palm business in Kalangala is to improve the institutional arrangements that ensure the interface and relationship between KOPGT and KOPGA and strengthen the role that farmers play in the governance of KOPGT. In this respect it is essential that KOPGA becomes the farmers' representative and voice in all key oil palm governance structures, in particular the KOPGT Board and the FFB price setting committee. For this, it is envisaged that:

- Farmers' representatives in KOPGT Board be increased from three to four, including 3 representatives elected by the AGM as well as KOPGA Chairperson.
- The number of non-farmer representatives in the KOPGT Board be reduced to ensure better balance between farmer and non-farmer representatives.
- The chairmanship of the KOPGT Board will be restricted to an elected farmer representative, excluding the KOPGA Chairperson.
- KOPGA gets represented by 2 people in the FFB price setting committee.
- The FFB price setting committee be restructured to include only people from Kalangala, to enhance its capacity to meet and be operational; besides the 2 representatives of KOPGA, the new membership is envisaged to include the Kalangala District Agricultural Officer in representation of Government, one representative from KOPGT Board and one representative from OPUL.

81. All the above changes will require modifications of some legal documents, such as in particular the KOPGT Deed, the KOPGA constitution and, possibly, others. The project will facilitate the assistance of legal expertise to assist in the process.

82. Overall, the restructuring process described above is expected to address the farmers' legitimate expectations of being major players in the oil palm business. The new arrangement strengthens KOPGA as the representative of farmers interests and places it at the centre of the decision making process for oil palm investment. It also strengthens KOPGT by increasing the ownership of farmers, while maintaining a governance structure that is conducive for a business-oriented operating model. Finally, it neatly ties together the boards of KOPGA and KOPGT and creates a conducive institutional environment for the oil palm business in Kalangala.