

Republic of Uganda

Vegetable Oil Development Project – Phase 2 (VODP2)

Supervision report

Main report and appendices

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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

A. Introduction

1. The second phase of the Vegetable Oil Development Project (VODP2) entered into force in October 2010. It is implemented by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) over a period of 8 years, with project completion date set on 31 December 2018. The total cost of the project is USD 147.2 million, financed as follows: an IFAD loan of USD 52 million; an IFAD grant of USD 1 million to SNV to support the Uganda Oilseeds Subsector Platform (OSSUP); an investment by Oil Palm Uganda Ltd (OPUL) of USD 70 million to establish the nucleus estate and processing capacity on Buvuma island; Government counterpart financing equivalent to USD 14.4 million; co-financing of USD 340,000 by SNV for the IFAD grant; USD 4.4 million of reflows from the oil palm development loan to be reinvested in the project; USD 1 million of own revenue generated by the Kalangala Oil Palm Growers Trust (KOPGT); and an estimated in-kind beneficiary contribution of USD 3.9 million in the form of labour for the establishment of the oil palm plantations. The project development objective is to *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*. A Mid-Term Review was undertaken in November-December 2014.

2. An IFAD supervision and implementation support mission¹ was held from 9 to 20 May 2016 with the objective to review the overall implementation progress of the project and provide implementation support as needed. The mission divided in two teams to visit the oilseeds areas and the oil palm investment in Kalangala. The oilseeds team spent seven days in the field and visited the eastern Uganda and Lira hubs, in particular the districts of Mbale, Bulambuli, Bukedea, Kumi, Soroti, Tororo and Budaka, where it met and interacted with the local authorities, the project service providers, farmer groups and organizations, the OSSUP facilitators and 4P brokers and private sector operators including seed companies, millers and financial institutions. The oil palm team worked for five days in Kalangala where it interacted with the local authorities, 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) and other relevant stakeholders. The NARO oil palm researchers joined the mission during the field visit in Kalangala. Debriefing meetings with key local stakeholders were held in Kalangala and Mbale at the end of the field visits. The mission was accompanied by the relevant Project Management Unit (PMU) staff during the field visits. The oil palm expert also visited Kiryandongo to assess the progress and performance of oil palm investment established by Mukwano group. In Kampala the mission worked extensively with the various units of the PMU and held meetings with the Permanent Secretary of MAAIF, other senior MAAIF staff, research institutions (NARO, NaSARRI and NaCRRI), Ministry of Works and Transport, Ministry of Finance, Planning and Development, UNBS, UCA and the SNV Country Office. The mission would like to thank the GoU and all the other partners for their collaboration and support in contributing to the success of the mission.

B. Overall assessment of project implementation

3. The project has been classified as 'problem project' in the last two IFAD portfolio reviews (2014 and 2015), mainly due to doubts on the likelihood of achieving the original development objectives given the uncertainty surrounding the investment in oil palm in Buvuma and the accumulated delays in the implementation of the oilseeds component. The project Mid Term Review (MTR) had identified appropriate strategies to address the above challenges by, on one side, reviewing the targets and objectives and, on the other side, strengthening the implementing capacity at different levels to achieve more in a shorter time.

¹ The mission was led by Mr Alessandro Marini, IFAD Country Director and included: Mr. Billy Ghansah, Oil Palm Specialist; Mr Willem Heemskerk, Extension and Research Specialist; Mr Marco Camagni, IFAD Senior Technical Specialist; Mr Nicola Francesconi, Rural Institutions Specialist; Mr. Davis Atugonza, Financial Management Specialist; and Mr Dagmawi Habte-Selassie, IFAD Programme Officer. The mission was accompanied in the field by two representatives of the Uganda Cooperative Alliance.

4. During the last supervision mission, an agreement was reached on key priority actions to create the conditions for lifting VODP2 from its current 'problem project' situation. These included amending the Financing Agreement to realign it with the current reality on the ground; establishing a minimum capacity on Buvuma island to prepare for the smallholders' planting; GoU committing in the budget for the FY 2016/17 the necessary financial resources for investment on Buvuma; recruiting 5 new PSPs in the four oilseeds hubs; reviewing the scope of the contracts of the six existing PSPs; and finalizing the contractual agreement with the Uganda Cooperative Alliance (UCA) for support to HLFOs and KOPGA.

5. Good progress has been made in respect of most of the above critical areas. A request for amendment of the Financing Agreement has been sent to IFAD in March. Recruitment for a skeleton staff to be established on Buvuma is on-going and GoU has committed funds for it as well as for other preparatory activities in FY 2016/17; the procurement processes for the recruitment of the new PSPs, the review of the contracts for the existing PSPs as well as the contracting of UCA are at very advanced stage and are expected to be completed within the next two months at the latest. Overall, while the disbursement rate still remains at a moderately unsatisfactory rate of 46.7%, the project has now created all the conditions to be able to achieve most of its major outputs, outcomes and objectives.

6. Oil palm development in Kalangala continues at a very satisfactory pace in terms of the planting targets, with planting of 400 ha in one of the outlying islands completed and the planning for the next island fully on-track, meaning that the targets are expected to be achieved at 100%. The average yields in smallholders' fields, however, have been consistently more than 40% lower than those obtained in the nucleus estate in the last three years. Furthermore, some concerns remain with respect to the supporting infrastructure, due to the considerable delays accumulated in both road construction and the establishment of transport services between Bugala and the outlying islands. With the closing of the project approaching, increased attention and focus is being devoted to governance and institutional issues, creating the conditions for the overall future sustainability of the investment.

7. The Government continues to purchase and secure land on Buvuma Island for the nucleus estate. It is expected that 6,500 plantable ha could reasonably be secured, free of encumbrances, by end of December 2016. The preparatory works to plant 2,500 ha of smallholder oil palm plantations are on-going and Government has committed all necessary funding in this respect. While the option of a pure smallholder model is not entirely discarded, Government's preferred option remains the nucleus estate/smallholders model. Future IFAD financing for Buvuma is subject to a final decision on the model to be adopted. Unless an agreement is reached by September 2016 at the latest, there is a serious risk that additional investment in oil palm and oilseeds could not be accommodated within the IFAD allocation for Uganda for 2016-18.

8. After a slow start, the oilseeds component continues to show dynamism and good progress in the provision of extension and technical support services to Farmers Groups (FGs) through PSPs. The farming as a business dimension seems, conversely, to require further efforts, starting with some fine-tuning of the training package. PSPs and the hub coordinators have continued to successfully facilitate linkages of oilseeds producers with other key players in the value chain, notably millers, financial institutions and seed importers. Further efforts are however needed to be able to help farmers effectively define production targets and timely estimate their seed and inputs requirements based on actual market demand.

C. Outputs and outcomes (as per Results Framework)

9. **Oil palm.** The oil palm component continues to show good progress in Kalangala. As of the mission dates, 6,500 hectares have been planted by the nucleus estate (100% of target) and 4,300 hectares by the smallholder farmers (92%). The total crude palm oil production progressed well to 22,662 tons (62%), but is still short of design expectations due to the initial delays in planting by smallholder farmers. 70 new farmers (46 female) were registered to participate in the oil palm

smallholder scheme, which increased the total number of farmers registered by KOPGT to 1,770 (37% women), with 716 (30% female) on 2,200 hectares of mature oil palm gardens. Smallholders' yields, however, remain low compared to the nucleus estate's, respectively 7.42 t/ha versus 12.78 t/ha in 2015. High FFB prices (UGX 512/Kg) have increased the current net annual income to almost USD 1,400/ha. KOPGT financial self-sufficiency stands at 62%. Little progress was achieved in this financial year with respect to infrastructure. There is still some uncertainty in the Buvuma investment, without a clear commitment of private sector for the nucleus estate model. So far, the project has 4,834 hectares of land acquired and free of any encumbrances, and another 3,200 ha have been identified and are in the process of acquisition.

10. **Oilseeds.** Some progress has also been registered in the oil seeds component. In this financial year, additional districts have been engaged in extension services, bringing the total to 45. The project is currently directly supporting 1,196 groups (27,508 beneficiaries) through PSPs. Purchase of improved seeds by farmer groups is 27.2 tons of sunflower seeds and 18.2 tons of soybeans, respectively and increased of 111% and 1295% from the same season of last year. This shows good adoption rates. The average yield for sunflower across the hubs was 1.3 tons/ha (77% of the target) while soybeans was 0.9 tons/ha (82% of the target). The number of mills purchasing produce from the project area reached 113. Mill capacity utilization has reached 35% (41% of target). The project has also continued to facilitate linkages with financial institutions, by brokering loans totalling to UGX 2.6 billion for more than 2,800 farmers in their respective groups. The quantity of sunflower grain bulked has increased from 41.2 tons to 1,968 tons while soybeans grain bulked increased from 1,111 tons to 2,627 tons. Through partnership with the National Crop Resources Research Institute, soybean breeder seed produced increased by 20.5% in 2014 and by 175.4% in 2015. Correspondingly, foundation seed production increased by 14.2% in 2014 and 156.5% in 2015. A total of 259 participants (36% women) drawn from seed multiplication groups, were trained in seed quality assurance.

D. Project implementation progress

COMPONENT 1 – OIL PALM CONSOLIDATION AND EXPANSION

Status of Oil Palm Development in Kalangala

11. **Status of production.** Production of Fresh Fruit Bunches (FFBs) from smallholder plantations has been growing steadily. The total production for 2015 was 16,332 tons, compared to 11,409 tons in 2014, while the first 4 months of the 2016 calendar year have registered 7,040 tons compared to just over 5,930 tons in the first 4 months of 2015. On such basis, projections for 2016 indicate an annual production of 24,000 tons, from 2,200 hectares under harvesting. This is the result of different factors, including the increase in the number of plants that get towards full maturity and the increase in harvested area. Although the overall appearance of the trees shows an improvement in nutrition, there is room for better nutrition management in some of the blocks. Overall, plantation maintenance has improved markedly, especially pruning and inter row weeding in areas under production. There is need, however, to improve on circle weeding in order to maximize the collection of loose fruits, which will impact positively on the Oil Extraction Rate (OER) and the final price paid to farmers.

12. **Yields.** While the production of FFBs has been growing, the average yields in smallholders' fields remain more than 40% lower than those in the nucleus estate, at 7.96 t/ha, 7.47 t/ha and 7.42 t/ha in 2013, 2014 and 2015 respectively, versus 12.62 t/ha, 11.68 t/ha and 12.78 t/ha respectively. The main reasons seem to be the poor performance of some of the 2010 plantings, which were done on poor soils, as well as problems in fertilizer application, both in the initial phases and in the transition between the development and commercial phase. Due to staggered plantings, KOPGT still faces difficulties in collecting and analysing data on yields. It is, however, extremely important for KOPGT to regularly monitor the yield patterns. The mission has provided some support in this respect and produced a yield-tracking file to be used for this purpose. Furthermore, it has become urgent to finalize a detailed tree census as a tool for proper planning of agricultural activities by KOPGT,

including fertilizer application, crop projections and transport logistics. **Agreed actions:** (i) KOPGT, with the support of the PMU, will finalize the tree census and the related collection and processing of GPS data to establish the actual number of trees per farmer by 31 October 2016; (ii) KOPGT will roll out the regular use of the yield tracking file by 31 December 2016.

13. **Fertilizer application.** There has been an improvement in fertiliser purchases by KOPGT, farmer uptake and field application, due to the new fertiliser store, the use of fertiliser gangs and improvement in the fertiliser loan advance system to farmers. However, the uptake by commercial farmers in some blocks (Bbeta East and Bbeta West) needs to improve as it is only 17% and 15% respectively compared to others (Bujumba and Kagulube) where uptake is at 87% and 80% respectively. Block and unit structures, supported by KOPGT field officers, play a key role in ensuring that fertilizer collection and application is done as planned. **Agreed action:** KOPGT will ensure that all farmers in the commercial phase join the fertiliser loan scheme by the end of June 2016.

14. **FFBs' quality.** A bumper harvest of over 3,000 tons in April 2016, which was more than twice the previous monthly average, together with the poor status of some roads (see below) have put a strain on the transport logistics by KOPGT as well as labour availability for farmers. As a result, the quality of FFBs delivered to the mill has decreased, with a higher percentage of rotten bunches, resulting in over 4% of rejected FFBs compared to the usual 1-2% rejection rate. This risks eroding the trust and relationships among farmers, KOPGT and OPUL, unless awareness on quality of harvest is increased at farmers' level and KOPGA leadership plays its role in enforcing peer pressure at unit and block level. **Agreed action:** KOPGT and KOPGA will organize training and exposure for farmers at the oil mill on FFB grading and quality analysis by 31 October 2016.

15. **FFBs' prices.** The local price sub-committee, composed of 2 farmers per block, 2 OPUL officials, 1 PMU staff and the KOPGT General Manager was instituted as per agreement of the last supervision mission and has been meeting every month. This has increased the transparency and trust of farmers on the process of price setting. Furthermore, the FFB prices have increased over the last few months as a result of a combination of factors, which has resulted in May 2016 in the highest ever price since the beginning of the project at UGX 512/kg. As a result, there are no more complaints by the farmers on FFB prices. There has been however a request to increase the information and transparency on the transport and CPO prices used in the formula. **Agreed action:** KOPGT will regularly collect information on transport and CPO prices in preparation for the meetings of the local price sub-committee.

16. **Roll-out plan for new plantings.** The planting of the 400 ha on Bunyama Island was successfully completed within 12 weeks between May and July 2015 using work groups (bubondo). The same strategy will be used for Bubembe Island, where the planting of 400 ha is planned for this year. The seedlings presently in the nursery are growing faster than anticipated and will be ready starting October 2016. Farmers should be sensitised to prepare their lands and plant cover crop from June 2016, for the planting to be done in October to December 2016. With the planting of 400 ha in Bubembe, the target of 4,700 ha of smallholder plantations in Kalangala District will be reached and no further plantations will be supported by the project. Care should be taken to ensure that the selection process of the farmers to be supported adhere with the agreed principles and criteria and be duly documented. **Agreed actions:** (i) KOPGT to finalize planting of 400 ha in Bubembe by the end of December 2016; (ii) PMU to analyse the District Land Board report for the selection of farmers in Bunyama and Bubembe to ensure adherence to agreed principles and criteria.

17. **Environment.** The Environmental Impact Assessment (EIA) reports and certificates for the Islands of Bunyama and Bubembe have been received. The key recommendations include: the respect of the 200 m lake buffer; the enrichment of the lake buffer zone by planting of native species in places where encroachment has occurred; and planting of woodlots to reduce the collection of fuel wood from the forest reserves and the buffer zones. The same key recommendations apply to Bugala. The ecosystem management committee, comprising of district officers and OPUL, is in charge of the monitoring of the status of recommendations of the EIAs. This includes the 'ground truthing' of farmers' encroachment into the buffer zone, the monitoring of water quality of streams flowing into the

lake and the on-going environmental management activities by OPUL. **Agreed actions:** (i) land use change analysis maps will be completed by 30 June 2016; (ii) a plan for enrichment planting of the buffer zone and establishment of woodlots, including the necessary support by the project to the KDLG's tree nursery, will be elaborated by 30 September 2016.

18. **New oil palm mill.** A new 20 tons/hour mill has been constructed in Bbeta East and will be operational from 1 June 2016 to serve Kagulube, Kayunga, Bbeta East and Bbeta West blocks and the out grower fields, currently totalling 2,025 ha in production, which will eventually grow to 3,417 ha. This mill will primarily process smallholder crops, which will allow OPUL to make a better estimate of the actual OER for smallholders. The installed processing capacity of 40 tons/hour in the two mills will be more than enough to absorb the expected production from the planned 11,200 ha (6,500 ha of nucleus estate and 4,700 ha of smallholders). The processing capacity for the newly constructed mill, however, could eventually be upgraded to 40 tons/hour, in anticipation of a possible expansion in oil palm plantings. The mission notes that expansion of oil palm cultivation on Bugala could entail the risk of gradually evolving towards oil palm monoculture, with the related possible negative impact on environment and food security. KOPGT should therefore refrain from supporting any further planting of oil palm in Bugala. Other options for expansion should be explored, including other islands surrounding Bugala as well as mainland, depending on suitability of agro-ecological conditions as well as on the viability in terms of cost and logistics for transport. In this respect, it would be important to avoid putting further strain on KOPGT capacity to serve smallholder farmers.

Agreed action	Responsibility	Agreed date
Finalize the tree census and processing of GPS data.	KOPGT/PMU	31 Oct 2016
Roll out the regular use of the yield tracking file.	KOPGT	31 Dec 2016
Ensure all farmers in the commercial phase join the fertiliser loan scheme	KOPGT	30 Jun 2016
Train/expose farmers on FFB grading and quality analysis at the oil mill	KOPGT/KOPGA	31 Oct 2016
Regularly collect information on transport and CPO prices for price sub-committee	KOPGT	Continuous
Finalize planting of 400 ha in Bubembe	KOPGT	31 Dec 2016
Report on farmers' selection process in Bunyama/Bubembe	PMU	31 Oct 2016
Complete land use change analysis maps	PMU	30 Jun 2016
Elaborate plan for enrichment planting and establishment of woodlots.	PMU	30 Sep 2016

Infrastructure

19. **Road development/maintenance.** The progress in road construction and maintenance has been hampered by the passing of the Project Engineer, delays in the repair and return of the district road equipment fleet and delays in the signing of the MoU with Kalangala District local government on management of the equipment. The recruitment of a new Project Engineer is on-going and meanwhile the District Engineer is providing support to the project. So far this year, 20 km of roads have been demarcated on Bubembe. Road access has been flagged by farmers and KOPGT as a constraint to timely delivery of FFBs to OPUL, resulting in loss of quality of the crops. The project still has a target of constructing 180 Km of roads, with 100 km on Bugala and 40 Km each in Bunyama and Bubembe. For construction on the islands, a vessel will be needed to transport the equipment. MoWT will support the PMU in the tendering process for the services. While this process is on-going, the construction of 10 km of roads labour-based techniques and pedestrian rollers will be piloted in Bunyama. It is also very important to finalise and disseminate a road maintenance plan for Bugala, clearly outlining the responsibility and roles of all stakeholders (District, KOPGT, KOPGA and farmers) in the maintenance of the roads. **Agreed actions:** (i) PMU will expedite the return of all repaired equipment to the island to resume road construction by 15 July 2016; (ii) complete the pilot on 10 km of roads through labour-based technique on Bunyama by 30 September 2016; (iii) complete the construction of 65 km of roads on Bugala by 31 December 2016; (iv) launch the tender for procurement of services for transport of road equipment to outlying islands by 31 July 2016; (v) demarcate the remaining 20 km of roads in Bubembe by 30 September 2016, before planting starts; (vi) elaborate a road maintenance plan for Bugala by 30 September 2016.

20. **Access to outlying island.** Landing sites and ferry services need to be in place for evacuation of FFBs to the mill by the time of the first expected harvests in 2019. The Ministry of Works and Transport (MoWT) has completed the recruitment of the consultant to design the landing site. The design will be completed in the next 6 months. Actual construction, including the related procurement process, will take at least another 18 months. Concurrently, the Government should start working on a solution for the provision of ferry services between the islands. **Agreed actions:** (i) MoWT to complete landing sites design by 30 November 2016; (ii) PMU to launch the tender for the construction of land sites by 31 January 2017.

21. While waiting for the permanent solution envisaged above, connectivity to the islands of Bunyama and Bubembe is an urgent issue to be addressed in order to ensure the delivery of inputs for the new plantings as well as the transport of FFBs from the planting trials that have started to yield. It is estimated that 2 10-ton wooden boats with 25hp engine will be able to ensure the provision of the needed services for the next 4 years. Furthermore, 4 tractors for transport on the island as well as a supervision boat for KOPGT will also need to be procured. **Agreed actions:** (i) KOPGT will procure 2 10-ton boats through its own funds by 30 September 2016; (ii) PMU will procure a supervision boat and 4 tractors by 30 April 2017.

22. **Fertilizer stores.** The project plans to build fertilizer stores in both Bunyama and Bubembe. The construction of the store in Bunyama will be prioritized in 2016 since planting has already started. The district engineer will prepare cost projections for 250 m² and 400m², including space for agro-chemical store, office space, as well as accommodation for a guard and visiting staff. It is important that KOPGT starts to identify and secure the land where the stores will be built. **Agreed actions:** (i) PMU to launch tender for fertilizer stores by 31 July 2016; (ii) KOPGT to confirm identification of the land sites by 30 June 2016.

Agreed action	Responsibility	Agreed date
Return all repaired equipment to the island and resume road construction	PMU/KDLG	15 Jul 2016
Complete 10 km of roads on Bunyama (labour-based)	PMU/KDLG	30 Sep 2016
Complete 65 km of road on Bugala	PMU/KDLG	31 Dec 2016
Launch tender for transport of road equipment to islands	PMU	31 Jul 2016
Demarcate 20 km of roads on Bubembe	KOPGT/KDLG	30 Sep 2016
Elaborate road maintenance plan for Bugala	PMU/KOPGT	30 Sep 2016
Complete design of landing sites	MoWT/PMU	30 Nov 2016
Launch the tender for the construction of landing sites	PMU	31 Jan 2016
Procure 2 10-ton boats for the transport of fertilizer and FFBs	KOPGT	30 Sep 2016
Procure one supervision boat and 4 tractors	PMU	30 Apr 2017
Launch tender for fertiliser stores in outlying islands	PMU	31 Jul 2016
Identify land sites for fertilizer stores in outlying islands	KOPGT	30 Jun 2016

Governance and Institutional Issues

23. Progress is continuing in implementing the three-pronged approach to create a conducive governance and institutional framework to ensure the sustainability of the investment: (i) strengthening of the oil palm producers' organization (KOPGA); (ii) strengthening of KOPGT as a professional and efficient organization; and (iii) restructuring of the current institutional framework for long-term, sustainable delivery of high quality professional services to oil palm smallholders.

24. **Strengthening of KOPGA.** UCA has continued to support KOPGA in institutional strengthening, restructuring and revitalization with the aim to create a business-oriented membership-based organization, following the deliberations of the AGM. In February 2016 KOPGA held its Annual General Meeting (AGM) with participation of about 250 farmers out of the 1,700 oil palm farmers who are potential members of KOPGA. The AGM deliberated on key aspects including: (i) the new KOPGA's governance structure based on units, blocks, AGMs made of block-level delegates and a board of directors made of members elected by the AGM; (ii) the establishment of "Leadership Search and Vetting Committees", composed of reputable member-farmers who have no interest to become

KOPGA leaders, to identify suitable candidates for leadership positions at all levels of KOPGA's governance structure; (iii) the need to lobby to increase the representation of farmers - directly selected by and from the newly elected KOPGA Board - on the KOPGT Board and other key governance bodies and committees.

25. UCA will continue to sensitize and mobilize KOPGA member towards the election of new KOPGA leaders starting from unit and block levels based on the principle of "one member one vote". The next AGM is expected to result in the election of 9 KOPGA board members, 3 of which will be nominated to be on the KOPGT Board. Under the newly elected leadership, KOPGA will elaborate on its roles and responsibilities at the different levels, encompassing commercial, social and environmental aspects. These will be included in a document defining the operational guidelines or mandate of KOPGA, to be signed by its board members, which will constitute the basis for the future constitution. **Agreed actions:** (i) KOPGA will hold the next AGM by 31 August 2016; (ii) KOPGA operational guidelines will be elaborated by 30 November 2016.

26. UCA has so far been operating with no contractual agreement with VODP2, which has partly slowed down the institutional strengthening process. The PMU has submitted to IFAD a request of No Objection for single sourcing of UCA. **Agreed action:** IFAD to provide its No Objection to the Request for Proposal for single-sourcing of UCA by 30 May 2016.

27. **Strengthening of KOPGT.** KOPGT is continuing its gradual transitions towards a self-sustainable professional organisation providing high-quality services to the oil palm producers. Focus areas in this transition include:

- **Progress towards sustainability.** As of 30 April 2016, KOPGT's Operational Self Sufficiency (OSS), defined as the ratio between total revenue (net of the subsidy from VODP2) and total expenditures was 62% compared to 56% at 30 June 2015. The operating deficit after nine months stands at UGX 360 million which, if annualized on linear basis, could reach UGX 480 million by the end of the financial year, slightly above the target of UGX 470 million in its business plan. KOPGT is therefore fully in line with its projections towards financial self-sustainability by 31 December 2018 (see table below). The transport business segment has steadily improved, with revenue of UGX 423 million compared to transport costs of UGX 316 million for the first nine months of the year. The transport and capital replacement bank accounts, and related fixed deposits, already have cash balances of UGX 224 million (cumulative). The sustainability account (largely made up of the KOPGT share in interest on farmer loans) already has a fixed deposit of UGX 320 million.

KOPGT financial projections and performance up to 31 March 2016 (UGX, million)

	2014/15	2015/16	2016/17	2017/18	2018/19
(Deficit)/ Surplus- (Target)	(690)	(470)	(386)	(13)	276
(Deficit)/ Surplus- (Actual)	(799)	(360)*			
OSS (Target)- %	76	88	92	99	105
OSS (Actual)-%	56	62			

* Year to date up to 31 March 2016, annualized loss assuming linear increase would reach UGX 480 million

- **Interest regime.** The mission undertook a financial performance review on a random sample of farmers to assess the impact of different interest regimes on the income stream of farmers. The result is that compound interest rate with no grace period (i.e. no interest during development phase) would be quite onerous for most farmers and only very few high performers would complete their loans in reasonable periods. It is therefore agreed that KOPGT will apply a compound interest rate from first harvest. **Agreed action:** KOPGT will run an interest journal following the newly agreed regime by 30 June 2016.
- **Status of farmers' loan accounts.** Cumulatively, disbursement towards loans to farmers has reached UGX 40 billion. Loan recoveries from FFB sales amount to UGX 6.3 billion. Interest has not yet been posted on farmers' loan accounts due to the uncertainty on the regime to apply, with the effect that some farmers' loan accounts are already in credit balances. The

mission, however, has noted that some farmers are undertaking collective harvesting and directing the proceeds to one loan account number at the expense of other independent loans. This is happening for individual loans taken at different times as well as for family members/ neighbours who choose to harvest and sell collectively. **Agreed action:** KOPGT will post interest on farmers' loan accounts as per the agreed regime by 31 July 2016. Loans reported as fully recovered will be reconciled on case by case basis.

- **Loan portfolio analysis.** KOPGT should undertake regular portfolio analysis including portfolio analysis ratios and other key indicators such as portfolio at risk and report on specific non-performing loans to make adequate provisions and/or take corrective measures. Outliers such as underperforming or over performing farms/ loans (possibly due to collective harvesting) should be easily detected through monthly loan portfolio analysis. KOPGT should also maintain a complete report on the status of commercial loans (i.e. loans given to farmers after the development phase). **Agreed action:** PMU will support KOPGT to set up loan portfolio analysis/reporting formats by 31 December 2016
- **KOPGT financial management:** KOPGT has the financial management tools needed to run the business as a corporate entity, including the Tally accounting software to run the general ledger and the Pearl system to run the FFB sales and the subsidiary ledger record of the loan portfolio. However, the mission noted some capacity gaps in the staffing of the finance department. All financials were updated to 30 June 2015 in preparation for the 2014/15 external audit. However, from 1 July 2015 to date accounting backlogs have accumulated again as data are not regularly inputted in the Tally system, as parallel excel-based accounting is kept. Furthermore store management has high inherent and control risks with some stock releases taking more than six months to be accounted for. **Agreed actions:** (i) PMU will support KOPGT finance department to fully reconcile and update the accounting data in Tally by 30 September 2016; (ii) KOPGT General Manager will set monthly performance deliverables for the finance department; (iii) KOPGT will organise the accounting for stores to strictly use the Pearl system for all stock issues and accountabilities.
- **Human resources.** Since the last supervision mission, KOPGT has filled all vacancies for field officers and store keeper. A Human Resources consultant, recruited by IFAD, has supported KOPGT over the last few months to review the HR manual and procedures to make them more consistent with the KOPGT business plan and its envisaged functions in support of the oil palm business. The outputs of this process include a new proposed organogram, new job descriptions for the different positions and new tools for performance management. The mission has reviewed the different outputs, including the revised HR Manual, and found them satisfactory. The new organogram structures KOPGT in three departments mirroring its three key functional areas: business operations; finance and administration; and credit management. The proposed new structure will entail the upgrading of some of the current positions (i.e. credit officer to credit manager and harvesting clerks to harvesting officers) as well as the creation of some new positions (i.e. a FFB inspection officer, an accounts assistant and a data officer). The HR consultant has also undertaken a review of KOPGT salary and incentives structure in view of the proposed organizational restructuring as well as its competitiveness in the current market. The mission considers that some further work is needed in this area to further align KOPGT salary and incentives structure to that of similar organizations, including in particular large cooperatives offering business and economic services to their members as well as farmer-owned companies. **Agreed actions:** (i) IFAD to ensure additional inputs by HR consultant to finalize a proposed KOPGT salary and incentives structure by end of June 2016; (ii) the HR consultant to present to the KOPGT Board the new HR Manual, including the new organogram, the proposed salary and incentive structure, as well as all the other relevant elements, for discussion and approval by end of July 2016; (iii) KOPGT to advertise for all new positions by end-August 2016.

28. **Scenarios for new institutional framework.** KOPGT's assets, services and professional management team are essential to ensure the commercial viability of the oil palm investment in Kalangala over time. However, KOPGT has so far been fully financed by IFAD and GOU through the project, which is expected to end in December 2018. Possible options to ensure continuity of the services provided by KOPGT include: (i) transformation into a decentralized public institution; ii) privatization; or iii) devolution to oil palm smallholder farmers. The discussions with local stakeholders indicate the latter option (i.e. devolution) as the most promising given the prevailing conditions. However, the devolution of KOPGT's ownership to KOPGA and its member-farmers is seen as a complex and risky venture. In particular there are serious concerns about the current professional capacity and entrepreneurial attitude within KOPGA, which might prevent it to fully realize and appreciate the importance of the services, assets and management team provided by KOPGT.

29. Consensus is emerging, however, around two key principles: (i) the need to gradually strengthen the ownership of farmers of KOPGT; and (ii) the need to preserve high-quality professional management in charge of the provision of services. So far, two main options for the future institutional and governance framework for oil palm development in Kalangala have been broadly identified consistently with these key principles: (i) the establishment of a farmers' organization with a subsidiary company; and (ii) a merger to establish one "new generation cooperative" that will fully integrate the current KOPGT's management, assets and services with KOPGA's membership and governance structure, preserving some autonomy for executive management from the cooperative board. Both options have pros and cons.

30. Once a new KOPGA leadership will be established (see above) the different stakeholders, including KOPGA, GoU, IFAD and OPUL will have to engage in discussions and negotiations about the way forward. Prior to that, the project will provide capacity building and support to the representatives of KOPGA and KOPGT, as well as other key stakeholders, to fully understand the pros and cons of these two options and elaborate their own position. Training sessions and exchange visits (in Uganda and abroad) will be organized for this purpose. Independent legal advice will also be sought to define the constitution and by-laws of the new organizational design. UCA will provide support and evidence-based advice, as well as inspiring and visionary leadership, to facilitate this process. During this process, strategic partnerships with international agencies will be established to increase the exposure of the decision-makers to the different options. **Agreed action:** Organize study tours within Uganda to study relevant organizational frameworks by 31 October 2016.

Agreed action	Responsibility	Agreed date
Hold KOPGA's next AGM and elect new board members	KOPGA/UCA	31 Aug 2016
Elaborate new KOPGA's operational guidelines	KOPGA/UCA	30 Nov 2016
Provide No Objection to RFP for UCA single-sourcing	IFAD	31 May 2015
Run interest journal with agreed regime (compound interest from harvest)	KOPGT	30 Jun 2016
Post interests on farmers' loan accounts	KOPGT	31 Jul 2016
Set up loan portfolio analysis/formats	KOPGT/PMU	31 Dec 2016
Fully reconcile and update accounting data in Tally	KOPGT/PMU	30 Sep 2016
Set monthly performance deliverables for finance department	KOPGT	Continuous
Use Pearl for stock uses and accountabilities	KOPGT	30 Jun 2016
Finalize proposal for KOPGT salary and incentive structure	HR consult./IFAD	30 Jun 2016
Present outputs of HR consultancy to KOPGT Board for approval	HR consultant	31 Jul 2016
Advertise for new positions	KOPGT	31 Aug 2016
Organize study tours for organizational frameworks	PMU	31 Oct 2016

Oil palm development in Buvuma

31. GoU has continued to purchase and secure land on Buvuma Island for the nucleus estate, which remains the preferred investment option, in spite of the low interest expressed by Bidco. The process is taking longer than expected with continued delays, due to several emerging issues. So far, about 8,042 ha of land have been identified, of which 4,834 ha are available and free of encumbrances (tenants compensated and vacated), and another 3,208 ha have been committed by

their owners (about 2,318 from mailo owners and 890 ha from the Buganda Land Board) and are waiting for compensation of tenants. It is expected that 6,500 plantable ha could reasonably be secured, free of encumbrances, by end of December 2016.

32. Meanwhile, VODP2 is continuing with the preparatory works towards the new target to plant 2,500 ha of smallholder oil palm plantations by project completion. GoU has committed UGX 14 billion (equivalent to over USD 4 million) for investment in Buvuma during the FY 2016/17, including UGX 1.7 billion. More than 80% of new counterpart funding is for land purchase, while about UGX 2 billion, equivalent to about USD 630,000, are to establish minimum capacity (staff and equipment) on Buvuma, as per agreement from the previous supervision mission. The mission commends GoU for this important effort, showing clear commitment to the Buvuma project.

33. The option of raising seedlings in the nursery in Kalangala and transport them to Buvuma for the planting of the first 500 ha has been abandoned after discussions with Bidco due to the complex logistics and risks implied. Bidco has submitted a quotation for the establishment and running of a nursery in Buvuma. The mission has reviewed the proposal and found it overall in line with market conditions and recommends to quickly sign the contract with Bidco to initiate the establishment of the nursery. Meanwhile the PMU should place the order for seedlings for a total of 2,500 ha. Furthermore, the project should quickly establish some capacity on the island, including a minimum staff with an office and basic equipment to operate, in order to move forward with the mobilization and preparatory activities for the planting on smallholder land. These include: land preparation; ownership confirmation of the land pledged; consent from landlords to allow tenants growing oil palm; sensitisation of farmers on agronomic practices; and organisation of farmers into grassroots units and structures. Further work will also be needed in terms of land demarcation and construction of initial roads. It is noted that the above activities would require high-level expertise in the form of medium term technical assistance that has not been budgeted for in the next financial year. In the views of the mission, this represents a major risk that should be considered and addressed by the PMU. **Agreed actions:** (i) PMU to sign a contract with Bidco for establishment of the nursery in Buvuma by 30 June; (ii) PMU to place the order for seedlings for 2,500 ha by 30 June 2016, with the aim to start planting in Buvuma by end of 2017; (iii) PMU to establish some minimum capacity in Buvuma by 31 July 2016.

34. The mission notes that Government's preferred option for investment in Buvuma remains through a nucleus estate/smallholders model. While the option of a pure smallholder model is not entirely discarded, it is considered as a second-best solution. However, very limited progress has been made in re-engaging Bidco in the negotiations around the establishment of a nucleus estate, after the company's official communication, two years ago, of its intention to withdraw from this project. While IFAD confirms its long-term interest and commitment to continue supporting oil palm investment in Uganda, no official request in this respect has been received from Government yet. In any case, the current uncertainty around this investment would not allow IFAD to commit any financing for this purpose at this stage, neither from the VODP2 loan, nor from other possible additional sources. Future IFAD financing for Buvuma is subject to a final decision on the model to be adopted and the related agreements with the parties involved. It is to be noted that given the expected time for design and approval of a new project, unless an agreement is reached by September 2016 at the latest, there is a serious risk that additional investment in oil palm and oilseeds could not be accommodated within the IFAD allocation for Uganda for 2016-18. GoU and IFAD should start discussions on alternative options for investment. **Agreed action:** in case no final agreement on the investment model for Buvuma is reached by 30 September 2016, IFAD and GoU will agree on an alternative investment option with the aim to start the design process by early 2017.

Agreed action	Responsibility	Agreed date
Sign a contract with Bidco for establishment of the nursery in Buvuma	PMU	30 Jun 2016
Order seedlings for 2,500 ha	PMU	30 Jun 2016
Establish some minimum capacity in Buvuma (staff and equipment)	PMU	31 Jul 2016
Agree on investment project for 2016-18 cycle (oil palm/oilseeds or other)	IFAD/GoU	30 Sep 2016

Oil palm research

35. Oil palm is a relatively new crop for Uganda and for the whole of East Africa. Yet, the importance of this crop for the national economy is steadily growing. This calls for a strong emphasis on establishing some national research capacity to face the emerging challenges and issues related to yields, ripening pollination and growth rates, rotting bunches, fertilizer regimes for various soil types, etc. The broad objectives for oil palm research in the medium-term agreed in the last mission remain relevant: (i) to develop improved agronomic management practices for oil palm production in different ecological zones suitable for oil palm production; (ii) to continue with planting of trial plots in areas expected to be suitable for oil palm growth; (iii) to understand and develop management options for non-uniform ripening; (iv) to identify and develop integrated pest management (IPM) packages for key insect pests of oil palm in Uganda; (v) to develop a practical system of management of major pests and diseases in oil palm in Uganda.

36. The mission notes the good progress made in this respect, with the three recently recruited scientists having set up 1.7 ha of adaptive research plantings at the NaCRRI station at Namulonge and the on-going rehabilitation of the previous plantings in different locations. The focus in the near future should be on basic research activities on palm growth measurements and period for pollination of palms to maturity; finalization of the adaptive research plantings; and short-term training for the research team. **Agreed actions:** (i) an updated work plan and budget for the research team will be finalised and submitted to the PMU by the end of June 2016; (ii) the research team will continue with the planting of an additional 1.3 ha of oil palm at the station and complete it by end of June; (iii) short-term training abroad will start by the end of September 2016; and (iv) the research team to be exposed to oil palm in the commercial setting in Bugala through an agreement with OPUL.

Agreed action	Responsibility	Agreed date
Finalize AWPB for 2016/17 and submit to PMU	NaCRRI	30 Jun 2016
Finalize adaptive research planting (1.3 ha)	NaCRRI	30 Jun 2016
Initiate short-term training for research team	NaCRRI	30 Sep 2016
Expose research team to oil palm plantations at OPUL	PMU	31 Aug 2016

COMPONENT 2 – OIL SEEDS DEVELOPMENT

37. **Component targets.** Six PSPs were contracted by VODP2 between July and October 2014. These are currently in their third agricultural season (2015A, 2015B, 2016A), still funded through their first agreed work plan and budget (AWPB). Under the current AWPB the PSPs are engaging 1,196 FGs. In the second AWPB, due to start in July this year, some FGs will graduate and some new ones will be supported (estimated at 500), which will be further attended to in the third AWPB, starting mid-2017. A request for No Objection for price variation for these six contracts in the second AWPB has been submitted to IFAD and is being analysed in detail. In addition, five new PSPs will be contracted soon to support another 1,890 FGs over a two-year period. This will lead to a total of 3,586 functional FGs by the end of the project with improved capacity for productivity/production and market linkages in a total of 45 Districts for two priority crops (sunflower and soybeans). Another 1,400 FGs are expected to be reached through 40 identified HLFOs under a contract with UCA, which means a total reachable target of approximately 5,000 FGs within the next 12 months. **Agreed action:** (i) IFAD will respond to the request of NO for price variation for the existing PSPs by 31 May 2016; (ii) PMU will agree with existing PSPs for second AWPBs to include the gradual weaning-off of about 50% functional FGs and involvement of additional 500 FGs as from 2017A season; (iii) PMU will submit to IFAD for NO Objection the draft contract for the five new PSPs by 15 June 2016, with the aim to sign the contract in time for the 2016B season; (iv) IFAD will provide No Objection to the Request of Proposal for single sourcing of UCA to support HLFOs by 31 May 2016.

38. **Delivery of extension services through Pay for Service Providers (PSPs).** The mission observed significant progress in the provision of technical and group strengthening services. Farmers have a clear notion on which varieties to grow. The Farmer Learning Platform (FLP) and the involvement of FG group lead farmers are successful instruments contributing to this, although not

used at the same level of quality by all PSPs. The FLPs are gradually shifting to demonstration of other technologies on Integrated Soil Fertility Management and Integrated Pest Management such as in conservation agriculture. There is, however, some delay in the operationalization of the “Farming as a Business” concept, probably due to lack of emphasis by PSPs as well as due to the training module content on cost-benefit analysis and break-even prices. **Agreed action:** PMU will ensure adherence to the Guidelines for FLPs and the revised Training Module on “Farming as a Business” in the next AWPBs of PSPs.

39. The PSPs are planning their FG capacity development programme for a two-year cycle, at the end of which emphasis is shifted to new FGs. This weaning-off, however, requires an assessment of the functionality of the groups in relation to the following four key dimensions: (i) technical services on crop production and post-harvest technology; (ii) group governance; (iii) farming as a business; (iv) linkage to input/output markets as well as financial services. The functionality assessment is proposed on the basis of the following indicators: (i) use of quality seed of improved varieties; (ii) FG registration at SC/District level; (iii) bulking and collective marketing arrangements; (iv) access to financial services; (v) relationship with/membership of a HLFO (be it cooperative or association). **Agreed actions:** PMU will develop a simple FG capacity assessment tool and include its use in the next AWPBs of PSPs.

40. **Sustainability of services.** The VODP2 extension service programme is entering in its final two years. The PSPs, in collaboration with the Districts, have developed various strategies to sustain extension services beyond the contract period. The most important include: the involvement of lead farmers, FG volunteers involved in farmer-to-farmer extension; close collaboration at Sub-County and District level with the public extension services; DLG level coordination in quarterly meetings combined with district technical working group meetings; and the involvement in service provision of HLFOs. PMU and PSPs will report as part of their regular reporting on the progress made in ensuring the extent of engagement of the identified stakeholders.

41. **Support to Higher-Level Farmers Organizations (HLFOs).** In collaboration with UCA an assessment was made of HLFOs and emerging clusters of LLFOs involved in sunflower and/or soybean production, marketing and bulking. PMU and UCA selected 40 HLFOs for capacity development, 21 registered as cooperatives, 4 as companies and 15 as CBOs with a current membership of about 1,400 groups. UCA will be contracted to: (i) strengthen the existing 40 HLFOs towards enhanced functionality in oilseeds production and marketing; (ii) support and develop capacity of about 45 emerging clusters of groups supported by the PSPs for a period of two years; (iii) train extensionists of the 11 PSPs in farmer group clustering. The vision is that HLFOs are expected to provide important services to FGs in bulking activities, input supply organization (notably seed, either purchase or local production), and service delivery (especially market linkages and access to financial services). The PMU will facilitate the collaboration between UCA and DLG extensionists for the provision of extension services on oilseeds to the farmer groups through the HLFOs. **Agreed action:** PMU will agree with UCA on a 2-year contract and first AWPB by 31 July 2016.

42. **Availability of quality seed of improved varieties.** The VODP strategy for seed value chain development is focusing on sunflower and soybeans, although some activities on groundnuts and sesame are still on-going as part of a contract with NaSARRI. The farmers’ access to quality seed of improved Open Pollinated Varieties (OPVs) for soybeans has improved significantly. This progress was largely due to VODP2 strategically focusing on local seed production of improved varieties, selected through FLPs. This was further facilitated by the recognition by MAAIF of Quality Declared Seeds (QDS), as a category of seed produced locally by farmers and quality-controlled by districts, NSCS and NARO. Local seed production and seed value chain development, however, require further capacity development on quality seed production based on existing manuals, both Training of Trainers (TOT) and direct farmer training. **Agreed action:** PMU will develop, based on MoUs with NaCRRRI, a TOT programme for PSP and DLG extension workers, on seed value chain development and estimation of effective seed demand, as part of AWPBs 2016-2017.

43. Timely availability of hybrid varieties of sunflower seeds remains a constraint. Effective demand is high for hybrid varieties from international companies, while local hybrids such as Sesun 1H and Sesun 2H are hardly demanded and used. NaSARRI is testing in multi-locational trials new national hybrids that can match the performance of imported hybrids, but release and multiplication under exclusive rights contracts with national seed companies will not happen before 2018. National seed companies are not very interested in importing and marketing hybrid sunflower seeds for various reasons, primarily the high risks and small margins involved. Good results have been obtained in those cases when millers decided to import seeds and sell them directly to farmers. This however represents a high financial risk for millers, mainly due to the uncertainty about the effective demand. Hence, timely and reliable estimates of seed needs are critical for millers and traders to decide to invest in importing seeds. **Agreed action:** (i) PSPs will organize effective demand forecasting for sunflower seeds; (ii) NaSARRI will work with PSPs to do multi-locational testing of the new national hybrids with involvement of farmer groups.

44. **Access to financial services.** The project continues to work with Financial Institutions (FIs) to expand lending to oilseeds FGs across all hubs. During the past six months, the PMU has facilitated linkages between four FIs (UDBL, FINCA, OBUL, and PBU) and 2,823 oil seeds farmers (40% women) who received loans worth UGX 272 million for production season B 2015, mainly to cover working capital needs. Cumulative lending to date is over UGX 2.6 billion. Loan repayment performance is overall satisfactory with the exception of UDBL, which however represents more than 95% of the total lending. Besides the linkages with formal FIs, Village Saving and Loan Associations (VSLAs) play an important role as source of capital for agricultural production, as many FGs reported to have pooled their VSLA savings to purchase seed. In 2015 about 900 groups have mobilised savings of over UGX 1.2 billion and loaned over UGX 950 million to their members as working capital. Therefore, the mission recommends VSLA methodology to be replicated through the PSP training package across the hubs. To this end the PMU should ensure a methodological cross fertilisation among PSPs to capitalise on the expertise already acquired by some of them in certain hubs (e.g. Lira and Gulu). Linkages of VSLAs with formal FIs could also be explored. In addition, the PMU has initiated discussions with a crop insurance provider (Jubilee) in view of offering this service to some target farmers under specific conditions. **Agreed actions:** (i) PMU, in close coordination with the partner FIs, will closely monitor and report on credit portfolio performance (portfolio at risk >30 days), starting from next progress report; (ii) PMU will facilitate the dissemination to all PSPs of the VSLA training methodology; (iii) PMU will finalise discussions with the insurance provider Jubilee in order to launch a crop insurance product for VODP2 target farmers by 30 September 2016.

45. **Facilitating linkages among value chain actors.** The mission notes the progress made by the project in encouraging farmers to bulk and sell their products collectively and facilitating business relationships with processors (millers) and other oil seed value chain actors. The volumes of grains sold collectively by farmers have continued to grow during the past 3 years, totalling 1,362 tons of sunflower and 1,516 tons of soya beans in 2015. There are around 110 mills in the four hubs, which are able to satisfy on average only 34% of their processing capacity. This market pull factor represents a clear opportunity for farmers organized to market collectively and potentially sets the basis for mutually beneficial (“win-win”) business relationships. In reality most of the actors in the oil seed sector still operate their business in a very opportunistic way, based on a season price maximisation strategy, which is in conflict with win-win, stable business relationship. Farmers in most cases go for the best possible price in the short-term even if this implies non-compliance of agreements with buyers. On the other side, agents and intermediaries often take advantages of farmers’ limited marketing and business skills. There is, therefore, a strong need for trust building among all actors in the sector and for farmers to increase their capacity to take informed decisions and manage their farming as a business at the individual and collective level.

46. To this end, in addition to strengthening the “Farming as a Business” training, it is critical that the project, through PSPs, more systematically help FGs and HLFOs to undertake a market-driven planning of their production through “*Season Action Plans*” to be prepared prior to the planting season. These plans should include: (i) identification of the market demand (quantity and quality) and

negotiation of related commercial agreement (if required); and (ii) estimates of production targets and inputs/seed requirements. These plans should be made in consultation with agro-dealers, millers and FIs. Facilitating this type of market-driven relationships requires specific competencies, methodology and tools which PSPs seem to have just to a limited extent. VODP2 should therefore maximize the synergies with the two IFAD grant-funded initiatives currently operating in Uganda (see below) and take advantage of the know-how and expertise of their implementing partner, SNV. **Agreed actions:** (i) PSPs will help FGs and HLFOs to prepare Season Action Plans from season 2016B; (ii) SNV will be engaged on a cost-sharing basis to train existing and new PSPs on business linkage and 4P approach during the third quarter of 2016.

47. **Uganda Oilseeds Subsector Platform (OSSUP) – IFAD Grant No I-R-1322-SNV.** OSSUP has been supported by SNV since 2004. The current IFAD grant-funded phase will be completed in December 2016. To date the OSSUP platform has provided a space for strengthening communication, information exchange and learning among the actors of the sub-sector at the hub and national level. However, this dialogue has hardly materialised in concrete tangible outputs at the policy and regulatory level as originally expected by some of the participants. In 2015 OSSUP focussed on the theme of “financial inclusion” aiming to share knowledge and information regarding available financing options; foster dialogue between financial service providers and stakeholders; and promote inclusive and systemic finance along oilseed value chains. A total of 17 multi-stakeholder platforms meetings were held attracting more than 400 participants including from public and private sectors in all 5 platforms. With the grant closing at the end of 2016, SNV is currently looking for a business model for the sustainability of the OSSUP services through a cost-recovery mechanism, such as a member fee-based web platform for market intelligence and/or a company offering brokering and business to business services. However, the platforms also have a nature of public good in their functions as multi-stakeholder fora to discuss topics of interest to the sector. VODP2 should consider playing a more proactive role in this type of events with particular focus on key policy-related issues identified at hub level by oilseed stakeholders. This will facilitate engagement with policy decision-makers at national level, maximising the likelihood of translating these discussions into policy changes. **Agreed action:** in the fiscal year 2016-17 PMU and Hub Coordinators will closely coordinate with OSSUP in organising 4 regional and 1 national event to discuss policy-related issues for the oil seed sector.

48. **Promoting Public Private Producers Partnerships in Agricultural Value Chains (4Ps) – IFAD Grant No. 2000000503.** Uganda is one of the five countries where IFAD is supporting this global initiative launched in February 2015 and to be completed in January 2018. It is important to highlight two underlining principles of this programme. First, the “public good” nature of the knowledge generated, which has to be freely disseminated to any interested actors in order to build capacity in the country to replicate and scale up this approach. Second, the 4P broker should be perceived by all stakeholders as a neutral facilitator. It is, therefore, not compatible with the role of agent of a particular actor in the value chain. Since last supervision mission there has been some significant progress in terms of: (i) selection of the five 4P cases; (ii) creation of a Steering Committee with the participation of IFAD, VODP2 and SNV; (iii) delivery of a 2-days training on 4P approach for service providers (PSPs and OSSUP facilitators); and (iv) selection (based on a call for proposals) of the five 4P brokers. The mission notes that only two of these are PSPs already working with VODP2. This is against the agreement reached during the last supervision mission and may create a challenge for the programme as it adds an extra player, requiring further coordination. Strong leadership and oversight will therefore be required from the VODP2 hub coordinators. **Agreed action:** starting from third quarter 2016, hold quarterly hub-level meetings under the leadership of the VODP2 hub coordinators and with participation of SNV, PSPs, 4P brokers, UCA and district authorities to coordinate actions in each 4P business case and in the hub.

49. The mission notes that while the business case concept correctly reflects the 4P approach, there is still substantial work to be done to define the implementation details, including the targets, roles of the 4P partners, detailed activities and related budget, sources of funding, services and training to be provided and overall implementation arrangements. It was also discussed the importance of finalising the 4P business plans on time to include any required training budget in the

VODP2 2016-17 AWPB. For this, it is important to hold at the earliest meetings at hub level to discuss the final work plan, implementation arrangements, budget and funding sources of each 4P case. **Agreed actions:** (i) SNV will submit a 4P consolidated work plan and budget to VODP2 by 15 June 2016 to allow integrating complementary activities expected from PSPs in the VODP2 AWPB 2016-17; (ii) a 4P Steering Committee meeting will be held by 31 July 2016 to officially approve the five 4P business plans.

Agreed action	Responsibility	Agreed date
Provide NO for price variation of existing PSPs' contracts	IFAD	31 May 2016
Include in 2 nd AWPB for existing PSPs new 500 FGs from season 2017A.	PMU	30 Jun 2016
Submit to IFAD for NO contract for five new PSPs	PMU	15 Jun 2016
Provide NO to RFP for single-sourcing of UCA to support HLFOs	IFAD	31 May 2016
Ensure use by PSPs of guidelines for FLPs and "Farming as a Business"	PMU/PSPs	30 Jun 2016
Develop a FG capacity assessment tool to be used by PSPs	PMU/PSPs	30 Jun 2016
Develop a 2-year strategic plan and 1st AWPB for HLFOs' support.	PMU/UCA	30 Jul 2016
Develop TOT programme on seed VC development and seed demand	PMU/NaSARRI/ NaCRRRI	30 Jun 2016
Organize effective demand forecasting for sunflower seeds;	PSPs	31 Jul 2016
Undertake multi-locational testing of new national hybrids with FGs	NaSARRI	31 Dec 2016
Closely monitor and report on credit portfolio performance	PMU/FIs	30 Jun 2016
Facilitate dissemination of VSLA training methodology to PSPs	PMU	30 Sep 2016
Launch a crop insurance product for VODP2 target farmers	PMU	30 Sep 2016
Assist FGs and HLFOs in preparing Season Action Plans	PSPs	31 July 2016
Engage SNV to train existing and new PSPs on business linkage and 4P	SNV /PMU	30 Sep 2016
Organise 4 regional and 1 national event on policy issues for oilseed sector	PMU/OSSUP	30 Jun 2017
Hold quarterly hub-level meetings for coordination on 4P business cases	PMU/SNV	30 Jun 2016
Submit 4P consolidated AWPB to VODP2	SNV	15 Jun 2016
4P Steering Committee meeting to officially approve five 4P business plans	IFAD/PMU/SNV	31 Jul 2016

COMPONENT 3 – PROJECT MANAGEMENT

50. **Project Management Unit (PMU).** During the last year the PMU has lost a few staff, including the Communication and Knowledge Management Officer, the Procurement Officer, the Project Engineer and one of the Hub Coordinators. Furthermore, during the last supervision mission it was agreed to recruit a Monitoring and Evaluation Assistant given the expected increase in workload in the M&E unit. All vacant positions have been advertised, while the recruitment of the Assistant Monitoring and Evaluation Officer has not yet been approved by the Ministry. The mission reiterates the importance of recruiting an M&E Assistant given the expected workload in this area in the next years. **Agreed actions:** (i) PMU will finalize recruitment of all vacant positions by 30 September 2016; (ii) PMU will initiate process of recruitment of Assistant M&E Officer by 15 July 2016.

51. **Project Steering Committee.** The project steering committee (PSC) is fully established, chaired by the PS of MAAIF, with membership from UOSPA, UNFFE, Mukwano Group, MFPED, OSSUP, NARO, BIDCO and VODP2 acting as Secretariat. The PSC meets regularly every six months.

52. **AWPB execution.** The 2015/16 AWPB execution as of 30 April 2016 stood at 52.49% (UGX 17.4 billion out of UGX 33.1 million). With the inclusion of commitments for which disbursement is reasonably expected before the end of the financial year (UGX 5.8 billion), such as the expected payments for contracts already signed as well as for salaries, the AWPB execution will increase to 70%. As showed in Appendix 5, the achievements for most targets under the current AWP are above 50% at end-April and for most of the major targets (e.g. Kalangala oil palm investment and oilseeds' groups) is above 100%.

Monitoring and evaluation

53. **Baseline.** Baseline studies for the 3 project areas (oilseeds - 4 hubs; oil palm - Kalangala; and oil palm - Buvuma) have been finalised. The oil seeds baseline study was done in-house by the

MAAIF Statistical Unit, Department of Agriculture Planning, in collaboration with UBOS and is a solid report from a statistical point of view. The approach represents best practice in terms of high quality, minimizing costs, capacity building and knowledge generation, and should be adopted for future studies to the extent possible. The M&E unit has ensured common standards across the three studies, making the reports comparable and generating appropriate inputs for the Results Framework and Log-Frame.

54. **Logframe and Results Framework.** The mission has supported the M&E Unit to extract relevant information from the studies to populate the Results Framework, with particular emphasis on impact and annually monitorable outcome indicators. The final populated results framework has been submitted to IFAD and found acceptable. It will be annually updated at outcome and output level through regular data collected from the field.

55. **MIS.** The procurement process for MIS service providers is at technical evaluation stage. **Agreed action:** The contract for MIS installation will be finalized and issued by 30 June 2016 with the aim to have the MIS in place by 30 September 2016.

56. **Monitoring of oil palm investment (Kalangala).** Different approaches are on-going to continuously monitor yields, income and impact in Kalangala. A household impact assessment is being carried out by the MAAIF Statistical Unit. Validation of the farm model with real data from a sample of farmers is on-going and the mission provided some technical support in this respect. Data collection using the STDM tools has been done and will be integrated in the MIS and maps, currently under procurement. The data, however, has not yet been analysed, and some work is foreseen in comparing it to farmer records. The main risk observed is the data management capacity in KOPGT, where many processes continue to be manual and limited by lack of equipment and weak capacity of staff to use the existing systems. **Agreed action:** the oil palm impact survey report will be finalized by 30 September 2016. Capacity building of KOPGT staff will be undertaken through hands-on training by 30 November 2016.

57. **Monitoring of oil seeds investment.** Reporting under oil seeds has greatly improved. Standardized templates for quarterly reporting by PSPs are being used to provide information on yields and areas planted. Prices should though be included, either at the mill or farm-gate as reported by farmers. The project has been able to report on milling capacity utilization for the first time. Annual outcome studies by the MAAIF Statistical Unit are planned, starting this year, for reporting on yield/production and technology adoption. The PMU is also planning to monitor effect of PSPs services using a panel of 100 farmers per district. **Agreed action:** the oilseeds outcome survey report will be finalized by 30 September 2016.

Agreed action	Responsibility	Agreed date
Finalize recruitment of all four vacant positions	PMU	30 Sep 2016
Initiate recruitment for M&E Assistant	PMU	15 Jul 2016
Finalize contract for MIS installation	PMU	30 Jun 2016
Finalize oil palm impact survey report	PMU	30 Sep 2015
Finalize oilseeds outcome survey report	PMU	30 Sep 2015

E. Fiduciary aspects

58. **Financial management.** The PMU continues to efficiently use the Tally software for project accounting as it awaits finalisation of the roll-on to the Government Integrated Financial Management System (IFMS) project module. Some steps still need to be undertaken before the project can fully switch to IFMS including: full profiling of VODP2 in IFMS through the Output Based Tool (OBT) and other functionalities as demonstrated to IFAD; setting of the standard reports as required for reporting to IFAD; and testing of the accuracy of reports generated by the IFMS. The PMU will continue using both Tally and IFMS in parallel until it is demonstrated that the latter can handle project accounting demands to IFAD satisfaction.

59. The complexity and geographic spread of the project necessitated the opening of 49 bank accounts including: two designated accounts; two operational accounts and 45 sub-accounts in participating districts and other implementing partners. The PMU is commended for the diligent management of such complex banking arrangements. Districts are gradually moving towards implementing the Treasury Single Account approach. This implies comingling project funds with other district funds. The mission concurs with the arrangement for Gulu district, given that the latter is on IFMS Tier 1, which has strong budget control features to ring fence project funds. However, it is agreed that for districts on IFMS Tier 2 or manual platforms the specific VODP2 bank accounts will be maintained.

60. **Flow of funds.** Some important delays in the flow of funds have been reported, attributable to the long and cumbersome process for payment approval. Some payments duly authorized in February 2016 were still pending by the time of the mission, three months later. Furthermore, there are considerable delays in the authorisation of Withdraw Applications (WAs), which take on average over a month to go through seven different signatories. MAAIF acknowledged the delays and attributed them to the migration to the new internet-based banking by the Bank of Uganda, which had faced challenges since February 2016. This was coupled with the limited time window within which payments had to be made to meet Bank of Uganda requirements. It was reported that the Bank of Uganda was addressing the challenges encountered and had also improved on the time window within which payments would be effected. The mission, however, considers that a good part of the delays are attributable to the fact that, in spite of a well-resourced PMU with high-level professional capacity in financial management, the Ministry has retained the payment processing authority fully centralised, as already observed during the last supervision mission of October 2015. In other IFAD-funded projects under other ministries, the Project Manager has delegated accounting officer powers, which considerably improves the efficiency of the flow of funds. **Agreed actions:** MAAIF should expedite the process of migrating to Integrated Financial Management System (IFMS) to ensure more efficient flow of funds.

61. **Disbursement of IFAD Loan.** As of 30 April 2016, actual disbursement as per IFAD status of funds report is 46.7% (SDR 15.6 M out of 33.5M), inclusive of an initial deposit of SDR 3.2 million. This is moderately unsatisfactory for a project in its sixth year of implementation, compared to the disbursement profile of similar projects in the overall IFAD portfolio. Actual utilisation of funds, including the pending WAs 41 and 45 and expenditures from the special account not yet claimed but excluding the initial deposit (USD 3.65 million), stood at 44.54%. With project completion in two years and a half (31 December 2018) and 30 June 2019, the annual disbursement rate for the IFAD loan will have to increase to an average of SDR 6 million (USD 8.3 million) per annum to achieve a satisfactory disbursement rate, above 95%, by project end. This seems to be a big challenge considering that actual expenditures for 2015/16, including all commitments, will be about USD 4.3 million and the highest disbursing component (Oil Palm investment in Kalangala) is gradually phasing out due to the achievement of its targets.

62. Disbursement by other funding partners is as follows: IFAD grant (OSSUP) – 71.8%; GOU – 89.5%; OPUL - 0% (as no investment for Buvuma took place); Trust - 0% (as loan reflows have not yet been used to finance oil palm development, although a total of UGX 6.3 billion has been accumulated so far); KOPGT – 0% (as no KOPGT revenue has been used so far, although a total of UGX 606 million has been accumulated); Farmers - 111.7%; and SNV - 75%.

63. **Designated accounts (DAs).** The project operates two designated accounts: one for PMU expenditures (recently increased to USD 3.6 Million from USD 2 million) and another for oil palm development loans (recently reduced from USD 3 million to USD 1.4 million). The liquidity level in the DAs is moderate with USD 2.2 million (43% of initial advance) available in bank accounts as at 30 April 2016. The PMU should ensure that expenditures are translated in a WA on hitting the 30% of initial advance and/or at least one withdrawal application be submitted under each designated account every quarter, even if the 30% threshold is not met.

64. **SoEs review.** A SOE spot check has been done on a 45% sample across expenditure categories of WAs 38 and 39 and the mission confirms the existence of the underlying supporting documents.

65. **Counterpart funds.** Overall GoU contribution is at 89% of the target at design. Out of USD 15 million envisaged in the Financing Agreement, GoU has disbursed USD 12.6 million. Most of the funds were released for acquiring land for oil palm development in Buvuma. For the financial year 2015/16, GoU allocated UGX 10.97 billion (USD 3.13 million) and has so far released UGX 5.16 billion (47% performance). It is to be noted, however, that the relatively low performance in execution of the 2015/16 allocation is not to be ascribed to delays in the release of funds, as the counterpart funding account still has an unutilised balance equivalent to USD 830,000. GoU has consistently performed very well in this respect, with the contributions in the previous three years at 97%, 100% and 225% of the budgeted funds respectively.

66. **Loan reflows for development loans.** In order to use loan reflows for oil palm development and to pay KOPGT's 30% share in interest income on fixed deposits, the PMU will have to include them each year in the AWPB and ensure they are captured in GoU budget estimates. The funds will then be remitted annually to the Treasury Single Account (TSA) as Non-Tax Revenue and requisitioned under the respective budget lines. **Agreed action:** PMU will include use of funds from loan reflows into AWPBs and ensure transfer to TSA and contextual requisition.

67. **Compliance with loan covenants.** Compliance with loan covenants is overall satisfactory, except for those related to Buvuma, most of which are not yet due given the delays in the investment; those related to the establishment of the oilseeds guarantee fund, which are not any more applicable as this investment activity has been abandoned; and those related to the financial self-sustainability of KOPGT, which, although not yet due, are likely to be delayed with respect to the timing set in the Financing Agreement. This is being amended to duly modify the covenants in the above areas.

68. **Amendment to the Financing Agreement.** The Government has submitted to IFAD on 14 March 2016 a request for amendment of the Financing Agreement following the agreed recommendations by the Mid Term Review report. The request, which is being processed by IFAD, includes a request for reallocation of funds under Schedule 2 and takes due care of those loan covenants with problematic compliance as discussed in the paragraph above. **Agreed action:** IFAD to process GoU request for amendment of the Financing Agreement by 15 June 2016.

69. **Procurement.** In terms of procurement unit staffing and organisation, the position for procurement specialist is vacant. For the year ending 30 June 2016, the project planned to undertake 40 procurements using different methods. The updated procurement plan shows that 17 have been undertaken indicating a performance of 43% performance. A sample of ex-post reviews revealed general compliance with procurement procedures, with the exception that the direct contracting for purchase of oilseed would have required IFAD's explicit No Objection. The mission has reviewed these procurements ex-post and found the documents in order. Filing will require improvement; there are a number of documents that are misfiled but could be retrieved from within the PMU in other files. The Procurement Plan is regularly updated with actual dates. The key on-going procurements that will need fast-tracking include: (i) the renewal of six contracts for Pay for Service Providers where the main issue has been attaining agreement on the new unit prices; (ii) recruitment of five new service providers, which are currently at negotiation stage; (iii) procurement for two stores on outlying islands, two tractors and one boat for the outlying islands.

70. **Contract management.** All major contracts have formally appointed contract managers to follow up the technical aspects of the contracts including payment sanctioning. Following the recommendation of the last mission, the use of contract monitoring forms has been improved upon.

71. **Audit.** The Office of the Auditor General takes into due consideration IFAD requirements and risk assessment when preparing and carrying out external audit. The 2014/15 financial audit was completed in time but erroneously sent to World Bank, which resulted in actual delayed delivery to IFAD in April. The audited financial statements for the year ended 30 June 2015 received an

unqualified (clean) opinion. The issues highlighted in the management letter are not of a financial control nature. Internal audit functions are fulfilled by MAAIF internal auditors, which pre-audit payment vouchers as part of payment approval and have undertaken two audits on Kalangala oil palm activities.

Agreed action	Responsibility	Agreed date
Profile PMU in IFMS (as payment system)	PMU/MAAIF	30 Sep 2016
Include loan reflows in AWPB and ensure transfer to TSA and requisition	PMU	30 Jun 2016
Process GoU request for amendment to the Financing Agreement	IFAD	15 Jun 2016

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Uganda	Project ID	1468 [1100001468]	Loan/DSF/Grant/ASAP FI No.	1000003703
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	01-Jun-2016				
Supervising Inst.	IFAD				
No. of Supervisions	7	No. of Implementation Support/Follow-up missions	4		
Last Supervision	20-May-2016	Last Implementation Support/Follow-up mission	06-Nov-2015		

USD million Disb. rate %						
Approval	22-Apr-2010			Total financing	146.18	
Agreement	21-Oct-2010	Effectiveness lag	6.1	IFAD Total	52.00	
Entry into force	21-Oct-2010	PAR value	-----	IFAD loan	52.00	47
First disbursement	03-Jun-2011			DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	31-Dec-2018	Last audit	08-Apr-2016	ASAP grant	0.00	0
Current completion	31-Dec-2018			Domestic Total	93.89	
Current closing	30-Jun-2019			Beneficiaries	3.89	112
No. of extensions	0			National Govern	14.14	89
				Other Domestic	5.48	0
				Local private	70.38	0
				External Cofinancing Total	0.28	
				SNV	0.28	75

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	5
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	3	4
4. Compliance with financing covenants	4	5	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	6	5	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	4	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	4	4	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 financial management by the PMU remains overall satisfactory, but the important delays in flow of funds to service providers, mainly due to the cumbersome process of approvals within the Ministry, justify the rating of only moderately satisfactory. KOPGT financial management still shows some weaknesses. Government counterpart funding continues to be timely available and disbursed. Loan covenants are being adjusted through amendment of the Financing Agreement and compliance consequently improved. Some challenges persist in the appropriate use of procurement tools (in particular the updating of Procurement Plan) and proper contract management. Audit submitted with delay due to wrong addressing (to WB Office). A number of vacancies in the PMU need to be filled urgently. M&E systems overall in place, baseline studies finalized and logframe and results framework fully populated. Procurement of MIS at final stage. AWPB execution has improved and will likely reach 70% by year end. The rating for oil palm component has improved to moderately satisfactory, given the satisfactory progress in Kalangala and the slight improvement in planning for Buvuma, although the actual activities remain limited to land purchase for the nucleus estate. Outputs in oilseeds development continue to improve, although quicker action is needed for the recruitment of the new service providers. Excellent progress has been made in terms of access to improved soybean seeds, while progress is still modest for hybrid sunflower. Promoting linkages of farmers with other value-chain players (FIs, millers and seed companies/dealers) continues to show improving dynamism. Institution building and empowerment remain moderately satisfactory although they are being given increased attention especially in Kalangala with the double support to KOPGT (financial management capability towards self-sustainability) and KOPGA (internal governance).

Overall Assessment and Risk Profile

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

Rationale for implementation progress rating

Implementation progress has continued to improve. Progress in new plantings in Kalangala is very satisfactory, although some concerns have emerged with respect to the important gap in average yields between the nucleus estate and the smallholders' plantations. Actual progress in Buvuma is limited to the purchase of land for the nucleus estate, which continues at an acceptable, albeit slower than expected, pace. However, some key conditions are being set to speed up implementation progress, namely the establishment of a minimum capacity (staff and office space) on Buvuma island, and the commitment by GoU in the budget for the FY 2016/17 of the necessary financial resources. The progress in the oilseeds component has considerably improved and, although it remains somewhat below target, outputs are increasingly visible on the ground and the trend very positive. More proactiveness would however be needed to finalize a few key processes that are expected to lead to further speeding up of implementation, in particular the recruitment of five new PSPs and the finalization of the arrangement for support to Higher-Level Farmers' Organizations (HLFOs). Both processes are at a very advanced stage. The increase in ratings for physical/financial assets and food security is a result of the overall increase of the implementation progress.

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

With the implementation progress continuously improving and the objectives for Buvuma having being revised towards more realistic targets (removing of the 6,500 nucleus estate target and reduction of the target for smallholders' plantation from 3,500 ha to 2,500 ha), the likelihood of the project to achieve its development objectives has definitely improved to moderately satisfactory. Some cautiousness remains, however, as the new targets, although achievable, remain ambitious given the time left before the end of the project and given the relatively weak performance of the project so far in implementation. Some of the key changes and adjustments in implementation arrangements that were proposed by the MTR still need to be fully translated in concrete actions and have their effects fully evident on the ground. Of key importance in this respect is the increase in the implementing capacity in the oilseeds component to achieve the expected targets in a shorter time as well as the beginning of investment activities in Buvuma.

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

Fiduciary aspects	(a) Slow disbursement of funds to oilseeds service providers due to cumbersome control procedures within MAAIF (limited action since last supervision mission); (b) moderate quality of procurement documents and processes, given constraints in capacity at PMU level; (c) challenge to achieve a satisfactory disbursement rate (95%), which would require annual disbursement rates of SDR 6 million (USD 8.3 million) on average, versus an estimate of USD 4.3 million for 2015/16.
Project implementation progress	(a) Slow progress on infrastructure development in Kalangala (roads and water transport) might entail losses for farmers; (b) delays in finalizing the recruitment of key service providers for oilseeds (new PSPs and UCA) might impair the capacity of the project to achieve the component's targets; (c) delays in filling vacant positions at PMU.
Outputs and outcomes	(a) Poor fertilizer application and other farming and post-harvest practices result in low yields and returns of smallholders' plantations; (b) delays in preparatory activities for Buvuma (establishment of minimum staff capacity and nursery).

Sustainability	(a) Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis; (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 road maintenance plan for Kalangala, fully owned by farmers (KOPGA);(d) Lack of viable long-term solution for access to seeds for sunflower: limited interest of seed companies to import hybrid seeds; slowness of national institutions to develop and commercialize local breeds.
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Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Oil palm Buvuma	Assess the viability of 'pure' smallholder model and re-design the sub-component as necessary	31 December 2014	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	Done
MTR	MTR report finalized (including investment paper for Buvuma)	30 Mar 2015	Done with delay (Nov 2015)
KOPGA	Sign contractual agreement with UCA for capacity building of KOPGA	31 May 2015	Not yet done
KOPGT	External auditors appointed	31 May 2015	Not yet done
Buvuma	Final decision on investment framework (nucleus estate vs. pure smallholders)	31 June 2015	Delayed to September 2016
Oilseeds	5 new SPs to be recruited	30 Sep 2015	On-going. Expected to be finalized by end June.
Infrastructure - Ferry services	Complete the procurement process and begin design	31 Dec 2015	Procurement finalized in May 2016. Design yet to start
Buvuma	Establish minimum capacity (staff and equipment) to operate on island (financed by GoU)	30 Apr 2016	Not yet done, expected by end of June.
Buvuma	Commit GoU funds (USD 800,000) for Buvuma investment in FY 2016/17	30 Mar 2016	Done
Infrastructure - Roads	Agree with KDLG on use of road equipment and start road works in Kalangala	31 Dec 2015	Done
Project management	Advertise for vacant positions both at PMU and KOPGT	31 Dec 2015	Done for KOPGT, pending for PMU (to be finalized by 30 Sep 2016)
Fiduciary	Streamline and simplify procedures for approval of payments to reduce delays in flow of funds to service providers	31 Dec 2015	Pending. Need follow-up by IFAD ICO
Oil palm	Finalize tree census (including GPS processing) and implement regular use of yield tracking file	31 Oct 2016	
Infrastructure - Roads	Complete road works in Bugala and start road works in Bunyama	31 Dec 2016	
Infrastructure - Ferry services	Launch tender for construction of landing sites	31 Jan 2017	
Buvuma	Sign contract for nursery establishment and order seedlings	30 Jun 2016	
Fiduciary	Process GoU request for amendment to Financing Agreement	15 Jun 2016	

Additional observations

Final decision on investment model to be adopted for Buvuma is not any more urgent for the current project, as target of nucleus estate of 6,500 ha has been removed from the Financing Agreement. However, given the expected time for design and approval of a new project, unless an agreement in this respect is reached by end of September 2016 at the latest, there is a serious risk that additional investment in oil palm and oilseeds could not be accommodated within the IFAD allocation for Uganda for 2016-18. In such case, GoU and IFAD will start discussions on alternative options for investment.

Appendix 2: Grant Status Report - OSSUP

A. Grant Basic Data

Grant Title:	Uganda Oilseeds Subsector Platform (OSSUP)	Grant Id	1000004158 1332-SNV	Window	Country-specific
Grant Recipient: Institution/organisation	SNV Netherlands Development Organisation	IFAD Grant Manager	Alessandro Marini		
		Recipient Contact	Jeanette Maria de Regt		
Date of Update	20/05/2016				
Date of Approval	27/11/2011	Original Completion date	31/12/2016	Last Amendment	
Date of Effectiveness	02/12/2011	Extended Completion date		Last Audit	31/12/2014
		Original Closing date	30/06/2017	Last Supervision/implementation support	20/05/2016
		Extended Closing date			
		No. of extensions			
	<u>US\$</u>		<u>US\$</u>	Disbursement	<u>Percentage</u>
Total financing	1 425 000.00	Cofinancier 1		IFAD Grant	71.84%
IFAD grant	1 140 000.00	Cofinancier 2			
Recipient	285 000.00	Cofinancier 3			

Target group
(complete as many as applicable by providing a brief description)
The direct target group is the oilseeds subsector stakeholders, operating at three levels: primary actors (processors, such as seed breeders, suppliers and millers); value chain supporters (such as banks and extension service providers); and enablers (such as government institutions and donors). The indirect target group comprises of farmers and their families who are involved in the production of oilseeds and selling of crushing material, and potential farmers in the subsector.

Benefiting Countries:
Uganda

Benefiting Investment Projects:
Vegetable Oil Development Project (VODP2)

Grant Goal and Objectives

The goal is to ensure a well-coordinated, market-focused and private-sector-led vegetable oil sector. The objectives are to strengthen the coordination within the oilseeds subsector through the mechanism of OSSUP, with the objective of enhancing the competitive position of locally sourced crushing material from sunflower, soybean, simsim and groundnuts for processing into edible oil and soap. The grant also supports the consultation process among processors, seed companies, input suppliers and financial institutions, together with representatives of farmers' groups.

B. Grant management and performance

Indicator	Last	Current
Performance of grant recipient	5	5
Approaching the grant completion, SNV is looking for a business model for the sustainability of the OSSUP services through a cost-recovery mechanism. The proposal currently under assessment includes: (i) a fee-based web platform offering market intelligence and other strategic information to the members and (ii) a company to manage brokering and business to business services to be provided by the current OSSUP facilitators).		
Coherence between AWPB and implementation	5	5
No issues in this area.		
Acceptable disbursement rate	5	5
All funds so far disbursed have been utilised and SNV has just submitted the last Withdraw Application for USD321 000 which represented 100% of 2016 AWPB. Once the WA is processed the cumulative disbursement will go to up to 100%.		

Quality and timeliness of financial reports	5	5
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Financial progress reports are submitted whenever requested such as during supervision, and integrated in annual progress report. Audit report, WAs with supporting SoEs are submitted in a timely manner, with no issues raised.

Quality and timeliness of technical reports	5	5
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Technical reports shared are of very high quality and cover all relevant aspects of the value chain and activities implemented. They are clear reflection of activities being implemented on the ground and they build onto previous reports.

C. Assessment of Implementation Progress

Indicator	Last	Current
Relevance to IFAD target group	4	4

The grant supports a coordination and facilitation mechanism within the oilseeds subsector that enables linkages of small scale farmers to markets. Through brokering finance and investments, inclusive business to business linkages, supporting access to services and commodities, innovation and technology upgrade, as well as evidence-based knowledge sharing, the platform has contributed to better functioning of markets. The platform has a strong business focus and serves as a forum for brokering business deals, promotes bulking, and access to quality inputs. It thus favours farmers who are already able to produce in sizeable quantities and to collectively bulk their production. The project interventions have led to an increased number of producer groups producing hybrid seeds, hence availing more planting seed to the farmers.

Gender focus	4	4
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Although a number of women are actively participating in the grant-funded activities, it is clear that they are fewer than men in the oilseeds sector, which is a commercial sector. The percentage of women during multi-stakeholder platforms (MSP) meetings has increased from 23% to 28% from the previous period (2013-2104). This was as a direct result of efforts to increase the participation of women and encourage their leadership and representation in farmer groups. In 2016, OSSUP will give more attention to the role of women in the oilseed sub-sector and facilitate collective actions that are agreed during platform meetings to overcome challenges that hinder women's economic empowerment in the oilseed sub-sector.

Environment and climate focus	N/R	N/R
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Not applicable

Innovation	5	4
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Further to bringing together the private sector, service providers and small-scale farmers through the MSPs, the project has supported availability of inputs especially quality planting seed for farmers by working with producer groups who have also taken on the role of producing hybrid seeds. The project is also supporting value chain actors to access export markets by developing export marketing plans, effective supply chain for oilseeds, as well as availing information on available EU markets. Large scale processors have continued to interact with traders and farmers of all levels, and more financial institutions are participating in the MSPs to explore more ways of supporting actors with relevant financial packages. In the last 2 years, the project has further focused its attention on the provision of brokering services for farmers-to-processors and farmers-to-financial institutions linkages.

Knowledge Sharing and Management (Grant Policy results framework indicator 4.b)	5	5
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Under the component "inclusive and participatory knowledge management", the project has established a webpage and a facebook page for sharing information with various stakeholders. However, there is need to develop a complete and functional website and to have more online presence. There is a consistent capture of lessons learned from each sector and from the activities implemented, which lessons inform planning for future implementation. The available reports also contain some case stories which reflect the impact activities are having on the platform participants. Furthermore, together with VODP2, the project has embarked on research activities, the results of which are shared in the MSPs. The project, however, has not produced documentation for policy discussions at national level (such as policy briefs resulting from the research activities).

Linkages (to investment portfolio and other development initiatives)	4	4
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The grant is part of the VODP2 project design, and directly supports the investment portfolio. While interactions between SNV, OSSUP and VODP2 staff and service providers occur, especially at hub/regional level where activities are complementary, such as in the case of participation to the VODP2 Farmer Learning Platforms and the OSSUP stakeholder platforms, such interactions could be improved and made more systematic. The MSPs continue to serve as a forum for networking, business linkages and access to relevant much-needed information for the value chain actors. The project also works with local government staff such as district production and marketing officers who are relevant in sharing the platform lessons and experiences widely.

Scaling up (Grant Policy results framework indicator 2.c)	5	5
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Scaling up will take place in two ways: (i) brokering services for farmers-to-processors and farmers-to-financial institutions linkages will be scaled up through a new IFAD grant to SNV to pilot in Uganda the Public-Private-Producers Partnerships (4Ps) approach and by VODP2 service providers which have also been trained on brokering and 4P approaches; (ii) MSP events will be continued with the support of VODP2 and Ministry of Agriculture with the aim of bringing to the attention of policy makers some of key issues identified by oil seed actors at the local level.

Overall implementation progress (summarise overall assessment, including areas of strength and weakness and likelihood of achieving overall objectives) (Grant Policy results framework indicator 2.b)	4	4
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The project is on track in achieving its development objectives. Grant activities are highly integrated into SNV activities, and there are concrete linkages between VODP2 hubs and the SNV facilitators on the ground. During the past year of implementation, the OSSUP theme has been "financial inclusion", building on the theme of the previous year which was "inclusive trading systems". By focusing on financial inclusion OSSUP aimed to share knowledge and information regarding available financing options, foster dialogue between financial service providers and stakeholders, promote inclusive and systemic finance along oilseed value chains. A total 17 MSP meetings were held attracting a total of 439 participants including the public and private sector in all 5 platforms.

Effectiveness (at completion this indicator will be used for reporting on ; Grant Policy results framework indicator 2.a)	N/R	4
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The grant has effectively managed to strengthen the relationships among the actors in the oil seed sector. Surveys from all platform meetings revealed that over 90% of people were very satisfied with the OSSUP networks facilitation of platform meetings. The combination of MSP meetings and brokering services (business to business, finance to business) has proven to be effective.

D. Supervision/implementation support arrangements

Description of IFAD's supervision / implementation support arrangements

The Grant is supervised during the VODP2 supervision mission; in addition, there is regular contact and interaction between the IFAD country office, VODP2 and SNV.

E. Follow-up Action

Recommended follow-up action	Responsibility	Status/timing
<i>Finalise the business model for the sustainability of the OSSUP services beyond IFAD grant completion (e.g. through a cost-recovery mechanism)</i>	SNV	<i>By October 2016</i>
<i>In the fiscal year 2016-17 VODP2 project and SNV organise at least four regional (1 per hub) and one national event to discuss policy-related issues for the oil seed sector and give continuity to OSSUP MSPs</i>	VODP2 and SNV	<i>From July 2016 onwards</i>

Appendix 3: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Verifiable Indicators	Unit		2010	2011	2012	2013	MTR 2014	2015	2016	2017	EOP 2018 (Projected)	Means of Verification	
Goal:														
1.0 Contribute to sustainable poverty reduction in the project area	1.1 Households with improvements in assets ownership index at project completion	Oil Palm Kalangala						32.92				50%	RIMS Baseline, and Completion Surveys.	
		Oil Palm Buvuma						19.68						
		Oil Seeds	Eastern					31.72						
			West Nile					13.45						
			Northern					20.22						
			Lira					25.94						
	1.2 20% reduction in the prevalence of child malnutrition , by gender (height/age, weight/age, weight/height)	Oil Palm Kalangala	Underweight					28.6					Uganda Bureau of Statistics.	
			Stunting					66.2						
			wasting					16.3						
		Oil Palm Buvuma	Underweight					34.8						
			Stunting					46.6						
			wasting					11.8						
		Oil Seeds	Underweight					26.3						
			Stunting					61						
	wasting						25.4							
Purpose/Objectives:														
2.0 Increase the domestic production of vegetable oil and its by-products, thus raising rural	2.1 Level of vegetable oil self-sufficiency increase	%	43	62	57	54						60%	UBOS statistics on Ugandan vegetable oil	

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets	d from 30% (2008 baseline) to over 60% by project completion (2018).											production. database.
	2.2 Increase d per capita vegetable oil consumption from 5.6 Kg/capita in 2008 year to 15 kg by 2018.	Kg/capita	9.5	12.1	11.6	12.3					15	FAO food balance sheet The figure is the DES: Dietary energy supply. indicator used by IFAD.
	2.3 Households receiving project services	No of HHs	1,115	1,118	1,353	6,801	46,617	24,220	58,009	68,259	79,009	Project M&E
3.0 An integrated oil palm industry to supply national and export markets in compliance with modern environmental	3.1 Crude palm oil annual production increases from 0 tonnes in	Tons	4,692	10,475	13,552	19,209	18,652	22,662.31	23,000	26,000	30,000	OPUL and KOPGT databases, reports BOPGT reports Project M&E database

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
standards and providing equitable returns to smallholder producers.	2009 to 35 000 tonnes by 2018.											
	3.2 Smallholders earning net incomes of USD 1,500 per ha per year from year 4 of development.	USD	322	1,119	1,225	1,457	1,036	1,384	1,400	1,450	1,500	
	3.3 Operational self-sufficiency of KOPGT in 2018	Yes/ No	No	No	No	No	No	56%	62	80%	100%	
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	16,517	19,242 ²	22,200	30,000	Project progress reports and M&E database OPUL and KOPGT databases
Kalangala Oil Palm Scheme completed and	4.1 6,500 ha of nucleus	Ha	5,939	5,939	5,939	6,440	6,440	6,500	6,500	6,500	6,500	KOPGT reports BOPGT

² Kalangala: 11, 200 Ha; Buvuma: 8,042 Ha

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
producing	estate planted in Kalangala by 2016											progress reports Special studies District Local Government reports
	4.2 4 700 ha planted by smallholders in Kalangala by 31 Dec 2017	Ha	2,258	2,366	3,498	3,863	3,863	4,300	4300	4,700	4,700	
	4.3 1 800 smallholders served by KOPGT	No.	1,115	1,118	1,353	1,610	1,610	1,700	1770	1,800	1,800	
	4.4 KOPGT restructuring agreement signed by 31 Dec 2017	Yes/ No	No	No	No	No	No	No	No	Yes	Yes	
	4.5 Roads constructed in Kalangala	Bugala	Kms	210	210	240	250	250	295	310	310	
		Bunyama	Kms	0	0	0	0	0	40	40	40	
		Bubembe	Kms	0	0	0	0	0	40	40	40	
	4.6 Fertilizer	Bugala	Kms	0	0	0	0	1	1	1	1	

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	store constructed	Bunyama	Kms	0	0	0	0	0	1	1	1	
		Bubembe	Kms	0	0	0	0	0	0	1	1	
Sustainable Oil Palm Development	4.6 Two island environmental monitoring plans for smallholder oil palm completed and being implemented.	Number	1	1	1	1	1	2	2	2	2	
Buvuma Oil Palm Scheme established	4.7 2 500 ha smallholder land planted by 2018 in Buvuma	Ha	0	0	0	0	0	0	500	1,500	2,500	
	4.8 1,250 farmers served by BOPGT.	No.	0	0	0	0	0	0	250	1,000	1,250	
	4.9 All oil palm activities (plantation, mill & refinery) are in	%	100	90%	90%	90%	90%	90%	100%	100%	100%	

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	compliance with NEMA regulations.											
	4.10 Kms of farm roads constructed/rehabilitated	Kms	0	0	0	0	0	0	50	100	200	
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	-			30%		34%		85%	Millers study Baseline study, Completion report Farm models Production statistics from MAAIF M&E system UOSPA/U NFFE/OSS UP statistics Mid-term/project completion
	5.2 Farmers growing sunflower and soybeans with net cash earning per ha per season of US\$350 increased by 10% each year in	Eastern Hub	-	-	-		352,703	387,973	426,770.3	469,447.3	517,392.4	
		West Nile					48,978	53,875.8	59,263.4	64,189.7	70,608.7	
		Northern Hub					66,290	72,919	80,210.0	88,231	97,054.1	
		Lira Hub					206,606	227,266.6	249,993.3	274,993	302,492.3	

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	each hub											n reports
	5.3 Oilseeds production of sunflower and soya bean increased by 10% each year	Sunflower ³	70,000	161,000	197,000	167,000	183,700	202,070	222,277	244,505	268,955	
		Soybean ¹	19,000	22,000	16,000	16,000	17,600	26,869.8	21,296	23,426	25,768	
	5.4 Number of secondary farmer organisations operational/functional	Number						11	20	30	40	
	5.5 Number of farmers using purchased quality controlled seed	Sunflower						5,538				
		Soybean						5,312				
		Ground nuts						5,585				
		Sesame						7,694				
OUTPUTS	6.1 20 MT each of	Soybean					15	24	64	20	20	OSSUP reports
		Sesame					2	10	10	10	10	

³ Estimated at 70% of national production.

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
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	foundation / breeder seed of hybrid parental lines of sunflower, ground nuts and soybean produced annually by NARO	Ground nuts					3	12	10	10	10	NaSARRI/ NaCRRI/ 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
		Sunflower						20	20	20	20	
	6.2 90% of oilseed growers buying quality controlled seed by 2017	Sunflower										
		Soy beans	80,000			93,856 ⁴						
	6.3 10% annual increase in the hectares under oil seeds cultivation in each regional hub	Sunflower						10,863 ⁵				
		Soybean						26,869.8 ⁶				

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

⁵ Data for 2015 will act as the base year for tracking so actual figures have been used and not a percentage.

⁶ Data for 2015 will act as the base year for tracking so actual figures have been used and not a percentage

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	6.4 Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1.1t/ha for soybean	Sunflower						1.3 ⁷				millers, UBOS and UNBS reports, and mobile service provider
		Soybean				737		0.9				
	6.5 5 900 farmer groups (with 30% participation of women) receiving extension services from the project by 2018	Farmer groups % women					2,394	2,448	2,798	3,298	3,798	
	6.6 1000 Farmer groups bulk selling by 2017							145	500	800	1,000	
	6.7 90% of	Ushs.	0	0	0	0		20%	40%	60%	90%	

⁷ This indicator seems easier to report on using the average yield and not number of farmers reporting, can it be changed?

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	the medium/large-scale millers attain UNBS quality certification by 2018.											
	6.8 Amount of credit facility disbursed to value chain actors by participating financial institutions (Billions)	HHs	0	0	0	0	2.1	2.7	3.3	3.6	4	
	6.9 Number of beneficiaries of the credit facility.	% per financial year	0	0	0	0	1,385	1,645	2,375	2,613	2,874	
7.0 Project Management helping farmers to	7.1 IFAD loan 55% disburse	Number	0%	11%	13.5%	19.7%	32.3% ⁸	46.51			100	VODP2 progress reports.

⁸ September 2014

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
provide growing amounts of crushing material for processing in edible oil & earning better incomes	d by 30 June 2015 and 100% by 31 June 2019											IFAD loan disbursement report Audit reports in line with IAS.
8.0OUTPUTS 8.1 Project Management fully operational	8.1 Full staff of qualified professionals	%	2	2	12	13	13	10	10	13	13	Audit reports PMU financial 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	%	100	100	100	100	100	100	100	100	100	VODP2 project progress and M&E reports
	8.2 Timely preparation and execution of AWPB (budget performance by financial year).		Y	Y	Y	Y	Y	Y	Y	Y	Y	
	8.3 Timely		Y	Y	Y	Y	Y	Y	Y	Y	Y	

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	submissi on of mandato ry reports											
	8.4 Timely submissi on of withdraw al requests		Y	Y	Y	Y	Y	Y	Y	Y	Y	

Appendix 4: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Whom	Date
Oil Palm - Kalangala	Finalize the tree census and processing of GPS data.	KOPGT/PMU	31 Oct 2016
	Roll out the regular use of the yield tracking file.	KOPGT	31 Dec 2016
	Ensure all farmers in the commercial phase join the fertiliser loan scheme	KOPGT	30 Jun 2016
	Train/expose farmers on FFB grading and quality analysis at the oil mill	KOPGT/KOPGA	31 Oct 2016
	Regularly collect info on transport and CPO prices for price sub-committee	KOPGT	Continuous
	Finalize planting of 400 ha in Bubembe	KOPGT	31 Dec 2016
	Report on farmers' selection process in Bunyama/Bubembe	PMU	31 Oct 2016
	Complete land use change analysis maps	PMU	30 Jun 2016
	Elaborate plan for enrichment planting and establishment of woodlots.	PMU	30 Sep 2016
	Return all repaired equipment to the island and resume road construction	PMU/KDLG	15 Jul 2016
Oil Palm - Infrastructure	Complete 10 km of roads on Bunyama (labour-based)	PMU/KDLG	30 Sep 2016
	Complete 65 km of road on Bugala	PMU/KDLG	31 Dec 2016
	Launch tender for transport of road equipment to islands	PMU	31 Jul 2016
	Demarcate 20 km of roads on Bubembe	KOPGT/KDLG	30 Sep 2016
	Elaborate road maintenance plan for Bugala	PMU/KOPGT	30 Sep 2016
	Complete design of landing sites	MoWT/PMU	30 Nov 2016
	Launch the tender for the construction of landing sites	PMU	31 Jan 2016
	Procure 2 10-ton boats for the transport of fertilizer and FFBs	KOPGT	30 Sep 2016
	Procure one supervision boat and 4 tractors	PMU	30 Apr 2017
	Launch tender for fertiliser stores in outlying islands	PMU	30 Jun 2016
Oil Palm – Institutional Issues	Identify land sites for fertilizer stores in outlying islands	KOPGT	30 Jun 2016
	Hold KOPGA's next AGM and elect new board members	KOPGA/UCA	31 Aug 2016
	Elaborate new KOPGA's operational guidelines	KOPGA/UCA	30 Nov 2016
	Provide No Objection to RFP for UCA single-sourcing	IFAD	31 May 2015
	Run interest journal with agreed regime (compound interest from harvest)	KOPGT	15 Jun 2016
	Post interests on farmers' loan accounts	KOPGT	31 Jul 2016
	Set up loan portfolio analysis/formats	KOPGT/PMU	31 Dec 2016
	Fully reconcile and update accounting data in Tally	KOPGT/PMU	30 Sep 2016
	Set monthly performance deliverables for finance department	KOPGT	Continuous
	Use Pearl for stock uses and accountabilities	KOPGT	30 Jun 2016
	Finalize proposal for KOPGT salary and incentive structure	HR consult./IFAD	30 Jun 2016
	Present outputs of HR consultancy to KOPGT Board for approval	HR consultant	31 Jul 2016
	Advertise for new positions	KOPGT	31 Aug 2016
	Organize study tours for organizational frameworks	PMU	31 Oct 2016

Oil Palm - Buvuma	Sign a contract with Bidco for establishment of the nursery in Buvuma	PMU	30 Jun 2016
	Order seedlings for 2,500 ha	PMU	30 Jun 2016
	Establish some minimum capacity in Buvuma (staff and equipment)	PMU	31 Jul 2016
Oil Palm - Research	Agree on investment project for 2016-18 cycle (oil palm/oilseeds or other)	IFAD/GoU	30 Sep 2016
	Finalize AWPB for 2016/17 and submit to PMU	NaCRRRI	31 May 2016
	Finalize adaptive research planting (1.3 ha)	NaCRRRI	30 June 2016
	Initiate short-term training for research team	NaCRRRI	30 Sep 2016
Oilseeds	Expose research team to oil palm plantations at OPUL	PMU	31 Aug 2016
	Provide NO for price variation of existing PSPs' contracts	IFAD	31 May 2016
	Include in 2 nd AWPB for existing PSPs new 500 FGs from season 2017A.	PMU	30 Jun 2016
	Submit to IFAD for NO contract for five new PSPs	PMU	15 Jun 2016
	Provide NO to RFP for single-sourcing of UCA to support HLFOs	IFAD	31 May 2016
	Ensure use by PSPs of guidelines for FLPs and "Farming as a Business"	PMU/PSPs	30 Jun 2016
	Develop a FG capacity assessment tool to be used by PSPs	PMU/PSPs	30 Jun 2016
	Develop a 2-year strategic plan and 1st AWPB for HLFOs' support.	PMU/UCA	30 Jul 2016
	Develop TOT programme on seed VC development and seed demand	PMU/NaSARRI/ NaCRRRI	30 Jun 2016
	Organize effective demand forecasting for sunflower seeds;	PSPs	31 Jul 2016
	Undertake multi-locational testing of new national hybrids with FGs	NaSARRI	31 Dec 2016
	Closely monitor and report on credit portfolio performance	PMU/FIs	30 Jun 2016
	Facilitate dissemination of VSLA training methodology to PSPs	PMU	30 Sep 2016
	Launch a crop insurance product for VODP2 target farmers	PMU	30 Sep 2016
	Assist FGs and HLFOs in preparing Season Action Plans	PSPs	31 July 2016
Oilseeds - Grants	Engage SNV to train existing and new PSPs on business linkage and 4P	SNV /PMU	30 Sep 2016
	Organise 4 regional and 1 national event on policy issues for oilseed sector	PMU/OSSUP	31 Jun 2017
	Hold quarterly hub-level meetings for coordination on 4P business cases	PMU/SNV	30 Jun 2016
	Submit 4P consolidated AWPB to VODP2	SNV	15 Jun 2016
	4P Steering Committee meeting to officially approve five 4P business plans	IFAD/PMU/SNV	31 Jul 2016
Project Management	Finalize recruitment of all four vacant positions	PMU	30 Sep 2016
	Initiate recruitment for M&E Assistant	PMU	15 Jun 2016
	Finalize contract for MIS installation	PMU	30 Jun 2016
	Finalize oil palm impact survey report	PMU	30 Sep 2015
Fiduciary Aspects	Finalize oilseeds outcome survey report	PMU	30 Sep 2015
	Streamline procedures for payments (accounting authority to PMU)	MAAIF	30 Sep 2016
	Profile PMU in IFMS (as payment system)	PMU/MAAIF	30 Sep 2016
	Include loan reflows in AWPB and ensure transfer to TSA and requisition	PMU	30 Jun 2016
	Process GoU request for amendment to the Financing Agreement	IFAD	15 Jun 2016

Appendix 5: Physical progress measured against AWP&B, including RIMS indicators

Component & objective			Period: FY 2015/16			Cumulative Actual	Appraisal Target		
	Indicator and Activity	Unit	AWP&B	Actual	%			%	
Oil Palm Kalangala: to create and integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers									
Operational Self-sustainability of KOPGT in 2018	KOPGT re-structuring agreement signed by 31 December 2017								
	- Service cost panel meetings	Meetings	4	4	100				
	- Oil palm pricing meeting	Meetings	12	5	42				
	- Finance and administration committee	Meetings	4	4	100				
	- Arbitration committee	Meetings	4	0	0				
	- KOPGT board meeting	Meetings	4	4	100				
	- KOPGA AGM	Meetings	1	1	100				
	- Conduct external audit	Report	1	0	0				
	- Increase number of visitors on web-site	Hits	?	N/A	N/A	N/A	N/A	N/A	
Kalangala oil palm scheme completed and producing	4700 ha planted by smallholders in Kalangala by December 2017								
	Bugala new								
	Bugala gap filling		37	40	108				
	Bunyama		13	13	100				
	Bubembe survey and registration		400	400	100				
	Total		0	0	0				
		Ha	450	453	N/A	4300	4700	92	
	1800 smallholders served by KOPGT								
	- Provide extension services	Farmers	1710	1770	104	1770	1800	98	
	- Provide fertilizer	Tonnes	1910	1764	92	N/A	N/A		
	- Order seedlings from OPUL	Seedlings	100,000	Ordered	N/A	N/A	N/A		
	Fertiliser store constructed:								
	Bugala completion		1	1	1	1	1	100	
	Bunyama design and construction		1	1	1	1	1	100	
	Bubembe design and construction	stores	1	1	1	1	1	100	
	Roads constructed in Kalangala:							N/A	
	Bugala CAR construct		15	0					
	Bugala Farm roads construct		25	0					
	Bunyama design and construction		40	0					
	TOTAL		80	0	0	250	310	81	
	Bugala maintenance	kms	60	31	52	N/A	N/A	N/A	
		Additional milestones:							
		- Measure soil fertility (district)	# samples	0	0	N/A	N/A	N/A	
- Undertake folia analysis (KOPGT)		# samples	0	0	N/A	N/A	N/A		
- Procure boat		Boats	2	On-going	N/A	N/A	N/A		
- Ensure maintenance of district equipment		Equipment	All units	On-going	N/A	N/A	N/A		
- Procure company for transport of equipment		Contract	1	On-going	N/A	N/A	N/A		
- Complete transport study for outlying islands		Study	1	On-going	N/A	0	1	0	

Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Oil Palm Buvuma: to create and integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers								
<i>Buvuma oil palm scheme established</i>	2500 ha smallholder land planted by 2018 in Buvuma							
	- Establish nursery	Number	1	Order placed	N/A	N/A	1	N/A
	- Map 500 ha of land	Ha	500	0	0	0	2500	0
	- Register farmers	Number	250	0	0	0	1250	0
	- Purchase 1,500 ha of land	Ha	1500	454	30	4834	6500	74
	1250 farmers served by BOPGT							
	- Start setting up trust	GM	1	0	0	0	1	0
	- Establish the Buvuma field office	Core staff	5	0	0	0	5	0
	Kms farm roads constructed / rehabilitated							
	- Demarcation of land	0	0	0	0	0		
Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Cross-cutting issues oil palm								
<i>New oil palm areas identified</i>	40,000 ha identified for oil palm plantations							
<i>Sustainable oil palm development</i>	Three island environmental monitoring plans for smallholder oil palm completed and being implemented							
	- Develop Environmental management plan	Trainings	10	10	100	N/A	N/A	N/A
	All oil palm activities (plantation, mill, refinery) are in compliance with NEMA regulations							
	- Complete mapping of the lakeshore in Kalangala	Map	1	On-going				
<i>Research</i>	- Undertake replacement planting	Ha						
	- Conduct training on chemical usage in Kalangala	Number						
	- Completion of ESIA Buvuma	Studies	1	1	100	1	1	100
	Research, pest and disease surveillance							
	- Recruitment of scientists	Number	3	3	100	3	3	100
	- Establishment of 1 acre trails	Number	6	6	100	6	6	100
	- Maintain trials	Number	9	9	100	9	9	100
	- Establish trial in Buvuma	Ha	10	0	0	0	10	0
Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Oil seeds: 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>Production of certified good quality seed and oil</i>	20MT each of foundation/breeder seed of hybrid parental lines of sunflower, ground nuts and soybean produced annually by NARO							
	- NaCRRRI produce soybean foundation seed	MT	24					
	- NaSARRI produce hybrid sunflower parental lines	MT	20					
	- NaSARRI produce sim-sim foundation seed	MT	10					
	- NaSARRI produce ground nuts foundation seed	MT	12	64	267	64	24	267

Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers								
<i>Farmer groups and extension</i>	90% of oilseed growers buying quality controlled seed by 2017	Farmers	40%					
	- Consolidate seed demand w/OSSUP	Reports	16					
	- Support farmer-to-farmer seed multiplication	Groups	40	32	80	32		
	- Seed inspection of local seed business farmer groups	Visits	160	61	38	61		
	- Work with millers in each hub	Millers	8	16	200	16		
	- Do yield and cake comparisons	Millers	4	1	25	1		
	10% annual increase in the hectares under oil seeds cultivation in each regional hub	Ha	10%					
	- 10 talk shows per hub on 4 radio stations	Shows	40	16	40	16		
	- Recruit 5 additional service providers	PSPs	5	On-going	N/A	6	11	55
	- Contract negotiation meetings	Number	2	2	100	2	2	100
	Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1/1 t/ha for soybean	Farmers	10%	7%	??	??		
	- Introduce new varieties							
	- Support research							
	- Develop extension messages							
	- Promote farming systems							
	- Manage seasonal data (DLGs)							
	5900 farmer groups (30%w) receiving extension services from the project by 2018							
	- Support groups in West Nile		175	189	108	189	899	21
	- Support groups in Northern Uganda	Groups	175	175	100	175	995	18
	- Support groups in Lira	Groups	300	355	118	355	1755	20
	- Support groups in Eastern	Groups	472	477	101	477	2257	21
	Total	Groups	1,122	1,196	107	1196	5806	21
	- Roll-out to new districts	Total	13	15	100	41	45	91
	- Establish farmer learning platforms	Districts	1464	864	59			
	- Distribute seed	FLPs	20	14.65	73			
	- Distribute fertilizer	Tons	400	82	21			
	- Distribute agro-chemicals	Bags	180	180	100			
	- Distribute row-markers	Litres	1464	1,260	86			
	- Distribute plot labels	Markers	664	200	30			
	- Conduct exposure visits with NARO Farmer field days Eastern	Labels	8	06	75			
	- Farmer field days Northern	Visits Days	10	05	50			
	- Farmer field days Lira	Days	10	04	40			
	- Farmer field days West Nile	Days	10	??	??			

Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Support activities								
<i>Farmer group institutional</i>	1000 farmer groups bulk selling by 2017							
	- Support 1000 farmer groups to bulk sell	FGs	1000	540	54	540	1000	54
	- Partner with UCA	Contract	1	On-going	N/A	N/A	N/A	N/A
	- Provide training material to farmers organisations	Material	?	??	??	??		
	- Map aggregation centres	Centres	16	??	??	??		
	- Conduct situation analysis	Reports	4	4	100	4	4	100
	- Select HLFOs	HLFOs	40	40	100	40	45	89
	- Mentor and backstop HLFOs	HLFOs	40	On-going	N/A	N/A		
	- Assess HLFOs	HLFOs	12	7	58	7	45	16
	- Backstop HLFOs	HLFOs	12	7	58	7	45	16
<i>Millers</i>	90% of the medium/large-scale millers attain UNBS quality certification by 2018							
	- Sensitise millers	Millers	90%	??	??	??		
	- Mentoring on certification	Millers	10%	??	??	??		
<i>Credit activities</i>	Amount of credit facility disbursed to value chain actors by participating financial institutions	UGX ('000)	3,000,000	2,569,396	86	2,569,396	3,000,000	86
	- Amount of credit repaid	UGX ('000)	3,000,000	998,655	58	998,655	3,000,000	58
	Number of groups with functional VSLAs	FOs	500	881	176	881	2,450	
	Number of beneficiaries of the credit facility							
	- Monitor field activities of FOs	FOs	12	9	75	9	N/A	
	- Assess FO capacity to receive credit	groups	6	9	38	9		
	- Negotiation meetings with 2 insurance companies	Groups	24	9	113	2		
<i>Cross-cutting</i>	- Train farmer groups financial literacy	Meetings	8	12	92	8		
	- Link farmer groups to financial institutions	FOs	36	27	75	27		
	- ToT on HH mentoring	Number	80	77	96	77	N/A	
	- Identify farmer associations	FOs	38	46	121	46		
	- Mentor households	HHs	168	71	42	71		
	- Mainstream HIV/AIDS							
	- Ensure environmental sustainability							
	- Promote good climate change practices							

Appendix 6: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Disbursement performance by financier as at 31 March 2016 (USD'000)

Financier	Appraisal (USD '000)	ents (USD '000)	Percent disbursed
IFAD loan	52,000	23,428	45%
IFAD Grant	1,140	819	72%
Government of Uganda	15,000	13,350	89%
Oil Palm Uganda Ltd (OPUL)	70,380		-
Trust	4,440		-
KOPGT	1,040		-
Farmers	3,900	4,355	112%
SNV cofinancing	340	255	75%
Total	148,240	42,208	28%

Table 5B: Financial performance by financier by compared using actual loan utilization (excluding initial advance) as at 31 March 2016 (USD'000)

	IFAD Loan			IFAD grant			Government			OPUL		Trust			KOPGT			Farmers			SNV cofinancing			Total			
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%			
										Actual																	
Oil Palm Development															-												
Consolidation and Expansion- Kalangala	8 608 100	12 838 674	149%				3 250 000	-	0%							933 000	4 355 127	467%			0%	12 791 100	15 845 942	124%			
Support to KOPGT	4 482 801	2 332 713	52%				-															4 482 801		0%			
Mobilisation- Buvuma	4 028 000	-	0%				-															4 028 000		0%			
Development- Buvuma	9 217 299	361 886	4%				10 490 000	7 835 883	75%	70 380 000	-	0%	4 440 000	-	0%	1 040 000	-	0%	2 967 000	-	-	-	-	98 534 299	6 262 044	6%	
Identification of new areas	673 000	126 205	19%					1 954															673 000	86 170	13%		
Sub total Oil Palm Development	27 009 200	15 659 479	58%	-	-		13 740 000	7 837 837	44%	70 380 000	-	0%	4 440 000	-	0%	1 040 000	-	0%	3 900 000	4 355 127	112%	-	-	0%	120 509 200	22 194 156	18%
Oil Seeds Development		-					-												-					-			
Seed Production	2 019 600	516 567	26%				-																2 019 600	516 567	26%		
Extension for Farmer Groups	12 830 200	2 042 569	16%				84 580																12 830 200	2 127 149	17%		
Other Value chain Activities	1 849 200	4 250	0%	1 140 000	819 000	72%	-														285 000	-	75%	3 274 200	4 250	0%	
Sub total Oil Seeds Development	16 699 000	2 563 387	15%	1 140 000	819 000	72%	-	84 580		-	-		-	-		-	-	0%	-	-	-	285 000	-	75%	18 039 000	2 647 967	15%
Project Management		-					-																	-			
Project Management	8 291 800	3 859 038	47%				1 260 000	767 872	61%														9 551 800	4 095 263	43%		
Sub total Project Management	8 291 800	3 859 038	40%	-	-		1 260 000	767 872	61%	-	-		-	-		-	-	0%	-	-		-	-	0%	9 551 800	4 095 263	43%
Total	52 000 000	22 081 904	42%	1 140 000	819 000	72%	15 000 000	8 605 708	57%	70 380 000	-	0%	4 440 000	-	0%	1 040 000	-	0%	3 900 000	4 355 127	112%	285 000	-	75%	148 185 000	28 937 386	20%
Initial Deposit		5 000 000																									
TOTAL	52 000 000	27 081 904	52%																								

W/A pending: 41& Expenditures Not												
Category	Category description	Allocation	Disbursement	%	45	yet claimed	Subtotal	%age	Commitments	Total	% Disb	Balance
118389	Vehicles and equipments	6 829 851	1 272 523	18.63%	105 647.07		1 378 170	20.18%	-	1 378 170	20.18%	5 451 681
118390	Materials	2 219 701	270 186	12.17%	201 336.80		471 523	21.24%	125 411	596 934	26.89%	1 622 767
118391	Pontoon landing sites	1 272 836	-	0.00%	-		-	0.00%		-	0.00%	1 272 836
118392	Other Civil works	2 033 433	350 472	17.24%	226 031.82		576 504	28.35%	63 674	640 178	31.48%	1 393 255
118393	Smallholder oil palm development	12 464 478	10 976 883	88.07%		638 814.25	11 615 697	93.19%	282 312	11 898 009	95.46%	566 469
118394	Oil seed Guarantee Fund	1 428 060	-	0.00%			-	0.00%		-	0.00%	1 428 060
118395	Consultancies, Workshops and Traini	3 213 134	1 060 998	33.02%	107 533.92	332 882.33	1 501 415	46.73%	242 603	1 744 018	54.28%	1 469 116
118396	Extension services	9 623 881	652 226	6.78%	993 894.33	127 990.60	1 774 110	18.43%	311 148	2 085 258	21.67%	7 538 623
118397	Salaries and allowances	5 075 821	2 234 459	44.02%	100 170.46	548 306.01	2 882 936	56.80%	-	2 882 936	56.80%	2 192 885
118398	Operating costs	3 073 433	1 610 659	52.41%	43 751.82	227 139.47	1 881 550	61.22%	52 351	1 933 901	62.92%	1 139 532
	Unallocated	4 765 373		0.00%			-			-	-	4 765 373
	Total	52 000 000	18 428 406	35.44%	1 778 366	1 875 133	22 081 904	42.47%	1 077 499	23 159 403	44.54%	28 840 597
	<i>Initial Deposit</i>		<i>5 000 000</i>									
	TOTAL	52 000 000	23 428 406	45.05%	1 778 366							

Appendix 7: 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		Complied, Dec 2014	Research institution in charge of oil palm is NaCRRi, no longer COREC. FA being amended in this respect.
Schedule 1, II.B.2	Conclude MoUs with NCSC and UNBS		Complied, Dec 2014	MoU with NCSC not needed (intra-ministerial)
Schedule 1, II.B.3	Conclude MoU with NAADS		Not applicable	Not applicable. NAADS has been restructured and mandate changed. FA being amended.
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 is 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 30 Dec 2012	30 Dec 2012	Not applicable	A draft business plan has been prepared. Loan covenant being deleted
Schedule 1, II.C.3	KOPGT to become self-sustaining in operational costs by 30 December 2016	30 Dec 2016	Not yet due, but overall on target for new deadline	Deadline for this loan covenant being postponed (31 Dec 2018). OSS by April 2016 is at 62%.
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 done by 30 June 2015. Ministry of Works undertaking design.

Schedule 1, II.C.5	GoU to up-grade ferry service between Buvuma and the mainland		Not yet due	Investment in Buvuma delayed
Schedule 1, II.C.6(a)	NaSARRI and NaCRRI will produce foundation seeds and hybrid parent lines for sale to seed companies for multiplication (to be certified by NSCS).		Complied	
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		Not applicable	Funds re-allocated as weather guarantee schemes not feasible. Loan covenant being deleted.
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		Complied	One outlying island planted. Second outlying island planned. No IFAD funds will be spent in Buvuma.
Schedule 2 cat. 6	Expenditure on the Oilseeds Guarantee Fund is subject to prior approval by IFAD		Not applicable	Oilseeds Guarantee Fund will not be implemented. Loan covenant being deleted.
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		Complied for outlying islands Not yet due for Buvuma	NEMA certificate received for outlying islands in time for planting; Buvuma planting not commenced and certificate on the way.
Schedule 3, par. 3	Ensure that repayment of loans by farmers to KOPGT are re-cycled to finance further loans for oil palmer growers in Kalangala and other districts of Uganda		Not yet due	Loan repayments have not been utilised. Mechanisms have to be put in place to recycle the reflows.
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		Complied	
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	Loan covenant being modified: no disbursements of IFAD Loan funds for smallholders' development in Buvuma before formal commitment by OPUL to support oil palm development.
Schedule 3, par. 7	BOPGT to be registered	Within 6 months of OPUL's commitment to nucleus estate	Not yet due	Loan covenant being modified: BOPGT to be registered within 6 months of initial investment in oil palm.
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	

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 applicable	Project has no mechanism to ensure import
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	Loan covenant being deleted. 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 8: Summary of Status of Implementation of Previous Mission

Area	Action Agreed	Whom	Date	Status of implementation
Oil Palm Kalangala	Finalize and disseminate the GPS data	PMU	30 Jan 2016	Delayed. Data entry completed. Report preparation on-going
	Roll-out PM&E trainings for farmers	PMU	30 Apr 2016	Not yet done. Incorporated in the UCA activities (contract still to be signed).
	Finalize the agreement with UDB for fertilizers' loan scheme	KOPGT	31 Dec 2015	Done. Fertilizer credit disbursed
	Conduct trainings on harvesting standards	KOPGT	30 Nov 2015	Done. Trainings organized in conjunction with OPUL; More trainings planned for this season
	Identify and support farmers who are unable to harvest on time	KOPGT/Unit lead.	30 Nov 2015	Done. Use of centralized labour gangs being experimented.
	Analyse District Land Board report and farmer lists for Bunyama	PMU	30 Mar 2016	Not yet done. The list is available with KOPGT. No analysis done by the PMU.
	Finalize the procurement for repair of road equipment	PMU	31 Dec 2015	Done. Repair of equipment on-going, but delayed
	Enter MoU with KDLG for road equipment management	PMU	31 Dec 2015	Done. MOU in place
	Start participatory road demarcation on Bubembe	PMU/KOPGT	31 Dec 2015	Done.
	Complete road construction on Bugala	PMU	30 Jun 2016	Not yet started, delayed by repair of road equipment.
	Start road construction on Bunyama	PMU	31 Aug 2016	Not yet started, delayed by repair of road equipment. Discussion on-going for use of labour based techniques
	Develop participatory road maintenance plan	PMU/KOPGT	31 Mar 2016	Delayed. Draft is available
	Ensure commencement of ferry services design study	MAAIF/MoWT	31 Dec 2015	Delayed. Procurement just completed by MoWT.
	Launch procurement process for KOPGT boats	PMU	31 Dec 2015	Delayed. Lack of consensus by the users-farmers on the type of boats.
	Take decision on fertiliser store construction methods	PMU	31 Dec 2015	Delayed. Project working with the Kalangala District Engineer
	Single-source UCA for support to KOPGA	PMU	28 Feb 2016	Delayed. Submitted to IFAD for NO early May
	Appoint the KOPGT external auditor	KOPGT	30 Nov 2015	Delayed. Awaiting board approval
	Establish technical sub-committee on prices	KOPGT	15 Nov 2015	Done
	Conduct training on price formula for unit and block leaders	KOPGT	30 Nov 2015	Done
	Pricing committee to meet every 6 months	KOPGT	Continuous	Planned. Slated to meet in June 2016 to review the undertakings of the subcommittee.
Oil Palm Buvuma	Advert for field officers and store keeper	KOPGT	30 Nov 2015	Done. Successful candidates to report on 1/6/2016
	Mobilize HR consultancy support to KOPGT	IFAD	10 Dec 2015	Done. HR consultancy completed
	Order seedlings for 500 ha planting	PMU	31 Dec 2015	Delayed. Waiting for quotation from OPUL to set up a nursery in Buvuma.
	Establish Minimal capacity in Buvuma	PMU	30 Apr 2016	Delayed. Request presented to PSC; Staff expected by 1/07/2016
	Commit Budget for Buvuma in FY 16/17	MFPED/MAAIF	30 Mar 2016	Done

Research	Submit work plan and budget for oil palm research	NaCCRI	15 Nov 2015	Not done
	Plant trial plots in Namulonge	NaCCRI	31 Dec 2015	Partly done, to be finalized.
	Plan for short-term training abroad	NaCCRI	31 Mar 2016	Not done
Oil seeds	Submit to IFAD shortlist of PSPs	PMU	15 Nov 2015	Done
	Issue RFP for PSPs	PMU	30 Nov 2015	Done
	Submit to CC proposed modifications for contract review of PSPs	PMU	31 Dec 2015	Delayed. Submitted to IFAD for NO in March.
	Single-source UCA for support to HLFOs	PMU	28 Feb 2016	Delayed. Submitted to IFAD for NO early May
	Produce hub-specific action plans for seed demand forecasting	PMU	31 Dec 2015	PMU and seed importers shared information on seed quantities and varieties imported, seed/input dealers and organized farmer groups in the hubs as potential seed buyers.
	Agree on 2-years WPB for local hybrid seeds	PMU/NaCCRI	31 Dec 2015	NaSARRI team has submitted an activity plan and budget to PMU for consideration.
	Produce a seed forecasting/production plan for soybean seeds	PMU/NaCCRI	31 Dec 2015	NaCCRI submitted an activity plan and budget to PMU for consideration, based on seed demand projections.
	Replicate VSLA training where appropriate	PSPs	Continuous	VSLA training included in PSPs activities for the 2 nd year
	Set up a governance mechanism for 4P grant	SNV	31 Dec 2015	Done. PSC in place.
	Establish ToRs for PSPs' functions under 4P	PMU/SNV	31 Dec 2015	Meetings on-going with PSPs to agree on roles.
	Complete list of 4P business cases	SNV	31 Dec 2015	Done
	Prepare a bi-annual WPB for 4P	SNV	31 Jan 2016	Done. AWPB shared and approved by IFAD.
PMU	Train PSPs on 4P brokering concepts and tools	SNV	28 Feb 2016	Done
	Advertise for COM/KM, Procurement and M&E Assist. positions	PMU	31 Dec 2015	C&KMO and Procurement Officer positions advertised. M&E Assistant position deferred by PSC
	Submit final draft of the MTR report to IFAD	PMU	15 Nov 2015	Done
	Provide final comments on MTR to GoU	IFAD	30 Nov 2015	Done
	Submit request for amendment of the FA	PMU	31 Dec 2015	Done
	Finalize baseline studies	PMU	31 Dec 2015	Done
	Submit updated version of the RMF to IFAD	PMU	30 Nov 2015	Done
	Organize a technical workshop on oil palm farm model	IFAD	30 Nov 2015	Done
	Complete oil palm impact study	PMU	30 Jun 2016	On-going. TORs finalized to be discussed during the Mission
	Complete oilseeds outcome study	PMU	30 Jun 2016	On-going. TORs being refined. Will be completed by 31 Jul 2016
	Finalize procurement of MIS	PMU	31 Jan 2016	Delayed, on-going
	Hold sensitisation meetings on NEMA recommendations	PMU/KOPGT	28 Feb 2016	Done
	Recruit a firm to establish the extent of encroachment in Kalangala	PMU	30 Nov 2015	Done
	Consider streamlining of procedures for approval of payments.	MAAIF	Continuous	Not done. Delays continue.

Appendix 9: Mission Terms of Reference

TO: Mr Billy Ghansah, oil palm specialist
Mr Marco Camagni, IFAD Technical Advisor, Marketing
Mr Davis Atugonza, financial management specialist
Ms Line Kaspersen, monitoring and evaluation specialist
Mr Nicola Francesconi, institutional specialist
Mr Willem Heemskerk, agricultural extension specialist


FROM: Alessandro Marini,
IFAD Country Director and Team Leader

DATE: 13 April 2016

SUBJECT: Terms of Reference. Supervision and Implementation Support mission for the Vegetable Oil Development Project Phase 2 (VODP2, 806-UG), 9-20 May 2016.

Background

1. The second phase of the Vegetable Oil Development Project (VODP2) entered into force in October 2010. It is implemented by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) over a period of 8 years, with project completion date set on 31 December 2018. The total cost of the project is USD 147.2 million, financed with an IFAD loan of USD 52 million and an IFAD grant of USD 1 million to SNV to support the Uganda Oilseeds Subsector Platform (OSSUP). The project development objective is to 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. The project has been classified as 'problem project' for two consecutive years in IFAD portfolio reviews (2014 and 2015), mainly due to the uncertainty regarding the likelihood of achieving its development objectives due to: (i) the withdrawal of the private sector partner from the original plan of establishing a nucleus estate of 6,500 hectares in Buvuma; and (ii) the accumulated delays in the implementation of the oilseeds component.

3. A Mid-Term Review was undertaken in November-December 2014, but final agreement between IFAD and GoU on key recommendations and way forward was only reached in late 2015. The key agreed strategies to address the challenges that have affected project performance include: (i) removing from VODP2 objectives the target of establishing a nucleus estate of 6,500 ha in Buvuma; (ii) reducing the target of smallholders' plantation development for Buvuma from 3,500 ha to 2,500 ha, with the related commitment by GoU to finance the entire investment given the legal impediment for IFAD to do so as per VODP2 Financing Agreement; and (iii) increasing the implementing capacity in the oilseeds component in order to achieve the expected targets in a shorter time, through a combination of increased coverage by the existing Pay for Service Providers (PSPs), the recruitment of five new PSPs and the support to Higher-Level Farmers' Organizations (HLFOs) for better and more sustainable service delivery to their members.

4. The few months following the supervision mission held in November 2015 were considered crucial to create the conditions for delivering according to the new strategic approach envisaged by the MTR and lift VODP2 from its current 'problem project' situation. In particular, the following key actions were to be given priority: (i) establishment of a minimum capacity on Buvuma island in terms of staff and office space and equipment, to duly prepare for the planting of the first 500 ha in the FY 2016/17; (ii) commitment by GoU in the budget for the FY 2016/17 of the necessary financial resources for investment on Buvuma island; (iii) recruitment of 5 new PSPs in the four oilseeds hubs;

(iv) review of the scope of the contracts of the six existing PSPs to increase their coverage of supported farmer groups; (v) finalize the contractual agreement with the Uganda Cooperative Alliance (UCA) for support to HLFOs and KOPGA.

5. In December 2014 IFAD has approved a grant to SNV to implement a programme on “Partnering for Value: promoting Public-Private Producers Partnerships (4Ps) in IFAD-funded value chain projects”. Uganda was selected among the countries where this programme would be implemented, in strict partnership with the oilseeds component of VODP2.

Mission objectives and outputs

6. From 9 to 20 May 2016 an IFAD Supervision and Implementation Support mission will visit VODP2 to assess the implementation status of the project, including the two related grants implemented by SNV (OSSUP and 4Ps). The overall objectives of the mission are to review the implementation progress, the implementation of the recommendations from previous missions and the status of execution of the AWPB 2015/16 and to provide the necessary implementation support. Particular focus will be on the following key areas:

- Assessment of the 'problem project' status and any progress made to take appropriate measures in this respect;
- Progress made in the implementation of the key actions identified in the last supervision mission as crucial for a proper implementation of the strategic approach agreed at MTR;
- Dialogue with Government on future investment in consolidating and scaling up current investments in oil palm and oilseeds
- Final set up of the project M&E system;
- Overall financial management of the project.

The main expected outputs are:

- An Aide Memoire summarising the main findings and agreed actions of the mission, to be discussed with Government, agreed upon and signed;
- A Management Letter highlighting the main issues and recommendations of the mission, to be sent to Government within 10 days of the end of the mission;
- A supervision report, following IFAD template, compiling all the different contributions and outputs of the mission.

Individual tasks and responsibilities

7. Each team member will be assigned individual tasks and responsibilities to contribute to the objectives of the mission, as specified here below, and will be expected to contribute to the main outputs of the mission in his/her respective areas as requested by the team leader. For field visits, the team will split into two sub-groups, one visiting the oilseeds areas and one visiting the oil palm areas

8. **Mr Alessandro Marini, IFAD Country Director and team leader.** He will be responsible for coordinating the team members to ensure that the mission reaches its objectives and responds to its terms of reference in a professional, efficient, effective and timely manner. This includes coordinating, reviewing and managing the contributions of team members and working closely with them to ensure proper quality of the final outputs. Besides his overall task of leading the mission, he will:

- Review the overall execution of the AWPB 2015/16, with the appropriate inputs from the other team members with respect to activities in their respective technical areas;
- Review the status of implementation of key loan covenants;
- Follow up on status of Mid Term Review report (still to be officially submitted to IFAD) and related request for amendment of the Financing Agreement;
- Lead the discussions with Government on future investment by IFAD in oil palm and oilseeds areas;
- Assess the adequacy of the project management systems in place, including the overall project staffing, project equipment, etc.

- Coordinate in the field the work of the oil palm sub-team to ensure delivery by each member on his/her own ToRs;
- Review the progress made in establishing the loan scheme for fertilizers for farmers in the commercial phase;
- Follow-up on the working of the pricing committee;
- Discuss with KOPGT the recommendations made by the HR consultancy in areas related to staff appraisal methodology, remuneration levels and the overall organisational structure;
- Prepare a mission note to be presented and discussed with local stakeholders in Kalangala.

9. He will prepare and present the mission Aide Memoire at a wrap-up meeting at the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) at the end of the mission and ensure timely delivery of inputs from mission members prior to departure from the country. Within 10 days of the end of the mission, he will prepare a Management Letter to Government, highlighting the main issues and recommendations of the mission. He will also be responsible to assemble the final supervision report following IFAD's template.

10. **Mr Marco Camagni, IFAD Senior Technical Specialist in rural markets and enterprises.** Within the overall objectives of the mission, he will be responsible for reviewing the implementation progress of the oilseeds component, jointly with the agricultural extension specialist. In particular, he will:

- Coordinate in the field the work of the oilseeds sub-team to ensure delivery by each member on his/her own ToRs.
- Review the work done by the PSPs in the areas related to linkages with private sector millers and, more broadly, value chain development.
- Review the implementation progress of the 'OSSUP' grant by SNV.
- Review the implementation progress of the '4P' programme by SNV, with particular focus on the coordination arrangements established with VODP staff both in the field and at national level;
- Interact with millers and other possible market partners and discuss opportunities and challenges to implement the 4P approach in the context of the VODP oil seed component.

11. He will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. He will also prepare a brief technical note summarizing the findings in his area of competence, including time bound recommendations for action. He will prepare a GSR for the 'OSSUP' grant following the IFAD template.

12. **Mr Willem Heemskerk, agricultural extension specialist.** Within the overall objectives of the mission, he will be responsible for reviewing the implementation progress of the oilseeds component in close coordination with the rural markets and enterprises specialist. In particular, he will:

- Review the work done by the PSPs in the areas related to provision of agricultural extension services, with a specific focus on assessing the effectiveness of the extension methodologies and the technical curricula used.
- Review the progress made in strengthening the capacity to deliver services on the ground by: recruiting 5 additional PSPs; expanding the scope of work of the existing PSPs; and providing support to HLFOs.
- Review the actual effectiveness in uptake of technologies by the members of the groups supported by the PSPs
- Assess the progress made in increasing the access to improved seeds of relevant crops for farmers in the project area

13. He will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. He will also prepare a brief technical note summarizing the findings in his area of competence, including time bound recommendations for action.

14. **Mr Billy Ghansah, oil palm specialist.** Within the overall objectives of the mission, he will be responsible for reviewing the implementation progress of the oil palm component. In particular, he will:

- Review the overall status of the plantations in Kalangala and provide the relevant agronomic recommendations;
- Assess the status of implementation of the new plantings in Bunyama island as well as the plans for plantings in Bubembe island
- Review the status of implementation of roads and other infrastructure investment activities, both in Bugala and in the two outlying islands
- Review the environmental compliance of the new plantings, as well as the buffer zone mapping exercise by the PMU.
- Review the management of the KOPGT fertilizer store;
- Review the status of the process to establish appropriate transport infrastructure between the two outlying islands and Bugala;
- Assess the status of preparations for the planting of the first 500 ha in Buvuma in 2016/17, including the recruitment of the necessary TA.
- Assess the progress made in establishing the necessary capacity for oil palm research

15. He will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. He will also prepare a brief technical note summarizing the findings in his area of competence, including time bound recommendations for action.

16. **Mr Nicola Francesconi, institutional specialist.** Within the overall objectives of the mission, he will be responsible for reviewing the implementation progress of component 2. In particular, he will:

- Assess the progress made in strengthening the governance structure of KOPGA
- Discuss with KOPGA the deliberations taken at their last AGM and way forward in restructuring the association;
- Initiate discussions with local stakeholders on the process for restructuring of the current institutional framework for KOPGT and propose a road map in this respect

17. He will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. He will also prepare a brief technical note summarizing the findings in his area of competence, including time bound recommendations for action.

18. **Mr Davis Atugonza, financial management specialist.** Within the overall objectives of the mission, he will be responsible for reviewing the financial management and fiduciary aspects of the project. In particular, he will:

- Assess the established capacity and systems for financial management;
- Assess the adequacy of the installed project accounting software, including to duly capture the totality of counterpart funds;
- Review the implementation of recommendations from external and internal audit;
- Carry out spot-checks on Statements of Expenditures;
- Undertake financial management assessment ratings in accordance with IFAD risk-based disbursement guidelines;
- Provide inputs on fiduciary PSR ratings.
- Review the procurement systems and templates used by the project, including the procurement plan, contract monitoring forms and contract register;
- Undertake an ex-post review on a sample of procurement processes and procurements below the No Objection threshold;
- Review the effectiveness of the flow of funds between the PMU, KOPGT and the various PSPs and make appropriate recommendations for improvement;
- Discuss the necessary actions to ensure that the reflows of KOPGT development loans are duly secured and can be used to finance project investments before the end of the project;

- Review the progress made by KOPGT with respect to the undertaking of the external audit;
- Assess the progress made by KOPGT in terms of financial sustainability as per its own business plan.
- Review the status of the transport recovery account and the operations of the service cost panel and provide recommendations as needed.

19. He will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. He will also prepare a brief technical note summarizing the findings in his area of competence, including the risk-based FMAQ form and the SoE spot-check evidence as annexes.

20. **Ms Line Kaspersen, M&E specialist.** Within the overall objectives of the mission, she will be responsible for reviewing the M&E aspects. In particular, she will:

- Review the baseline study reports and provide comments as appropriate for finalization;
- Review the project results management framework following MTR adjustments, including the proposed annual milestone targets and the inclusion of appropriate baseline data;
- Assess the progress made in the preparations for the oil palm impact study and the oilseeds outcome study;
- Assess the status of the procurement of the project MIS;
- Review the status of the environmental mapping exercises undertaken by the project;
- Review the plans for the undertaking of the Randomized Control Trial surveys.

21. She will contribute to the final Aide Memoire and Supervision Report in relation to the above areas, following the IFAD document template and formatting. She will prepare a brief technical note summarizing the findings in her area of competence, including time bound recommendations for action.

Appendix 10: Audit Log

LOG OF AUDIT OBSERVATIONS							
Project Name:		Vegetable Oil Development Project					
Serial No.	Financial Year	Class: Serious / General	Audit Ref.	Audit Observation	Amount	PMU Action	Auditor's Validation Results Implemented/settled Partially settled Not implemented/Pending
1	15/16	General		Slow recovery of outstanding loans to oil palm farmers	UGX 32.40bn	Recovery is expected to be completed in 2031(15 years after last plantings	Partially settled
2	15/16	General		Un implemented activities	UGX 12.52bn	The unimplemented activities were budgeted for in the current AWPB.	Implemented
3	15/16	General		Lack of land titles for the acquired land.	UGX 5.27bn	Land titles were received and submitted to Uganda land commission for transfer.	Implemented
4	15/16	Serious		Failure to hand over 5,000ha of land for oil palm nuclear estate		In order to handle over land to BIDCO, a total of 6,500ha of plantable land has to be available and efforts to acquire all the required land are on-going.	Not implemented
5	15/16	General		Cases of encroachment on project land, where people have built temporary structures and opened gardens		The project has opened boundary roads around the acquired land.	Implemented
6	15/16	General		Unimplemented roads works in Kalangala	UGX 0.89bn	Road equipment that affected road works has been fixed.	Not implemented
7	15/16	General		Lack of staff at Buvuma (VODP) offices		This is supposed to be done after handover of land to BIDCO	Not implemented

1) TABLE OF SUMMARY STATUS OF AUDIT OBSERVATIONS

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value	Numbers	Value	Numbers	Value
2014/2015	7	51.18bn	4	50.29bn	3	0.89bn
2013/2014	7	49.49bn	2	46.21bn	5	3.28bn
2012/2013	4	11.91bn	2	11.89bn	2	0.02bn
2011/2012	5	1.18bn	5	1.18bn	0	0
Total	23	113.76	13	109.57bn	10	4.17bn

Technical Annexes

Technical Annex 1

Oil Palm Development⁹

Introduction

1. This technical report reviews the implementation progress of oil palm planting and agronomic recommendations from previous missions and on the consolidation and expansion of oil palm planting on the outlying Islands of Kalangala and the research component. It also includes the review of the Buvuma Project and a visit to the oil palm trials set up by Mukwano industries in Kiryandongo District. The mission visited Bugala Island, where it interacted with the relevant stakeholders including: Kalangala Oil Palm Growers Trust (KOPGT), Kalangala Oil Palm Growers Association (KOPGA), Kalangala District Local Government (KDLG), Oil Palm Uganda Limited (OPUL) and held meetings with farmers at their various farms, units, blocks and visit to the new Palm Oil Mill. The mission also visited the Kiryandongo District to inspect the on-going trials of oil palm by Mukwano industries and also interacted with the district officers. The mission was accompanied by staff of the Project Management Unit (PMU) and research staff.

Findings

Table 1: Area planted with oil palm for small holders in Kalangala as at end of 2015

Block	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Sep-15
Bbeta East	301	334	576	629	629	645
Bbeta West	412	497	715	750	750	760
Bujumba	254	271	513	607	587	611
Kagulube	290	175	331	366	366	385
Kalangala	323	340	462	506	476	478
Kayunga	332	402	555	659	659	670
Outlying Islands	0	0	0	0	50	405
Outgrowers	346	346	346	346	346	346
Total	2,258	2,366	3,498	3,863	3,863	4,300

Source: KOPGT

2. There was a total of 4300 ha planted on Kalangala by 1,770 farmers by end 2015 compared to the targeted area of 4700 ha for the smallholder in Kalangala. The planted area is around 91% of the target including the outlying Islands. 716 farmers were harvesting as at the end of April 2016 and more areas will be coming into production within the year especially most of the 2011 plantings. There are enough seedlings to complete the planting of the balance of 400 ha on Bubembe Island to achieve the project target of 4700 ha by the end of 2016.

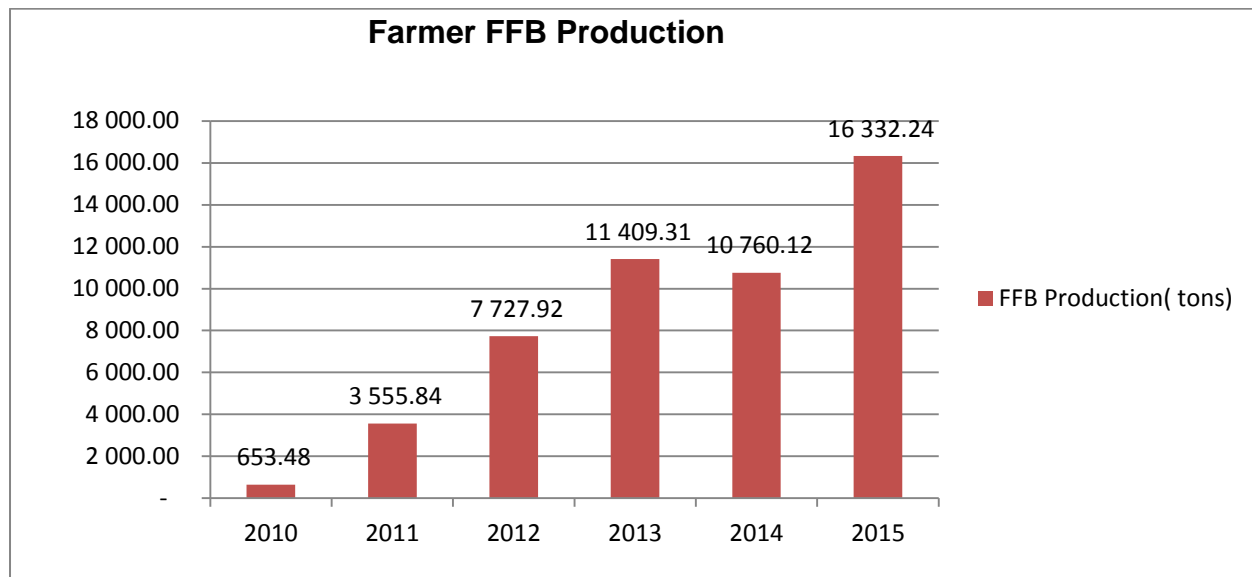
3. Though the overall appearance of the trees shows an improvement in nutrition, there is room for better nutrition management in some of the blocks. Overall, plantation maintenance has improved markedly, especially pruning and inter row weeding in areas under production. There is need to improve on circle weeding, though, in order to maximize the collection of loose fruits, which will impact

⁹ This Technical Annex has been prepared by Billy Ghansah, Oil Palm Expert

positively on the Oil Extraction Rate (OER) and the final price paid to farmers. In addition some of the 2011 plantings are having problems with too many intercrops and poor maintenance.

Oil palm production, yields and fertiliser application

Figure 1 Graph of annual smallholder FFB production from 2010 to 2015



4. The total volume of fresh fruit bunches (FFB) production for small holder farmers has increased from 11,409 tons in 2013 to 16,332 tons in 2015, (see graph above) and for the first 4 months of 2016, the FFB produced is 7,040 tons compared to 5,930 tons for the same period last year. This is due to increasing yields in some fields and increasing area of harvesting as more fields are brought into production. The yields are however relatively lower than that of OPUL which has yields of 12.62 t/ha, 11.68 t/ha and 12.78 t/ha in 2013, 2014 and 2015 respectively compared to that of the farmers at 7.96 t/ha, 7.47 t/ha and 7.42 t/ha within the same period a gap of almost 40 % see table 2 on oil palm yields comparison below.

Table 2: Oil palms yields comparison

Year	2013	2014	2015
Yield/ha(Tons/ha) OPUL	12.62	11.19	12.78
Yield/ha(Tons/ha) Farmers	7.96	7.47	7.42

5. The reasons for the yield gap are due to the actual areas of production being suspected to be lower than reported, for example some of the 2010 areas are still not yielding due to; the poor soils they were planted on, the initial poor maintenance and fertilizer application in some areas, low fertilizer uptake by the commercial farmers and fertilizer diversions by some farmers. In addition there is inadequate data on farmer plantings- most farmers planted their fields in different years thus there is a mix of different planting years coming into production with the concomitant yield depression as younger areas start producing.. Also there have been instances of poor crop harvesting by farmers resulting in crop losses

Fertiliser application by farmers with mature plantations. Fertiliser application has been part of the recommended agronomic practices given the nature of soils in Kalangala and the peculiar needs of the oil palm for nutrients to maintain sustainable yields. The table 3 below shows an analysis of fertiliser uptake by commercial farmers since 2014 has not been very good except for the beginning of 2016 when the uptake has increased from 11% over all to 36% so far. The fertiliser uptake analysis does not take into consideration the types and quantities of fertiliser being applied. It implies that

some famers are not applying fertiliser leading to the vicious cycle of low yields and inability to pay for fertiliser.

Table 3: Commercial Farmers Fertilizer Uptake Analysis							
BLOCK	No. Of Commercial farmers	2013/2014 uptake	% uptake	2014/2015 uptake	% uptake	2015/2016 uptake	% uptake
Bbeta East	122	28	23%	0	0%	23	17%
Bbeta West	158	19	12%	0	0%	26	15%
Bujumba	54	0	0%	1	1%	54	87%
Kagulube	81	5	6%	17	21%	66	80%
Kalangala	62	0	0%	22	35%	48	75%
Kayunga	119	15	13%	28	24%	41	21%
Total	596	67	11%	68	11%	258	36%

Source: KOPGT credit office.

6. The data above shows that Bbeta East, Bbeta West, Kayunga and Bujumba blocks had relatively low fertiliser uptake.

7. The mission notes that since March this year, KOPGT has put in place a method of pre-financing fertilizers for commercial farmers through loan arrangements funded by the Uganda Development Bank. This has improved the uptake of fertilizers by commercial farmers. This is evidenced by the over 80% of the farmers in the commercial phase in some blocks like Bujumba and Kagulube taken up fertiliser compared to the 1% for example of Bujumba in 2015. In tandem with the funding there is the use of the group fertilizer application with hired labour as well as the training of the labour on the correct methods of application.

8. Foliar sampling was not done due to communications issues with OPUL as the samples were not collected, in addition to technical challenges of implementing sample identification and foliar collection.

9. A new method of identifying 3 fields per unit as sampling units according to the terrain has been discussed and demonstrated with KOPGT during the mission. The leaf samples are to be collected from specific rows to be identified per sample field. Sampling rows should not be changed after identification. In addition identification of leaf number 17, collection and preparation of samples has been demonstrated in the field with KOPGT field officers and management by the mission. **Agreed actions** (i) KOPGT with support from PMU will undertake a tree census of all trees of all farmers to establish the actual number of trees per farmer to help in better fertilizer quantities allocation. This will be repeated annually between October and November. (ii) roll out the fertilizer funding scheme to all commercial famers in all blocks by the end of September 2016 (iii) Ensure that all farmers are trained along with the work groups on the correct fertilizer application methods as agreed with KOPGT.

Recommendations

10. In the absence of the foliar analysis results, farmers in the mature phase that is above 4 years should apply NPK super at 2kg(NPK super is formulated as N:P:K:Mg:B in the following proportions of 13:8:27:8+.5B) per tree per year in addition to 1kg of dolomite. This should be supplemented with Muriate of Potash (MOP) at 0.5kg to 1 kg per tree per year. Extra fertilizers will need results of the foliar analysis and field conditions as well as yield history.

- NPK blue (NPKMg 12:12:17:2) should be used only for the immature trees of below 4 years of age.
- Farmers should be trained to do split fertiliser application in smaller doses to avoid leaching and runoff losses
- KOPGT should improve the communication with OPUL on timing for foliar sample collection
- KOPGT to identify the farmer fields to be used for foliar sample collection by the end of July 2016 based on the discussions and demonstration by the mission with a report to be submitted to the PMU for follow up.
- KOPGT to ensure that all the field officers are trained in the identification, collection and preparation of foliar samples by the end of September 2016 and a report provided to the PMU on this activity

11. **Harvesting.** Total area being harvested has risen to 2210 ha including most of the 2010 plantings which were delayed in production as at last year. Crop deliveries have risen and at the end of 2015 it was over 16,000 tons (see graph 1 above). The projection for 2016 is estimated at 24,000 tons which is over 60% more. Some of the trees are growing taller and will require the use of harvesting sickles, while the harvesting interval of 7 days has been largely followed, there is evidence of farmers harvesting out of schedule resulting in the interval between crop harvesting and collection/transport being more than 6 days in some cases. This has resulted in poor FFB quality to the mill.

12. **Agreed actions.** (i) KOPGT will through the units ensure that farmers harvest at the right time and ensure quick crop evacuation with a proper crop evacuation plan and feedback system by phone or other means of total crop being harvested in a particular unit (ii) KOPGT will as part of the data base being developed identify the heights of palm trees to supply sickles for harvesting if the need arises (iii) A harvesting and crop evacuation plan should be developed with the Units and followed in its implementation. with regular updates to accommodate variations

13. **FFB Quality.** With the increasing crop production and the increasing level of new plantings coming into production the absolute level of poor quality crop will rise. This is more pronounced in Uganda when the trees are young. See the table 4 below. This is exacerbated by some of the farmers who have been found to send poor quality FFB to the mill. The crop stays too long on the harvesting platforms and risks being rotten before being sent to the mill, due to non-adherence to the harvesting schedules as stated earlier. Moreover there have been instances where the poor roads have hampered crop evacuation especially this last April 2016 where crop was above 3000 tons which was higher than any harvest in a month so far.

Table 4 showing FFB lost from 2011 to 2015

Year	2011	2012	2013	2014	2015	2016 Mar
Production(tons)	3556	7,728	11,409	10,760	16,332	3,932.75
Total loss(tons)	56.89	77.28	114.09	195.83	452.40	170.78
% loss	1.60%	1.00%	1.00%	1.82%	2.8%	4.3%

Source KOPGT

14. **Agreed actions.** KOPGT will carry out a comprehensive training on harvesting and quality for the farmers and their workers especially those who planted in 2010/11/12 as they are mostly coming into production. The unit leadership will: (i) identify farmers who are unable to harvest on time and the reasons why; and (ii) put into action the use of contract labour with the agreement of the farmer for harvesting supervised by the farmer, KOPGT and the unit leaders.(iii) KOPGT will liaise with OPUL regularly on the acceptable FFB quality standards and relay same information to farmers regularly (iv) KOPGT will be sending groups of farmers and their workers and field officers to OPUL to be

trained on the FFB quality grading system on an agreed schedule and regularly. (v) KOPGT will explore the use of animal traction to collect farmer crop in places where roads are bad or non-existent.

Field Maintenance

15. Observations of the field maintenance in the smallholder areas visited were up to standards especially with pruning, with the stacking improved in a lot of farmers' fields though there were some places that will need to stack them more evenly instead of being put in one or two areas as that can be breeding grounds for pests like *Oryctes*. The aim of pruning is to make the bunch visible to the harvester and also to remove dead or rotten bunches to avoid diseases from the rotten material. Some of the trees showed relatively severe pruning because it was copied from OPUL due to situations where palms without pruning end up with poor pollination and therefore poor yields as they then produce parthenocarpic fruits.

16. **Recommendation.** (i) Pruning of fronds should leave an optimum of 40 fronds on the palm tree. If the pruning is more severe leaving less than 40 fronds on the tree, future yields will be affected. Pruning should be at intervals of 6 to 9 months and all dead and drying fronds on the tree should be removed leaving a minimum of two fronds below the unripe bunch and 1 frond below a ripe bunch. In some cases the palm might not be carrying any bunch or is in the male phase, in this case remove **only the dead and drying fronds**; (ii) for the younger mature areas coming into production **sanitary pruning should be practised by removing all dried fronds and rotten bunches before harvesting commences and KOPGT should advance loans specifically for this operation**; (iii) to avoid the situation of poor pollination, KOPGT in conjunction with the researchers should look at introducing the oil palm pollinating weevils *elaeidobius kamerunicus* from Bundibugyo district by collecting fully opened male flowers which tends to have a large number of the insects to Kalangala to be delivered within 24 hours.

17. **Roll-out plan for new plantings.** The planting of 400 ha on Bunyama Island was successfully completed within 12 weeks between May and July 2015 using work groups (bubondo). The same strategy will be used for Bubembe Island, where the planting of 400 ha is planned for this year. The seedlings presently in the nursery are growing faster than anticipated and will definitely be ready starting October 2016. Farmers should be sensitised to prepare their lands and plant cover crop from July 2016, for the planting to be done in October to December 2016. With the planting of 400 ha in Bubembe, the target of 4,700 ha of smallholder plantations in Kalangala District will be reached and no further plantations will be supported by the project on Bugala. Care should be taken to ensure that the selection of the farmers to be supported will adhere to the agreed principles and criteria and are duly documented. **Agreed actions:** (i) KOPGT to finalise planting of 400 ha in Bubembe by the end of December 2016; (ii) PMU to analyse the District Land Board report for the selection of farmers in Bunyama and Bubembe to ensure adherence to agreed adherence to agreed principles and criteria. (iii) As the method of planting worked very well on Bunyama island it should be replicated on Bubembe so the procedure should be documented by KOPGT and agreed with the new farmers on Bubembe Island starting June 2016. (iv) Farmers on Bubembe should be encouraged to start land clearing and cover crop planting from July 2016.

18. **New Palm Oil Mill.** A new 20 tons/hour mill has been constructed in Bbeta East and will be operational from 1st June 2016 to serve Kagulube, Kayunga, Bbeta East and Bbeta West blocks and the out grower fields, currently totalling 2,025 ha in production, which will eventually grow to 3,417 ha of smallholder fields. This mill will primarily process smallholder crops, which will allow making a better estimate of the actual OER for smallholders. The installed processing capacity of 40 tons/hour in the two mills on Bugala will be more than enough to absorb the expected production from the planned 11,200 ha (6,500 ha of nucleus estate and 4,700 ha of smallholders). The processing capacity for the newly constructed mill, however, could eventually be upgraded to 40 tons/hour, in anticipation of a possible expansion in oil palm plantings. The mission notes that expansion of oil palm cultivation on Bugala would risk entailing negative impact on environment and food security. Options to be explored should include expansion in other islands or mainland, depending on suitability of agro-ecological conditions as well as on the viability in terms of cost and logistics for transport.

Furthermore, it would be important to avoid putting further strain on KOPGT capacity to serve smallholder farmers. **Agreed action:**(i) KOPGT will not finance any further planting of oil palm in Bugala.(ii) KOPGT to do a study of the costs of transport of FFB and sensitise farmers on the transport costs as that may not change in some blocks, though a new oil mill is closer.

19. **FFB prices.** The local price sub-committee composed of 2 farmers per block, 2 OPUL officials, 1 PMU staff and the KOPGT General manager has been instituted as per agreement of the last supervision mission and has been meeting every month. This has increased the transparency and trust of farmers on the process of price setting. Furthermore, the FFB prices have increased over the last few months as a result of a combination of increasing international prices CPO and depreciation of the local currency, which has resulted in the highest ever price for May 2016 since the beginning of the project at UGX 512/kg. As a result, there are no more complaints by the farmers on FFB prices. There has been however a request to increase the information and transparency on the transport and CPO prices used in the formula. **Agreed action:** KOPGT to collect regular information on transport and CPO prices in preparation for the meetings of the local price sub-committee. (ii) KOPGT to continue sensitizing farmers about price fluctuations.

20. **Environmental monitoring.** EIAs have been undertaken for oil palm developments on the outlying islands and Buvuma. The certificate for Buvuma has been received since April 2016. The certificate for the outlying islands had been received before the end of 2015.

21. The main recommendations in all cases are the observation of the 200 metre lake buffer zone, enrichment planting and planting of wood lots. The mission observed that the buffer zone has been largely respected in the new plantings in Bunyama. There is also a high level of awareness on this issue among oil palm farmers. It is noted, however, that other (older) crops are still found in parts of the buffer zone on both Bugala and Bunyama. Unfortunately, no progress is registered since 2014 by KDLG to identify the level of encroachment into the lake buffer zone as agreed with the District Department of Environment. Satellite imagery is being procured by the PMU for this purpose. **Agreed action:**(i) *the PMU, with KOPGT and KDLG will hold sensitisation meetings to share the NEMA process, recommendations and identify roles and responsibilities ; (ii) the PMU is to do a land use change analysis starting from 2004 which is before the project started by recruiting a GIS specialist, this should be completed by end September 2016. (ii) A ground verification will be done by the district of KLDG who are members of the ecosystem management including OPUL to be coordinated by the PMU through KOPGT by end of 30th December 2016.(iii) The identified farms planted will then be subject to a different management system including a no fertiliser and no chemical weeding policy.*

Recommendations

22. On outlying Islands of Bubembe and Bunyama no support should be given to any farmer who will encroach the buffer zone. PMU through the district team to ensure that no farmer will encroach the buffer zone by actively doing regular inspections. The district lands board will ensure that no land given out will be within the buffer zone.

23. The demarcation of Bubembe Island should also take this into consideration so that no roads will pass through the identified buffer zone. In cases where the roads construction on the outlying Islands will be passing through some forest reserves, efforts should be made to minimise the level of damage by passing through the edges of the forest but ensure that they do not pass through the buffer zones.

24. The PMU with KOPGT and the district will initiate and continue sensitisation activities on the conditions for the EIA certificate as to the roles and responsibilities of all stake holders.

25. The PMU should initiate and encourage the planting of woodlots to reduce the collection of fuel wood from the forest reserves and the buffer zones in all project areas of Kalangala and Buvuma by ensuring a budget and action plan is provided by the district for implementation by the end of 2016.

26. The PMU with Buvuma district will initiate and continue sensitisation activities on the conditions for the EIA certificate as to the roles and responsibilities of all stake holders from August 2016.

Buvuma update

27. GoU continues to purchase and secure land on Buvuma Island for the nucleus estate, which remains the preferred investment option, in spite of the low interest expressed by Bidco. The process is taking longer than expected with continued delays, due to several emerging issues. So far, about 8,042 ha of land have been identified, of which 4,834 ha are available and free of encumbrances (tenants compensated and vacated), and another 3,208ha have been committed by their owners (about 2,318 from mailo owners and 890 ha from the Buganda Land Board) and are waiting for compensation of tenants. It is expected that 6,500 plantable ha could reasonably be secured, free of encumbrances, by end of December 2016.

28. Meanwhile, the PMU is continuing with the preparatory works towards the new target to plant 2,500 ha of smallholder oil palm plantations by project completion. GoU has committed UGX 14 billion (equivalent to over USD 4 million) for investment in Buvuma during the FY 2016/17, including UGX 1.7 billion. More than 80% of new counterpart funding is for land purchase, while about UGX 2 billion, equivalent to about USD 630,000, and are to establish minimum capacity (staff and equipment) on Buvuma, as per agreement from the previous supervision mission. The mission commends GoU for this important effort, showing clear commitment to the Buvuma project.

29. The option of raising seedlings in the nursery in Kalangala and transport them to Buvuma for the planting of the first 500 ha has been abandoned after discussions with Bidco due to the complex logistics and risks implied. Bidco has submitted a quotation for the establishment and running of a nursery in Kalangala. The mission has reviewed the proposal and found it overall in line with market conditions and recommends to quickly sign the contract with Bidco to initiate the establishment of the nursery. Meanwhile the PMU should place the order for seedlings for a total of 2500 ha or 500000 germinated seeds with a staggered delivery at 200000, 30000 in two tranches.

Table 4: Seedling order and delivery dates

Date	Quantity of seeds	Delivery dates	Planting ha	Planting time
July 2016	200,000	September to Dec 2016	1000	December 2017 to March 2018
Dec 2016	300,000	January to March 2017	1500	August 2018 Dec 2018

30. Furthermore, the project should quickly establish some capacity on the island, including a minimum staff with an office and basic equipment to operate, in order to move forward with the mobilization and preparatory activities for the planting on smallholder land. These include: land preparation; ownership confirmation of the land pledged; consent from landlords to allow tenants growing oil palm; sensitisation of farmers on agronomic practices; and organisation of farmers into grassroots units and structures. Further work will also be needed in terms of land demarcation and construction of initial roads. It is noted that the above activities would require high-level expertise in the form of medium term technical assistance that has not been budgeted for in the next financial year. In the views of the mission, this represents a major risk that should be considered and addressed by the PMU. **Agreed actions:** (i) PMU to sign a contract with Bidco for establishment of the nursery in Buvuma by the 30th of June 2016 ; (ii) PMU to place the order for seedlings for 2500 ha with delivery staggered as outlined above in table 4, with the aim to start planting in Buvuma by end of 2017.

31. Given the long project start-off period and the high expectations from both farmers and the GoU, start-up activities should be implemented from now.

32. The following plan is to assist VODP to start the preparatory activities for the implementation of the 2500 ha planting on Buvuma:

- Do a participatory mapping with identified famers by doing the land use planning activities including plantable sites etc., while setting aside food crop growing areas, buffer zones and

settlements etc. Ensure that slopes of more than 20 degrees and buffer areas within the 200m limit to the lake are respected.

- Continue the ongoing demarcation and opening of initial village, inter-block roads, while Farmer mobilization for private land (pledges) are stepped up with the support of the district – see criteria for farmer selection in the consultant's MTR report of November 2014
- Agree with the private sector (BUL) and all other stakeholders on the implementation schedule in Buvuma, including the supply of seedlings to the farmers in 2017 starting with the signing of the agreement for the nursery establishment on Buvuma
- Do Landscape planning with the Department of physical Planning for settlements) and demarcation of buffer zones along the lake (200 m) rivers (100m) and streams (30 m); areas with slopes above 20° would not be planted and undergo protection planting. Starting March 2017
- The PMU will prepare the plan of all activities towards the planting before July ending 2017 and make use of the planting methods of group work pioneered for oil palm plantings on Bunyama Island in KLDG
- Recruit the staff that will be running the farmer services secretariat or the nucleus of farmer organisation by the end of Q3 2016 calendar year. The staff will be made of the following
 - Manager
 - Credit officer
 - 2 field officers
 - Driver

33. The job descriptions of these staff at Buvuma will be similar to those at KOPGT

Proposed strategy for Buvuma oil palm project

34. The main strategic issues for the oil palm planting in Buvuma are:

- Negotiation of a revised tripartite agreement including the pricing model with the private sector to be completed within 2016-2017
- Continue with the purchase of a further 3000 ha of land by end 2016;

35. The mission notes that Government's preferred option for investment in Buvuma remains through a nucleus estate/smallholders model. While the option of a pure smallholder model is not entirely discarded, it is considered as a second-best solution. However, very limited progress has been made in re-engaging BIDCO in the negotiations around the establishment of a nucleus estate, after the company's official communication, two years ago, of its intention to withdraw from this project. While IFAD confirms its long-term interest and commitment to continue supporting oil palm investment in Uganda, no official request in this respect has been received from Government yet. In any case, the current uncertainty around this investment would not allow IFAD to commit any financing for this purpose at this stage, neither from the VODP2 loan, nor from other possible additional sources. Future IFAD financing for Buvuma is subject to a final decision on the model to be adopted and the related agreements with the parties involved. It is to be noted that given the expected time for design and approval of a new project, unless an agreement is reached by September 2016 at the latest, there is a serious risk that additional investment in oil palm and oilseeds could not be accommodated within the IFAD allocation for Uganda for 2016-18. GoU and IFAD should start discussions on alternative options for investment. Agreed action: in case no final agreement on the investment model for Buvuma is reached by 31 August 2016, IFAD and GoU will agree on an alternative investment option with the aim to start the design process by early 2017.

Oil Palm research

36. Oil palm is a relatively new crop for Uganda and for the whole of East Africa. Yet, the importance of this crop for the national economy is steadily growing as incomes accruing to the farmers are steadily increasing. This calls for a strong emphasis on establishing some national research capacity to face the emerging challenges and issues related to yields, ripening, pollination and growth rates, rotting bunches, fertilizer regimes for various soil types, etc. The broad objectives for oil palm research in the medium-term agreed in the last mission remain relevant: (i) to develop

improved agronomic management practices for oil palm production in different ecological zones suitable for oil palm production; (ii) to continue with planting of trial plots in areas expected to be suitable for oil palm growth; (iii) to understand and develop management options for non-uniform ripening; (iv) to identify and develop integrated pest management (IPM) packages for key insect pests of oil palm in Uganda; to develop a practical system of management of major diseases in oil palm in Uganda.

37. The mission notes the good progress made in this respect, with the four recently recruited scientists having revamped the adaptive research plantings (1.7 ha) at the NaCRRRI station at Namulonge, and the on-going rehabilitation of the previous plantings in different location across the country.

38. During the mission, interactions with the research team agreed that two broad themes in research will be looked in the short, medium and long terms in order to deliver value to the growing Oil Palm industry

39. These two broad areas are **basic agronomic research on growth rates and response to various climatic conditions** as pertains to Uganda and the other area will be specific to the oil palm in a farm and plantation setting. To this end a number of oil palm production constraints were identified which required immediate research attention. It was agreed that all the disciplines of pathology plant physiology and agronomy will be used for a successful outcome. A plan which is both short to medium and long term has been agreed with the following objectives:

- Determination of the geographical spread and incidence of occurrence of Ganoderma and fusarium wilt diseases in oil palm growing areas in Uganda
- Determine the prevalence and damage levels of Oryctes and Rhynchophorus insect pests in all potential oil palm growing areas in Uganda where adaptive research is ongoing or will be set up
- Assess the time interval from pollination of oil palm to fruit ripening in Kalangala
- Determine the factors causing non uniform ripening and bunch failure in Kalangala
- Assess the nutrient status and determine the fertilizer requirements of oil palm in Uganda
- Maintain and assess the on-going oil palm adaptive trials in different parts of the country
- Introduce the pollinating weevil from Bundibudgyo district to Kalangala ensuring all precautions are taken for such introduction
- Build capacity of researchers to undertake oil palm research

Agreed short to medium term (6-12 months) activities to achieve above objectives

40. **Occurrence of Ganoderma and Fusarium wilt diseases in oil palm growing areas in Uganda determined.** A survey will be conducted on oil palm plantations in Kalangala and in different oil palm adaptive trials. Incidence and severity of infection by fusarium and Ganoderma oil palm diseases will be determined using disease assessment keys. Samples of diseases plants will be collected, isolated and characterized to determine the causative agent.

41. **Prevalence and damage levels of Oryctes and Rhynchophorus insect pests on oil palm documented:** A survey will be conducted to determine incidences of the above oil palm pests. Baited pest traps using the relevant pheromone will be established at different locations in the oil palm fields in Kalangala and adaptive trials oil palm growing areas. Routine monitoring and counting of beetles and the percentage infestation of the oil palm plants in the sampled fields will be determined. The level of infestation will be compared with number of pests trapped to determine the occurrence and levels of damage of the above two pests.

42. **Time interval between pollination and fruit ripening of oil palm in Kalangala documented:** A study will be initiated on farmers' fields in Kalangala by monitoring the plant from pollination up to the time of harvesting. The plants will be tagged for identification purposes and date of pollination and harvesting will be recorded. These plants will be monitored continuously up to time

of ripening. Here climatic data of rainfall and temperature will be collected to correlate the effect of weather on harvest duration.

43. **Factors causing non uniform ripening and bunch failure in Kalangala documented:** Base line survey data collected on non-uniform ripening and bunch rotting in Kalangala will be analysed. At the same time climatic data for the last 10 years will be sourced from the meteorological department to correlate some of findings in the survey with the climatic data. Trial will be established in Kalangala to evaluate possible intervention for bunch rotting management options for oil palm in Kalangala. For bunch failure, study will be initiated on pollinators, ratio of male to female flowers and phenomenon of pathernocapy. Here census of pollinators will be taken by sampling the male flowers and physically count the number of pollinators. For parthenocapy, the fruits will be cut open to observe whether they are fertilized and the ratio of male and female flowers will be observed.

44. **On-going adaptive trial maintained and evaluated:** The on-going adaptive trials in Kituza, Kibale, Mayuge, Buvuma and Masaka will be maintained and yield data collected to determine their yield performance. In addition, new trials will be established at Namulonge and Gulu.

45. **Nutrient status of oil palm fields and fertilizer requirements documented:** foliar and leaf samples will be collected from different oil palm fields at on-farm trials and Kalangala and analysed for nutrient content (pH, N, P, K, bases, CEC and texture). To determine fertilizer requirements farmers will be identify in Kalangala on-farm fertilizer trials will be established. Different fertilizer rates will be tested to determine their effect on yield performance of oil palm.

46. **Capacity of researchers and farmers in oil palm production built:** Farmers hosting adaptive trials will be trained in field management, taking basic data (counting leaves and bunches) in Kalangala to improve on skills in handling the trials. In addition, researchers will required to under-go short and long term training in oil palm production research as highlighted below.

47. Outputs for the above activities will be in the form of monthly activity reports to be sent to the PMU.

Training needs on oil palm research

Short term

- Identification and morphological characterization of *Fusarium*sp and or *Ganoderma*sp isolates
- Identification and characterizations of *Oryctes*sp and *Rhynchophorus*sp affecting oil palm
- Conducting population studies on pollinators
- Data collection procedures from young palms in growth studies
- Soil and foliar analysis procedures in oil palm

Long term

- Molecular characterization of Ugandan isolates causing oil palm diseases (*Fusarium* and *Ganoderma*) and pests (*Oryctes* and *Rhynchophorus*).
- Develop and design interventions for non-uniform ripening, deformed fruits and bunch rotting
- Guidelines in identification of non-uniform ripening, poor fruit formation and bunch rotting, its causes (factors) and their control.
- Modelling studies to determine other factors that determine the duration of palm oil from pollination to harvesting
- Planning and establishing fertilization trials for determining the recommendable fertilizer rates in oil palm

Training needs for adaptive research

- Best management practices in oil palm
- Soil fertility management in Oil palm
- Nursery establishment and management
- Oil palm cropping systems
- Groundcover management and weed control in oil palm

48. **Agreed action:**(i) *an updated work plan and budget for the research team will be finalised and submitted to the PMU by the end of May 2016, focusing on basic research activities on palm growth measurements and period for pollination of palms to maturity, finalization of the adaptive research plantings; and short-term training abroad for the research team; (ii) the research team will continue with the planting of an additional 1.3 ha of oil palm at the station and complete it by end of June; (iii) short-term training abroad will start by the end of September 2016; and (iv) ensure training of scientist in the commercial plantings of OPUL*

Visit to Kiriyaondongo oil palm trials on farm belonging to Mukwano Industries

Introduction

49. The oil palm specialist visited an oil palm trial started by Mukwano industries which is also in partnership with VODP in the oil seeds subsector of VODP2. This was the second visit.

50. **Location and description of the farm.** The farm is located about 200kms from Kampala along the Gulu Road, before Karuma and after Kafu River located in Kiriyaondongo district. The farm lies within the Western moist plains and hills whose vegetation is native Savannah. The agro-ecological zone of the farm is also described as North Western Savannah grasslands. This area covers parts of Hoima, Masindi, and Kiriyaondongo.

51. **General observation.** Oil palm trees in the field showed good appearance with no obvious nutrient deficiency symptoms or disease infestation though there are some challenges noted which might affect its growth and yield performance. There were isolated symptoms of Nitrogen deficiencies in some plants which were noticed to have been planted on gravelly concretions, and also some few boron and potassium deficiencies. The growth rates seem to be better in areas where the water table was high compared to more upland areas. Some plantings were done on a square planting pattern in 2011 while the 2013-2014 plantings were done on a triangular pattern.

Topography

52. Elevation ranges from 1,000 m to 1,400m above sea level. The land is generally flat to undulating without any pronounced steep slopes

Climatic and soil conditions

53. The area receives between 1200 to 1400 mm per annum with an average precipitation of about 1288 mm per annum. The area experiences a dry spell for 3 months mainly from December to February. According to anecdotal evidence the area experiences higher humidity than Kalangala.

54. The area has a minimum temperature of 17.5°C and maximum of 30°C though most nights are cold. These conditions are sub optimal for oil palm growth and yield.

55. Residual soils are common on the slopes with alluvium associated with streams. The soils have fine texture, and in wet areas and flood plains have aqua moisture regime (permanently moist)

Soil Profile: Soil profile was conducted in 2010 and found to be suitable for oil palm growing. Though about 100-200 acres have a hard pan and is not suitable.

Table 5: Area statement for farm

YOP	HA	Planting Pattern	Distance	Planting Materials DxP source
2011	20	Square	8 m	Del x Ghana
2013	105	Triangular	8.5 m	Bamenda x Ekona
2014	122	Triangular	8.5 m	Amazon
2016	153	triangular	9m	Deli x Ghana and Amazon

Total	400	triangular	9m	Amazon
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Source: Oil Palm Coordinator VODP2

All the planting materials have been sourced from ASD of Costa Rica

Nursery

56. The pre-nursery is under shade but the bags are relatively big which is expensive in terms of labour, space and soil per unit seed. The thickness of the bags were however standard with enough holes.

57. **Main Nursery:** An estimated 40,000 seedlings at 8 months old were in the main nursery. The poly bag size used is 40cm by 50cm. The nursery, this time, had obvious weed problems in between and on the bags tops and most of the bags did not have any holes for drainage.

58. There is need to do top weeding of the bags every 2 weeks. In some cases the alignment of the bags in the main nursery is not in straight lines. Straight lines are necessary for better management like job allocation, efficient irrigation etc.

Irrigation system

59. The Irrigation system is a mix of drip and sprinkler and sufficient watering was observed. The source of water is a bore well with an electric pump.

Disease prevalence

60. A few fungal problems like *cercospora* were observed which can be controlled with the use of macozeb or dithane M45 and ridomil when the disease is observed.

Fertilizer usage.

61. The type of fertilizer being used is NPK 17:17:17 in both the nursery and in the fields.

Main plantation

62. The main plantation has a high density of weeds, predominately panicum grass which had been slashed, though the palms are looking healthy with no signs of nutrient deficiencies or diseases. The mission noted delayed and uneven fruiting and slow growth rates within the same blocks and year of planting as the areas with higher water tables had better growth and fruiting than the uplands, especially in the 2013 plantings

Weed control

63. Various methods of weed control had been used including spraying with paraquate herbicides, slashing using a tractor and circle weeding by manual labour. Now manual slashing is the norm.

64. The 2011 planting has been fruiting for some time now. There were a lot of rotten bunches on the palms and pruning of the lower fronds along with the removal of the rotten bunches are still being done.

65. There were signs of the presence of pollinating insects like the *eleadobiouskamerunicus* pollinating weevil which needs to be investigated by the research team.

66. The 2013 plantings are fruiting and there is the need to start harvesting.

Recommendations

67. The following recommendations are based on the first observations and interview with the managers of the farm and are both operational and strategic and are being repeated as most were not implemented.

- In the pre-nursery; the recommended size of the bags should be 25cm by 15cm.
- The main nursery: weeding in between the bags and on top of the bags every 2 weeks to control weeds should be observed.

- In future ensure the proper alignment of bags for better management
- Explore the use of liquid fertilizer in the pre-nursery and to correct deficiency problems in the main nursery
- Application of fertilizer should be 2 times a month (every 2 weeks).
- Irrigation should be 10mm equivalent of rainfall in the nursery.
- Fungicides like Mancozeb and Ridomil should be used and never use any fungicide containing copper because it affects the palms.
- Ensure monthly report on seedling population stock is produced
- Do a culling of obvious runts and poor palms at 4 months, at 8 months and before planting.

Table 6 Fertiliser application recommendations

Age (mths)	Fertiliser	Quantity per seedling	Remarks
1	Ammonium Nitrate	Mix 1kg per 200 litres of water once a week. Apply the 200 litres over 10,000 seedlings	Ensure plants are watered thoroughly after fertiliser application
2-3	N:P:K:Mg 12:12:17:2	Mix 1kg per 200 litres of water once a week. Apply the 200 litres over 10,000 seedlings	Ensure plants are watered thoroughly after fertiliser application
3-4 main nursery	N:P:K:Mg 12:12:17:2	5g	Apply on top of bag after transplanting in main nursery
5-6	N:P:K:Mg 12:12:17:2	10g	
7-8	N:P:K:Mg 12:12:17:2	15g	
9-10	N:P:K:Mg 12:12:17:2	20g	
11-12	N:P:K:Mg 12:12:17:2	25g	
13-15	N:P:K:Mg 12:12:17:2	30g	

Main Plantation

68. Weed control options. Weeding with chemicals is good for agronomic and economic reasons but precautions should be taken for operator safety and crop safety.

69. As the plantation is full of panicum weeds interspersed with some broad leaved weeds it is recommended that initially a 1% solution of **fluazifop** can be used to control the panicum as it is relatively benign to the oil palm and the cover crop planted.

70. In areas with other broad leaves **methsulfuronmethyl** can also be used for the same reasons.

71. In case the suggested molecules are not available then glyphosate can be used also at 1%. But precautions should be used to reduce spray drift as glyphosate can damage oil palm more than the suggested chemicals.

72. **Avoid** the use of **paraquat** unless absolutely necessary as they are not safe for operators due to their lower LD₅₀ meaning they are more toxic.
73. **Avoid the use of 2.4 D** as they are dangerous to the palm causing the trunk to twist. They can be used when the palms are around 7-8 years of age.
74. The equipment to be used will be a tractor drawn boom sprayer or the manual knapsack sprayer.
75. The knapsack sprayer can be used to control weeds in the circles using the spray shade or hood to reduce spray drift with similar chemicals.
76. In this second visit there was intercropping of soya bean in the 2015 and 2016 planting area. This should be continued even in the 2013 planting where there is no canopy closures as a way of reducing costs and at the same time undertake do weed control and also provide nitrogen to the soil as the soya bean is a legume.
77. The palm roots do not enter beyond the drip circle till they are older than 5 years so harrowing the inter-rows will not affect the roots but will allow for the planting of soya for 3 rounds in the year but ensure the control of weeds in the circles in every 6 weeks.
78. Plant ***mucunabracteata*** in each triangle between two rows as shown in the field immediately after spraying again and encourage its growth with a minimum of 50 grams NPK per clump of mucuna on a 2 monthly round. Weed around it regularly .Note that ***mucuna*** is very aggressive and should be controlled from getting into the circles.
79. **Ablation** (Removal of flowers) in the 2013 planting should start immediately and should actually be done when the palm is 14-16 months then it can be discontinued when it is 30 months (in West Africa and SE Asia it is stopped at 24 months).
80. **Pollination:** Signs of fruit rotting might be due to incomplete pollination leading to parthenocarpic fruit. This should be investigated by the research team and if the need be send some freshly opened male flowers with high pollinating weevils populations from Kalangala.

Table 7 Suggested Fertilizer application

YOP	Months	Fertilizer	Rate per Tree
Y1	0-6	Rock Phosphates(RP) in the hole and NPK Blue (12:12:17:2)	0.5 kg R P + 0.5 kg NPK
Y2	6-18	NPK Blue (12:12:17:2)	1.5kg
Y3	18-30	NPK SUPER (13:8:27+.5B)	2kg
Y4	30-42	NPK SUPER + MOP(Muriate of potash)	2 kg NPK +0.5kg MOP
Y5	42 and above	NPK super and MOP	0.5kg NPK Super and 2kg MOP

Time for fertilizer application

81. Fertilizer application should be done when there is a minimum of 80-100 mm rainfall within 4 weeks and done on split application of minimum 2 applications.
82. The Method of application is by broadcasting in the weeded circles except for fertilizer to be applied in the planting hole during planting.

Tree Census

83. A Census of trees should be done annually in November/December to establish the number of trees in the field. So that of this year should be initiated now. This will enable better fertiliser, weeding and crop forecast management.

Bunch Count

84. Identify 2 rows per field to use as sample units for foliar sampling for fertiliser recommendations and to do bunch count for crop forecast every 4-6 Months.

85. The oil palm supervisors of the company along with the research team from NARO will do a follow up of the foliar sample lines and undertake observation and recording of the speed of ripening from shiny black bunch stage to fruit ripening when a loose fruit is shed and also do the measurement of the bunch weight after cutting.

Use of ripe crop on the farm

86. Mukwano should explore temporarily selling the ffbs through KOPGT to OPUL as the ripening crop will get rotten. It should take into consideration the transport costs over a long distance and the quality of the FFB.

Recommendations on strategic options

87. The oil palm has been planted in suboptimal conditions in terms of climatic factors and there is the need to confirm the yields or potential yields ASAP by doing the yield checks as recommended in the identification of sample rows for yield checks.

88. Climatic data from the area for 10 years in terms of rainfall amounts in mm per month and per annum, number of rain days per month, sunshine hours per annum and maximum and minimum monthly temperatures over the past 10 years should be obtained for the oil palm expert for analysis.

89. The PMU should integrate the farm into its Oil palm research as part of its adaptive research activities and expand it to some selected farmers within the area of the farm. This will enable the farm and VODP to benefit from more scientific data collection and interpretation.

90. The management of Mukwano should carry out a Cost Benefit Analysis of Oil Palm in relation to other crops also planted on the farm like soya and sunflower based on the yield and costs data.

91. Explore the option of introducing other oil palm planting material from other sources with immediate effect with support from the oil palm expert and research to spread risks.

92. Based on the cost benefit analysis, a plan to upscale to farmers in the area should be made based on a study to be undertaken by VODP to supplement the efforts of the company as there is a lot of interest in the planting of the crop by farmers. The district political leadership is also showing interest in the crop.

93. The mission notes that efforts have been made by the company in exploring the construction of a 1-5 ton/ hour FFB processing mill to be sited on its farms. This should be completed by June 2017.

94. In the meantime the harvested bunches should be weighed to determine the average bunch weights and yields as the 2013 crop is already being harvested.

Technical Annex 2

KOPGT Financial Management

KOPGT financial management aspects

KOPGT financial position

1. Cumulatively, disbursement towards loans to farmers has reached UGX 40 billion. Loan recoveries from FFB sells amount to UGX 6.3 billion. Interest has not yet been posted on farmers' loan accounts. The effect has been that some farmers' loan accounts are already in credit balances. The mission has noted that some farmers are undertaking collective harvesting and directing the proceeds to one loan account number at the expense of other equally independent loans. This is happening for individual loans taken at different times and also for family members/ neighbours who choose to harvest and sell collectively. It was agreed that Loans reported as fully recovered will need to be reconciled on case by case basis. The overall loan disbursement has hit UGX 40.6 billion as follows:

Summary of loan disbursement (VODP and VODP phase 2

	UGX' million
In-kind loans	20,867
Cash loans	19,814
Amount disbursed	40,681

2. The balances on KOPGT bank accounts are related fixed deposits have also steadily grown amount to UGX 7.5 billion as shown below.

KOPGT Bank account balances as at 31 March 2016

	Current account balances UGX' millions	Fixed deposit UGX' millions	Total UGX' millions
Farmer loans account	53	-	53
Collections account/ a	395	-	395
Loan recoveries account	236	5,955	6,191
Sustainability account	38	320	358
UDB loan account	212	-	212
Capital replacement accounts	83	142	225
Transport operations account	23	-	23
KOPGT core operations account	12	-	12
Total	1,054	6,417	7,471

a/ account supposed to always net to nil. It includes UDB funds of UGX 328 million

KOPGT financial performance

3. As of 30 April 2016, KOPGT's Operational Self Sufficiency (OSS), defined as the ratio between total revenue (net of the subsidy from VODP2) and total expenditures was 62% compared to 56% at 30 June 2015. The operating deficit after nine months stands at UGX 360 million which, if annualized on linear basis, could reach UGX 480 million by the end of the financial year, slightly above the target of UGX 470 million in its business plan. KOPGT is therefore fully in line with its projections towards financial self-sustainability by 31 December 2018 (see table below). The transport business segment has steadily improved, with a revenue of UGX 423 million compared to transport costs of UGX 316 million for the first nine months of the year. The transport and capital replacement bank accounts, and related fixed deposits, already have cash balances of UGX 224 million (cumulative). The sustainability account (largely made up of the KOPGT share in interest on farmer loans) already has a fixed deposit of UGX 320 million.

KOPGT financial projections and performance up to 31 March 2016 (UGX, million)

	2014/15	2015/16	2016/17	2017/18	2018/19
(Deficit)/ Surplus- (Target)	(690)	(470)	(386)	(13)	276
(Deficit)/ Surplus- (Actual)	(799)	(360)*			
OSS (Target)- %	76	88	92	99	105
OSS (Actual)-%	56	62			

* Year to date up to 31 March 2016, annualized loss

KOPGT management of stores

4. KOPGT should make use of the Pearl Accounting to monitor inputs received from OPUL. Within Pearl Accounting system, a ledger account for OPUL should be opened under creditors. The Goods Received Notes (GRN) to acknowledge receipt of inputs from OPUL should be generated directly from the Pearl Accounting. The electronic generation of GRNs will cause the accounting system to be updated spontaneously. The GRNs should also be signed by OPUL staff in charge of the delivery. The GRNs prepared electronically from the Pearl Accounting system will have the following effect: **Debit account** Stock/ Inventories; **Credit** OPUL as a creditor account. The accumulation of transactions under OPUL creditor account will provide information needed to validate invoices from OPUL. These totals will then pick data into the Tally accounting system on a monthly basis.

5. KOPGT should make use of the Pearl Accounting system to monitor Stock Issues to farmers. There is need for a lasting solution to overcome the recurring backlog of un-posted transactions. Regarding the stock issue forms, duplication of effort between the logistics officer/ field officers and the credit/IT/ Accountant should be eliminated. Currently, the Logistics Officer is spending effort to write manual stock issue forms for each farmer receiving inputs. These forms are again electronically generated in the Pearl Accounting System. It has been agreed that the logistics/ field officers officer will henceforth generate these forms directly from Pearl Accounting system. This will cause the Pearl accounting system to be updated spontaneously. This will save the Credit/IT staff the effort of having to post these deliveries again. The electronic forms will have a system assigned serial number; will be printed in triplicate. One copy will be signed/ thumb-printed by the farmer; these copies will be filed sequentially at the KOPGT. The electronically generated stock issue copies will also serve as a coupon system; to be redeemed on delivery of inputs to farmers. Field officers making the deliveries will be required to collect a copy of the coupon from farmer as a confirmation of the delivery. The farmer will retain the third copy which will be clearly marked as 'farmer's copy'. The electronic generation of the stock issue form from the Pearl Accounting system will have the following double entry effect: **Debit-** Farmer's Loan Account; **Credit** Stock/ Inventory Account. This will also apply for farmers in the commercial phase who are accessing inputs on short term loan basis.

KOPGT credit management

6. Cumulatively, disbursement towards loans to farmers has reached UGX 40 billion. Loan recoveries from FFB sells amount to UGX 6.3 billion. Interest has not yet been posted on farmers' loan accounts. The effect has been that some farmers' loan accounts are already in credit balances. The mission has noted that some farmers are undertaking collective harvesting and directing the proceeds to one loan account number at the expense of other equally independent loans. This is happening for individual loans taken at different times and also for family members/ neighbours who choose to harvest and sell collectively. It was agreed that loans reported as fully recovered will need to be reconciled on case by case basis.

7. The credit analysis function within KOPGT does not extend in detail to loan portfolio analysis ratios and other metrics. Key metrics such as portfolio at risk, specific identification of non-performing loans to make adequate provisions or take corrective measures on respective farms are not being systematically reported upon. Outliers such as underperforming or over performing farms/ loans (possibly due to collective harvesting) could be easily detected through monthly loan portfolio analysis. The mission noted the lack of a complete report on the status of loans under commercial

loans (short term loans given to farmers who have started harvesting). The PMU will support KOPGT to set-up loan portfolio reporting systems and coach the team on loan portfolio analysis.

8. Interest journal: The mission undertook a financial performance review on random sample of twelve farmers including those who have running credit balances on their loan accounts. The result is that compound interest rate without any grace period (no interest during development phase) would be quite onerous for some farmers and only very few high performers would complete their loans in reasonable periods. On the basis of these results, KOPGT should run a compound interest journal from when farmers start harvesting. The summary of the results is as follows:

Random selection of farmers as a basis for interest rate policy

1	Namusoke Sylvia	5 202 506	6 348 445	14%	6 547 092	15%
2	Mutakirwa Yekon	9 982 140	21 395 105	31%	18 202 206	26%
3	Kagulube Haman	15 128 760	36 638 088	27%	34 961 818	26%
4	Rose Namagalura	20 428 510	6 389 093	8%	4 447 632	5%
5	Namusoke Peragia	22 101 650	46 110 703	26%	39 099 630	22%
6	Mugenyi Nobert	22 311 600	18 949 134	14%	14 379 284	11%
7	Kizza Ssekasala Robinson	28 862 996	8 296 830	7%	10 800 965	9%
8	Mukasa Alice	38 283 355	98 029 955	32%	84 533 827	28%
9	Rev Maguzi Henry	38 318 350	34 613 452	13%	27 933 002	10%
10	Katumba John	41 930 508	33 867 201	16%	28 483 000	14%
11	Nalwanga Annet	47 829 518	87 171 582	23%	84 533 827	11%
12	Cancoo Diamond	122 978 200	209 175 299	24%	180 544 977	21%
	Simple average			20%		16%

KOPGT Transport segment

9. Transport business segment has steadily improved. In the nine months to 31 March 2016, transport revenue amounts to UGX 423 million compared to transport costs of UGX 316 million. The transport and capital replacement bank accounts and related fixed deposits already have cash balances of UGX 224 million (cumulative). The sustainability account (largely made up of share in interest on farmer loans) already has a fixed deposit of UGX 320 million. It has been agreed that KOPGT will update its business plan for the effect of interest accruing from the commercial phase. In addition KOPGT should start to monitor the FFB charge per Kg that would recoup its operating costs in relation to the provision of quality services to farmers.

KOPGT financial management

10. KOPGT has the financial management tools needed to run the business as a corporate entity. It has the Tally accounting software to run the general ledger and Pearl system to run the FFB sales and the subsidiary ledger record of the loan portfolio. In readiness for the maiden corporate external audit, the financials were updated to 30 June 2015. However, from 1 July 2015 to date accounting backlogs have again accumulated as follows: (a) bank reconciliations which are an integral data accuracy validation feature are being done off the tally system in excel; (b) no revenue journals have been posted in the tally system; (c) management accounting is not at the status at a level of KOPGT; (d) stores management has high inherent and control risks with some stock releases taking more than six months to be accounted for). It was agreed that PMI will continue to support KOPGT finance department to fully reconcile and update the Pearl and tally accounting systems; and (ii) the General Manager will set monthly performance deliverables for the finance department.

Technical Annex 3

Institutional Aspects in Oil Palm Development

Strengthening of KOPGA

1. In January 2016 UCA helped KOPGA to organize its Annual General Meeting (AGM). The latter witnessed the participation of about 250 farmers, out of the 1,700 farmers who are currently members of KOPGA. The AGM deliberated that KOPGA's governance structure will include: i) units or primary associations of farmers; ii) blocks or secondary associations of units; iii) AGMs made of block-level delegates; and iv) a board of directors made of members elected by the AGM. An additional resolution regarded the need to establish "Leadership Search and Vetting Committees" to identify suitable candidates to hold democratic elections for leadership positions at all levels of KOPGA's governance structure. Finally, the AGM deliberated on the need to have at least 4 farmers' representatives - directly selected by and from the newly elected KOPGA Board - to sit on the KOPGT board and on the Oil Pricing Committee. Since the last mission UCA has also been working at the unit level to help KOPGA identify reputable member-farmers, who has no interest to become KOPGA leaders, but are willing to sit on the "Leadership Search and Vetting Committees". Finally, UCA has been reaching out to KOPGA's farmers at the unit level to help them elect new leaders both at the unit and block levels, through democratic process based on the principle of "one member one vote".

2. UCA will continue to sensitize, mobilize and coordinate KOPGA members, in order to ensure fair elections of new KOPGA leaders at the unit and block levels. At the same time UCA will also help KOPGA organize the next AGM, which is expected to result in the election of 9 members who will sit on the KOPGA board (4 of which will also sit on the KOPGT board). Consequently UCA will work with newly elected leaders at the unit, block and board levels to define the commercial, social and environmental responsibilities of KOPGA. In particular, KOPGA and its leaders are expected to:

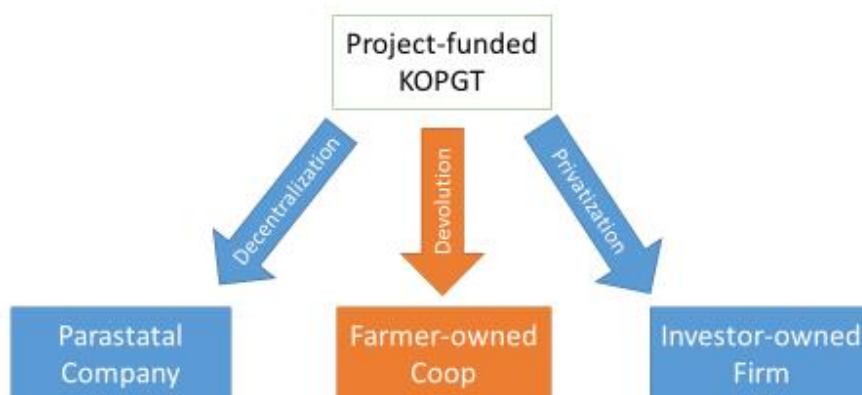
- i) provide "last-mile services" (i.e. from feeder roads to gardens), to complement the input, output, credit, transportation, extension and information services provided by KOPGT, and thus reduce transaction costs between the latter and the farmers;
- ii) monitor and regulate the number, size and location of the gardens planted with oil palms and prevent the rise of land-grabbing, social-inequality and environmental-degradation problems. The expected is a document defining the operational guidelines or mandate of KOPGA, to be signed by its board members. Such a document will be then presented to the KOPGT board for discussion, improvement and approval.

Scenarios for new institutional framework:

3. The mission agreed that KOPGT's assets, services and management team are essential to ensure the commercial viability of KOPGA and its member-farmers over time. However, KOPGT has so far been fully financed by IFAD and GOU through the project, which is expected to end in December 2018. KOPGT will thus have to be either:

- i) transformed into a decentralized public institutions, directly financed by the GOU;
- ii) privatized or acquired by a private investor or a group of investors;
- iii) devolved to KOPGA and its members farmers.

Figure 1: Who shall own and manage KOPGT after the end of the project?



4. The mission agreed that the latter option (i.e. devolution) has the potential to produce a farmer owned organization that can be more efficient than a public institution, as well as less exclusive than a private company. However, the devolution of KOPGT's ownership to KOPGA and its member-farmers is seen as a complex and risky venture. In particular the mission expressed serious concerns about the lack of professional capacity and entrepreneurial attitude within KOPGA. The mission fears that KOPGA will not be able and/or willing to take-over KOPGT, given that this process will require significant leadership and management skills, as well as direct investments by farmers. The mission believes that KOPGA may not fully realize and appreciate the importance of the services, assets and management team provided by KOPGT. As a result KOPGA's farmers will end up shirking (or avoiding investing in KOPGT) and KOPGA's internal elite will end up capturing KOPGT's resources. To ensure a successful devolution of KOPGT's ownership to KOPGA by the end of 2017, the mission agreed on the following strategy.

5. First, UCA will train the newly elected board members of KOPGA and the management team of KOPGT on how to lead and manage the envisaged devolution process. In particular, UCA will present KOPGA and KOPGT with two options for the way forward:

- A) a strategic alliance to establish a cooperative (KOPGA) with a subsidiary company (KOPGT) and other external (public or private) investors;
- B) a merger to establish one "new generation cooperative" that will fully integrate KOPGT's management, assets and services with KOPGA's membership and governance structure (units, blocks, AGM and board).

6. Both options have pros and cons. **Option A** is expected to ensure more autonomy for KOPGT's management and to create more incentives for external capital investments, from either private (e.g. OPUL) or public (e.g. GOU) investors (see Figure 2). Preserving the autonomy of KOPGT management is considered to be important for sustaining viable business operations with smallholder farmers. However, autonomy in management will inevitably create a disincentive for farmers to invest in KOPGT and take over its ownership from the project. Still, expected difficulties in mobilizing capital from farmers can be overcome through the mobilization of capital from external investors. As KOPGT will be operating as a profit-generating company, both public and private investors may decide to buy some of its shares. As they buy shares, external investors will also buy seats on the KOPGT board, further reducing farmers control and decision power over management, with potential negative implication for service provision (i.e. increasing price-quality ratio of the services received by farmers).

7. On the other hand, **option B** is expected to create stronger incentives for farmers to make direct investments and take full ownership of KOPGT from the project (see Figure 3). These incentives will be created by offering KOPGA's members direct and exclusive control over KOPGT management, which will respond to a board whose membership will be restricted to democratically elected farmers. As long this board will be perceived as a direct extension of farm-households and as a legitimate, competent and representative body, farmers will have an economic justification to buy KOPGT over and sustain its operations. However, if KOPGA's members take full ownership and control over KOPGT, the latter will inevitably loose its managerial autonomy. And loss in autonomy may as well result in loss of managerial capacity and thus in inefficient and ineffective services to farmers.

Figure 2: A Cooperative with a Subsidiary Company (option A)

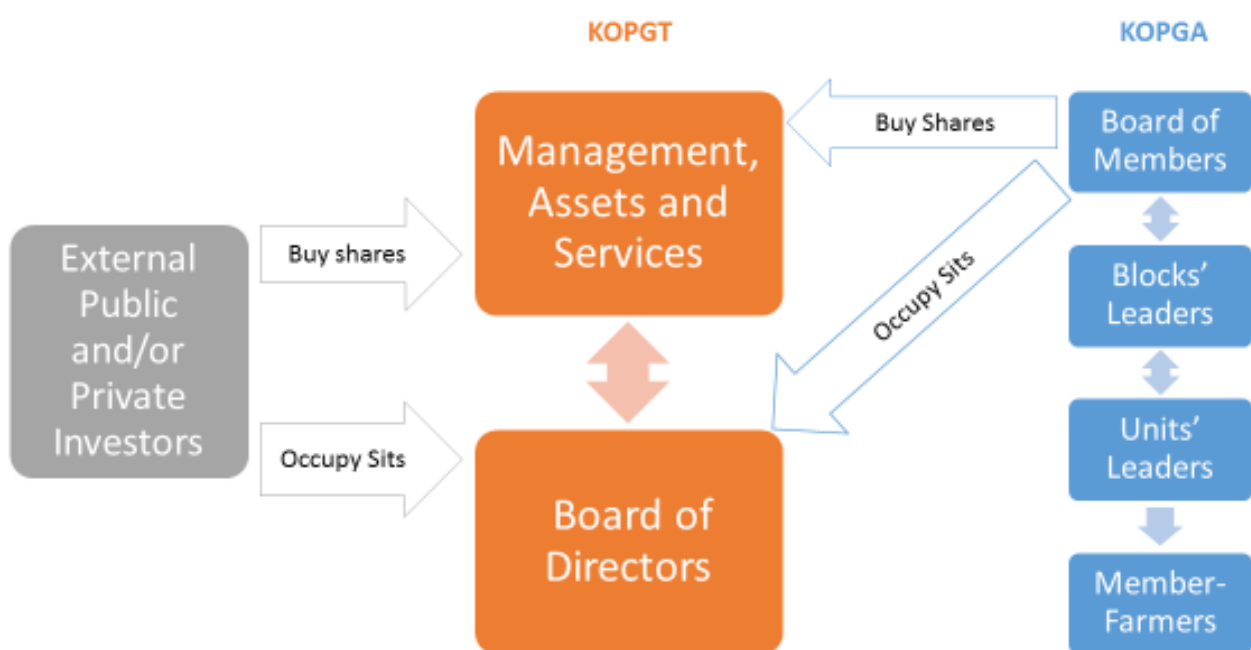
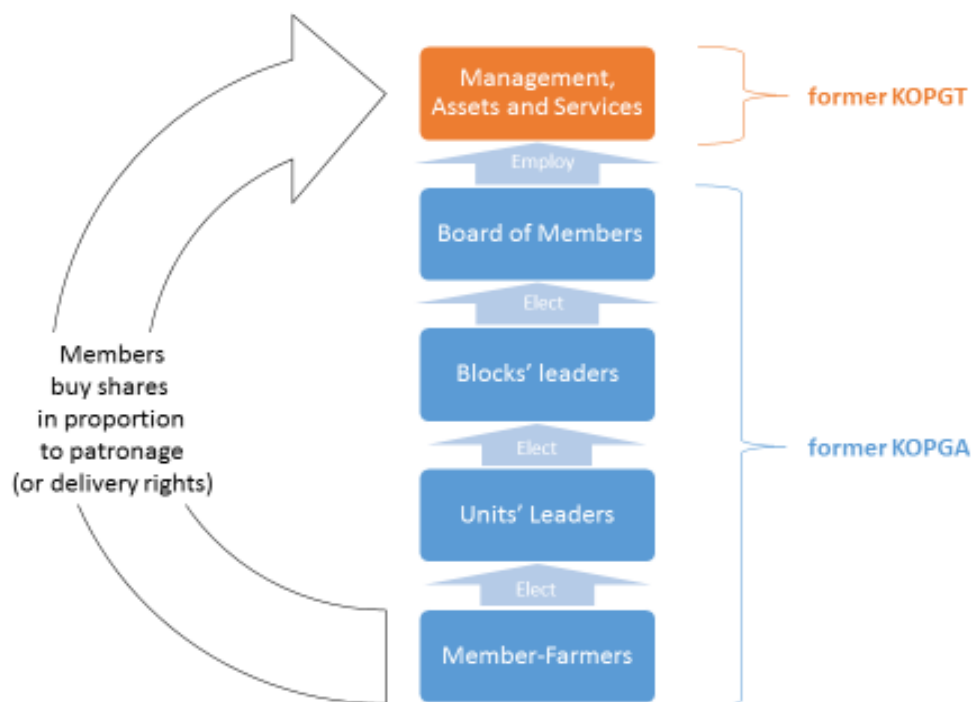


Figure 3: one New Generation Cooperative (option B)



8. In addition to training, UCA is expected to organize exchange visits, both in Uganda and abroad, to allow KOPGA and KOPGT representatives to observe the two abovementioned organizational models in real life, and talk to the respective leaders and managers. Consequently, UCA will seek independent legal advice to define the constitution and by-laws of the organizational model chosen by the majority of KOPGA and KOPGT reps. Finally, UCA will present the new organizational design, its constitution and by-laws to the other project's stakeholders (GOU and IFAD), for final approval and official transfer of KOPGT ownership. To implement this strategy UCA will need to provide non-judgmental and evidence-based advice, as well as inspiring and visionary leadership, so as to ensure that KOPGT and KOPGA representatives will be able to make their own, informed choice (between option A and B) and take full responsibility over it. In other words, the most important condition for this institutional-transformation strategy to succeed is for KOPGT and KOPGA reps to be empowered up to the point that they will be able to make a totally independent and perfectly informed choice.

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Technical Annex 4

Oilseeds – Production and Extension Services

- Field visit.** The support mission for the oil seeds development component interacted in the Mbale and Lira hubs with farmer organizations (FGs and HLFOs), District staff (Crop Production Officers, District Focal Points, SC Extension officers) in Mbale, Bulambuli, Bukedea, Kumi, Soroti, and Budaka Districts. Meetings were also held with research organizations (NaCRRI, NaSARRI), PSPs (ESPEDEC-CARD, CRDI), 4P Brokers (NSOYNET, CARD), other NGOs (Uganda Grows, UCA, SNV), Millers/traders/processors (Nile-Agro Ltd. Jinja, MMP Nile Agro Lira, CN Cotton Kachumbala, Bulambuli local millers, Elgon Spices, Demeter Ltd/Gill & Rose Ltd., Agrinet, Ngetta Tropical Holdings), and Financial Service Providers (Opportunity Bank, VSLAs). The mission was accompanied in the field by the VODP Team, represented by the PMU and Hub coordinators (3x), contributing to in-depth analysis and discussions (see also Attachment 1 with list of people met)
- Some statistics.** Sometimes confusing data are circulating on the acreage, number of growers and production per hectare. An attempt has been presented in Table 1.

Table 2 Statistics of annual crops production in Uganda.

	Area planted in hectares	HH engaging in the enterprise	Production in MT	Kg per HH	Kg/hectare
Sunflower	198333	83000 ¹⁰	238000	2867	1200
Soybeans	38333	104107	23000	221	600
Sesame	74400	663481	124000	187	600
Groundnuts	420000	1057744	300000	284	710

Source: OSSUP 2012, UBOS 2013

- Delivery of extension services through Pay for Service Providers (PSPs).** The six PSPs were contracted by VODPIL (varying from 15th July 15th October 2014) for services to contribute to enhanced productivity and production and stronger links with input and output markets actors. The PSPs have completed baseline surveys and are currently in their 3rd agricultural season (2015A, 2015B, 2016A); some in Lira are however already in the fourth season as they started one season earlier (2014B). The capacity development programme for the FGs is concentrated in 45 districts¹¹ with priority are for two enterprises: sunflower and soybean production. Activities with groundnut and sesame are also continuing but at a smaller scale.
- Under the current contract the PSPs are expected to engage 1096 Farmer Groups (FGs), but as of date they are engaging 1196 FGs, as part of their 1st Annual Workplan and Budget (AWPB). The existing PSPs will add another 500 FGs after they have done an assessment of the existing FGs, allowing them to wean off some (around half as estimated) and start in the first season of 2017 until end of 2018 with new groups, as part of their 2nd and 3rd AWPB.
- In addition to this, five new PSPs have been identified, which will be contracted soon (July 2016) for attending to another 1890 FGs over a two year period. This will lead to a total of 3586 trained FGs with capacity for improved productivity/production and market links. This number falls short of the original target of 5900 FGs. It should be noted that the MTR mission recommended reducing the target number of FGs to 4000. At this moment it is no longer possible to recruit additional capacity due to the near end of the project and the length of tender procedures for new service providers and new contracts. It should also be envisaged that emphasis on quality of the FGs should take priority over the quantity of the FGs, based on the principle that good examples lead to good followers.

¹⁰ This figure provided by UBOS appears to very low and leads to rather high production per HH.

¹¹ Reduced from the original 51 Districts

6. Options exist however to fill part of the gap through working with HLFOs and through the DLGs. The contract with UCA (single source procedure has been approved) for working with 40 HLFO and LLFOs representing an estimated 1400 FGs. This number could be higher although UCA is also warning about against overstretching this in order to maintain quality. When capacity of HLFOs is strengthened, the capacity of the Rural Producer Organizations (RPOs) or FGs needs to be strengthened at the same time. This would be in a collaborative action of UCA with DLGs where the 40 identified HLFOs are located, as well as with the PSPs already involved in working with FGs that are member of or part of the referred HLFOs.

7. During MTR (2014) and before the PSPs came in operation VODP2 was working through hub coordinators and District Focal Point Persons with a recorded number of 2394 FGs. In practice this number consisted also of FLP host farmers, who were not representing groups, while there was also quite some overlap between individuals and groups. Most of the real FGs became part of the PSP programme, but some remained with the DLG and the hub coordinators. Currently this number is not reported on despite funding coming from VODP2 (through the MOU and direct funding through the hub coordinator). The activities by DLGs are covered by the MOU between VODP2 and DLGs as well as the annually negotiated WPBs. It is recommended to report on the number of FGs involved in oil crop production. Farmer Groups that are supported by District Focal Point Persons, Hub coordinators and other DLG staff needs to be listed, while avoiding overlap and double counting with PSPs. It is also expected that DLG staff will be involved in supporting RPOs that are members of the identified 40 HLFOs (see Attachment 4).

8. During MTR (endorsed by subsequent supervision missions) it was agreed to expand the number of FGs attended to by the existing 6 PSPs in the current workplan, as well as address even more FGs by weaning off most FGs at the end of 2016. In practice this proved impossible due to the rising costs (2nd workplan goes up with about 15% which is the maximum for one year without having to tender again) and lengthy tender procedures (a minimum of one year). Another obstacle is that existing PSPs cannot be given an extra contract without having a full QBS procurement process (which can take even more time). The extra costs of the 2nd AWPB (up to 15%) of existing PSPs are resulting from the deepening of the actions (e.g. Season Action Plans, Farming as a Business, enhanced monitoring and HLFOs), as well as weaning off and expansion with new FGs (another 500 FGs), but also due to general increase in salaries and fuel costs (see Attachment 3)

Table 3 Number of FGs currently attended to (6 PSPs) and others to be attended o in the coming seasons (11 PSPs)

Hub	Target in contract	Existing PSPs (6)		New PSPs (5) 2016-2018	Total (not including DLG effort) expected in 2018
		2015-2016	2017-2018 (extra)		
Eastern Uganda	426	477	194	753	1424
Lira	320	355	146	437	938
Gulu Hub	175	175	80	350	605
West Nile hub	175	189	80	350	619
Total	1096	1196	500	1890	3586

9. The PSPs have planned a two-year cycle FG capacity development programmer, at the end of which emphasis is shifted to new FGs. This process is likely to start for season 2017A. This weaning off requires an assessment of the functionality of the groups in relation to the four categories of services offered, being: (i) Technical services on crop production and post-harvest technology; (ii) Group governance services; (iii) Farming as a business services; (iv) Linkage services for access to input and output markets as well as access to financial services. The functionality assessment in line with UCA experiences (and others such as CRDI) can be largely on the basis of existing indicators for each of the 4 service categories using 5 key indicators such as: (i) Use of quality seed of improved

varieties; (ii) FG registration at SC/District level; (iii) Bulking arrangements; (iv) Access to financial services; as well as (v) Relationship/membership of a HLFO (see Table 2). In practice this process will be less abrupt, a gradual shift will take place in the type of services provided to farmers. Already after the first year the PSPs are scaling down the number of FLPs and corresponding services and concentrating more on group governance and farming as a business. After weaning off notably the linkage services will probably still be required.

10. In order to assist PSPs in identifying the level of trained groups after four crop cycles of service assistance cycles (i.e. two years) PMU will develop a simple FG capacity assessment tool by June 2016. This tool will be based on the current functionality indicators (mostly on registration of groups) but be more focused. The PSPs will use the tool to assess capacity of the FGs after a two year assistance cycle by December 2016, or in some cases (such as in Lira) this can already be done at the end of the 2016A cycle. The newly recruited PSPs will use the tool as part of their baseline assessment.

- Use of improved varieties notably of sunflower or soybeans will be an indicator for the technical services provided mainly through the access to the FLPs, but also through access to quality seed through the services on local seed production (in cases of soybeans) or the linking up with seed suppliers (in case of sunflowers). The current percentage is a mix of adoption rates of improved varieties for different oil crops; this would have to be disaggregated for the different crop enterprises.
- The registration of Farmer Groups would be an indicator for the governance of the group as it requires rules and regulations and a leadership structure. This can be seen as an indicator for the group strengthening services. FGs can be registered at Sub County or District level, each with their own level of requirements. The current figure of 3% registration appears to be an underestimate.
- In order for farmers to have a better position in their transactions with traders and millers bulking arrangements of the FG are the main group function. Millers/traders often require as much as 10 MT of an oil crop grain before a truck can be sent and a deal made. The number of groups with bulking arrangements is an indicator for the services provided in this field and for the maturity of the group.
- The existence of a VSLA in the group or the access to loans from members to various VSLAs and the access to loans from banks and other financial service providers is an indicator for the linking services of the PSP, and the capacity of the groups. FGs with one VSLA are considered stronger (as indicated during interviews with various parties). Currently data on the number of VSLAs in the existing FGs are being collected
- The bulking arrangements, access to seasonal loans and other forms of credit, access to inputs and storage all can improve if FGs are not on their own, but are linked up with each other into HLFOs. Linking up with an existing HLFO or forming FG associations is an indicator of the UCA supported PSP services on HLFO formation services and the functionality of the group.

Table 4 Number of functional groups based on a few indicators

Indicators for provided services	Current or baseline status	Observations
Use of improved varieties of sunflower or soybean (FLPs)	17%	The adoption rate needs to be disaggregated for different crops
FG registration	37 FGs (3%)	Not completely reported, currently used as the main functionality indicator
FG bulking arrangements	145 FGs (12%)	More actively to be recorded (at 1 st and 2 nd tier)
FG with access to financial services (VSLA and loans)	2823 farmers (= +/-113 FGs? Or 10%)	The number of VSLAs in FGs still to be recorded
FG associated it others FGs	For the 40 identified HLFO/LLFO the estimated associated number of FGs is 1400	These data are not yet collected

11. **Farmer learning platforms (FLPs).** The mission observed great progress in the provision of technical and group strengthening services. Farmers met have a clear notion on which varieties to grow, but access to quality seed of these varieties remains an issue although improving significantly for soybean and sesame. The FLPs and the involvement of FG group lead farmers (also referred to as FLP host farmers, or Farmer Promoters or FG mobilizers) are successful instruments contributing to this, although not used at the same level of quality by all PSP-employed, Sub-County-based extension workers (or extension facilitators or Community Based Facilitators). There is however some delay in the operationalization of the 'Farming as Business' concept, caused by the lack of emphasis in providing these services as well as possibly the content of the training modules. The FLPs are gradually shifting from demonstrating varieties with different fertilizer regimes to demonstration of other technologies on Integrated Soil Fertility Management and Integrated Pest Management such as in conservation agriculture and labour saving technologies and mechanization, as well as pest control.

12. Most of the FLPs (number not reported by VODP2) are about demonstrating newly released varieties of sunflower and soybeans. Sunflower varieties demonstrated are hybrids from different seed companies such as from PANNAR, Syngenta, Agrico, Kenya as well as national seed companies (PAN 7033, EASF1H, EASF2H, SESUN 1H, SESUN 2H, NKFERTI, and Syngenta 4045, sometimes also Agsun), and compared with New Sunfola (Attachment 2). Soya bean varieties demonstrated are (Maksoy 1N, 2N, 3N, 4N and 5N). The importance of quality seed is indirectly addressed in sunflower as sometimes acquired seed is poorly germinating (such as Agsun hybrid seed in Mbale), in these cases date of production and import as well as pre-planting germination tests are important. Rhizobium inoculum is mostly not used, as not widely available (larger quantities need to be ordered in advance with the Makerere Laboratory), while there are questions about its effectiveness and rapid deterioration when stored. Soybean varieties Maksoy 3N and Maksoy 4N have however a relatively strong free nodulation capacity, requiring no inoculum.

13. The PMU has prepared (some years ago): "Guidelines for Farming Learning Platforms under VODP 2". Three objectives remain: (i) Demonstrating new technologies; (ii) Learning on this new technologies; (iii) Synergy in the value chain between farmers, input suppliers, millers and others. Some of these guidelines are not adhered to and it requires some attention notably on the following topics:

- *New technologies:* Mostly varieties and some fertilizer treatment are demonstrated. Pesticides are sometimes used (soybean and sesame in particular) but not as a demonstration as such. Conservation agriculture with use of herbicides is demonstrated, as well as other technologies such as row planting (sesame), land preparation etc. Integrated Soil Fertility Management and Integrated Pest Management deserve attention.
- *Learning:* FLP host farmers are acting as lead farmers; they actively share information with their fellow farmers (male and female) in the group. Attention is needed for the role of women as lead farmers as well as participation of female farmers in FLPs and field days. Active learning also takes place with all value chain actors during the field days. Often referred to as mini-field days at sub-county level and normal field days at districts level. Notably in the latter the value chain actors are participating, and in some of the other field days.
- *Synergy in the value chain:* FLPs and field days are organized together with District Extension (supervised by DLGs) and in close collaboration with the input suppliers (seed and fertilizer if applied) and millers/processors. These actors might not visit each and every demonstration but will be involved in the field days and in the oil content (and protein) tests.

14. Some additional observations on FLPs:

- VODP2 has (yet) to provide a proper report on what is happening with the FLPs. After one year of FLPs (in two seasons) it is assumed the numbers of FLPs are going down, as well as the quantities of inputs used, in view of the weaning off. In one case the FG received soybean seed for 20 acres, and was now asking for more seed.
- Most FLPs are demonstrations of varieties with different soil fertility regimes. Most of the times no distinction is made between the variety and the quality of the seed, more attention is needed for

this in two ways: Consciousness about seed handling (sunflower), and testing locally produced seed (QDS control in cases of soybean). Seed germination tests should always be done, which would also allow for compensation of the stand. Too often also certified seed is not of the right quality, even the imported ones (a copy of the certification label should be kept or recorded).

- Variety demonstrations are sometimes combined with fertilizer, this is notably worthwhile for sesame and groundnuts (see Table 4). MTR calculations indicate that this does not really pay for sunflower and/or soybean, but it can vary from place to place. Proper analysis of the FLP results of the FLPs can shed some more light on this.
- As a rule of thumb farmers are likely to adopt a certain practice if the incremental benefits are more than double the incremental costs. This is an important consideration for guiding the Farmer Learning Platforms, in terms of priorities for FLPs. (see Table 4)

Table 5 Comparison of the incremental benefits with the incremental cash costs (source: MTR VODP II, 2014)

Commodity	From Traditional to sue of good seed	From just good seed to also fertilizer	From traditional to seed and fertilizer
Sunflower	4.2	1.3	1.8
Soybeans	1.5	1.4	1.5
Sesame	19.3	2.7	4.8
Groundnuts	1.4	5.6	3.4

15. **Farming as a business.** Annual oil crop farmers (largely sunflower and soybean, but also sesame) almost exclusively produce for the market and use purchased inputs (notably seed). Nevertheless the mission observed that many FGs do not know where to source the seed (as it was sold to them by PSP or hub coordinators), or do not know where to sell their produce (and at what price) prior to planting. There is also limited knowledge about what breakeven prices and yields are. These are normally defined as prices and yields that cover the costs of production in terms of the cash flow, not including family labour) (Table 5 and 6). This has also led (according to Opportunity Bank) of FGs asking for loans which are inflated with costed family labour, while seasonal loans should cover only the cash flow items. The MTR (2014) elaborated crop budgets which estimate the cash-flow for different oil crops and for different technologies, allowing calculating the return to family labour (Table 5). This should be compared with the opportunity cost of male and female labour in the area (often around UGX 5000/day of casual labour, but varying with the seasons). It explains the reduced enthusiasm in Eastern Region for growing soybeans. When FG members were asked most farmers were interested in growing sunflower in the 2nd season and only few were interested in soybean production, while the seed of the latter is more easily available. It is recommended to include these aspects of farming as a business in the corresponding training modules.

Table 6 Return to family labour with 2014 data in UGX/day of family labour

Commodity UGX/day	Traditional	Quality seed of improved varieties	Plus fertilizer
Sunflower	8664	11294	10063
Soybeans	2473	5595	7610
Sesame	19595	22518	21678
Groundnuts	8218	8433	13847

16. The WENIPs/Nile-PRO Trust Ltd and Arua DFA joint venture in East-Nile use the Farming as a business trainers' manual (Farmline general merchandise, 2007), others are using their own manual.

These manuals have a chapter on cost-benefit analysis but are not elaborating on the return to family labour, although mentioning it. Another manual which could be useful in the training of the concepts on Farmer as Business is: Training manual on Farming as a Family Business (Zimbabwe Agricultural Competitiveness Programme¹²).

Table 7 Break even prices in UGX/kg at fixed yield levels

Commodity	Traditional	Quality seed of improved varieties	Quality seed and fertilizer
Sunflower at 1200 kg/ha	294	383	844
Soybeans at 600 kg/ha	666	1019	1579
Sesame 600 kg/ha	893	958	1418
Groundnuts at 710 kg/ha	1250	1844	2369

17. The benefits are a function of the prices per kg and the production/ha. If either one or the other is kept stable the breakeven prices and breakeven yields can be calculated. Fixing yields or prices for different technologies are not the real situation (as benefits are a function of both price and yields) but a baseline is provided in Tables 6 and 7. If technology is used yields will go up, as in the case of sunflower also the prices, as better quality (read hybrid sunflower) fetches a higher price due to its oil content and crushing characteristics (see Table 6 and 7).

Table 8 Break even yields in kg/ha at fixed prices

Commodity	Traditional	Quality seed of improved varieties	Quality seed and fertilizer
Sunflower at 1000 UGX/kg	442	574	1265
Soybeans at 1000 UGX/kg	400	612	948
Sesame at 5000 UGX/kg	107	114	170
Groundnuts at 3000 UGX/kg	295	436	560

18. **Sustainable service delivery.** The VODP II extension service provision programme enters the final two years with another 5 agricultural seasons to go until the end of the project. As from 2017 existing PSPs will also be weaning off FGs that graduate (see assessment before). The PSPs in collaboration with Districts have developed various strategies to sustain extension services beyond the project and contract period, as well as for the FGs that are weaned off. The most important are: (i) the involvement of lead farmers, who are FG volunteers involved in farmer-to-farmer extension; (ii) Close collaboration at Sub-County and District level with District LG Extension, for which staff capacity is being strengthened, as well as SC and District level coordination in quarterly meetings combined with district technical working group meetings; as well as (iii) the involvement in service provision of SC-based HLFOs and their members and staff. It is recommended that PMU and PSPs develop a workplan as well as report quarterly progress made in sustaining services through lead farmers, district coordination and planning, as well HLFO involvement and otherwise.

19. **Lead farmers.** Each FG would have a contact person for FLPs and for F2F learning activities within the group. The individual would be a volunteer and would benefit from additional training and in the first year from the FLPs. Not all PSPs use the lead farmer concept in the same way, but it would be good to have the concept mainstreamed across all PSPs (existing and new). Sharing of information on the methodology between PSPs, facilitated by VODP2 is recommended.

¹² http://pdf.usaid.gov/pdf_docs/pa00jr2q.pdf

20. **District coordination and planning.** The current support by SC extension officers (PSP) or CBFs at Sub-County level (note the difference with NAADS CBFs which were operating at parish level and were volunteers except for a monthly allowance) is coordinated and supervision by DLG. Some of the former NAADS CBFs are still active and some are involved in associations and cooperatives as volunteers. The GOU plans to have two DLG extension officers at SC level by 2020, one will be on crops and additional one on livestock, natural resource management, agro-processing, depending on the needs. At the same time the oilseeds crops technical working groups and the quarterly meetings of all service providers (public and private) continue for the necessary coordination and planning of activities on the basis of complementarity

21. **HLFO involvement in extension:** As mentioned HLFOs (notably Agricultural Cooperative Enterprises and District Farmer Associations also have semi-volunteer staff involved in extension services. Coordination with these individuals at sub-county level is recommended for DLG extension officers, as well as PSP extension officers. Sometimes there are also extension officers employed by the millers/processors and traders, these often provide services in combination with bulking activities and input supply.

22. **Support to Higher-Level Farmers Organizations (HLFOs).** The vision is that HLFOs are expected to provide important services to FGs in bulking activities, input supply organization (notably seed, either purchase or local production), and service delivery (especially market linkages and access to and financial services). In collaboration with UCA an assessment was made of HLFOs and emerging clusters of LLFOs involved in sunflower and/or soybean production and bulking. Out of the 54 listed HLFOs, 27 were registered as cooperatives, 3 as companies, and 10 as community-based organizations (see Table 8 and Attachment 4). UCA also identified 93 LLFOs interested in either being liaised to HLFOs or to be clustered into new HLFOs. The MTR targeted this category of FOs to be assisted as representing 660 FGs, but the assessment shows that this could be considerably more (at least up to 1400 FGs), although there will be some overlap with the already targeted FGs by PSPs.

23. UCA will be contracted for three capacity development strategies: (i) Strengthening the referred 40 HLFOs leading to enhanced functionality in oil seeds production and marketing; (ii) support and develop capacity of the emerging clusters of FGs for a period of two year (one in each of 45 VODP2 target districts); (iii) Training of extensionists of 11 PSPs in FG clustering as a first step towards HLFO development. The FG clustering can take place in a sub-county if there are at least 10 FGs involved in oil seeds production. PSPs can contribute to the formation of motivated associations, but the actual cooperative formation should be done by UCA, because it is beyond the scope of this project and requires another 4-year trajectory. PSPs would as from mid-2017 contribute to enhanced FG mobilization and formation of associations through a bottom-up process. A clustering activity will take place in a Sub-County if there are at least 10 FGs involved in oil seeds production. As there are different organizations working with HLFOs it is recommended that hub coordinators organize coordination meetings between PSPs, UCA and 4P brokers (see also later) on support and involvement with HLFOs. The PMU develops with UCA a 2-year plan for capacity development of HLFOs, LLFOs and PSP by 31 July 2016. The plan is also needed to embed the different HLFO capacity development strategies. UCA has been working with VODP2 for the last two years on a cost recovery basis, but this greater activity requires a contract, also to involving serious bulking expertise from the cotton and coffee cooperatives.

24. **Strengthening HLFOs:** The 40 selected (see Appendix 4) will require service delivery based on the needs assessment made by UCA. The expected main services required will be in addition to organizational strengthening into cooperatives, the oil crops production and marketing and bulking. The latter can be easily handled by UCA with its experience in coffee and cotton bulking, but agronomic services for oil crop production promotion require an agricultural extension input. For the targeted HLFOs the DLG extension officers in the referred area will through collaboration with UCA develop this more agronomic part, including support to local seed production and effective seed demand forecasting. VODP2 will provide within the context of the existing MOUs and corresponding annual work plans the necessary operational budget for FLPs and transport costs.

25. **Emerging clusters of LLFOs/FGs.** UCA has identified 93 LLFO interested in clustering, this could be a good starting point for clustering. Many more local initiatives exist of FGs, assisted by PSPs, that have started considering forming an association of some sorts, as they are confronted with the demand for bulking by millers (minimum amount to be collected varying from 2-10 MT of oilseeds) and need for purchasing seed (often far away). In collaboration with PSPs UCA will start this clustering in at least one area in each of the 45 target districts. It is recommended that the PMU uses its GIS expertise and map the identified 40 HLFOs which will assist PSPs to support the linking up of LLFOs, while this information can be crucial for millers/traders and processors.

26. **PSP training.** Cooperative development is a special affair. Development of an association into an Agricultural Cooperative Enterprise (ACE) can take as long as 4 years, UCA has the experience for this. PSPs can be involved in the initial process of clustering and association formation (see above). UCA will train the 11 PSPs in this process. The approach is bottom-up and coaches FGs into identification of the need to form an association and for what purposes. Each PSP (6 old ones and 5 new ones) has approximately 10 extensionists in the field which would require training. The PSPs can bring the process of association formation further, but in no way can it be claimed that this process will be completed for all the 5000 FGs before the end of the project.

Table 9 Inventory of HLFOs by UCA (see Attachment 3)

	Cooperatives	Companies	CBOs
Eastern Hub	8	3	2
Lira Hub	9		2
Gulu hub	4		2
West Nile Hub	6		4
Total	27	3	10

27. **Availability of quality seed of improved varieties.** The support for the seed value chain development is focusing on sunflower and soybeans, although some activities on access to quality seed of improved varieties for groundnuts and sesame are still on-going as part of a contract with NaSARRI. The farmers' access to quality seed of improved OPV varieties (not hybrids) has improved significantly, but chain transparency is still requiring improvement. Progress was made possible by the VODPII strategic change of focusing on local seed production of the varieties that have been identified by farmers through the Farmer Learning Platforms. This was further facilitated by the MAAIF recognition of Quality Declared Seed (although yet to be formalized), as a category of seed produced locally by farmers and quality-controlled by DLG staff. The soybean seed value chain has particularly developed well with production of breeder seed of several varieties by NACRRI/Makerere University, Foundation seed by Iki-Iki DATIC and ZARDIs in other hubs, as well as seed production by Farmer Groups or Local Seed Businesses. Local seed production and seed value chain development require further capacity development by NaSARRI, NACRRI and PSPs for quality seed production. . It is recommended that research organizations provide Training of training (TOT) based on existing manuals (see www.issduganda.org) to PSPs extensionists as well as to DLG extension staff on how to support local seed production and seed value chain development in a sustainable manner, including new variety promotion. PSPs and others are to support the seed value chains without becoming a direct actor but rather coaching FGs in access to foundation seed and seed market outlets. This also means that Seed FGs will buy Foundation Seed and sell the seed they produce to other farmers. The PSPs will support FGs in the development of Season Action Plans (SAPs) (simplified business plans) also in interaction with the market actors such as millers and input suppliers. The SAPs are to provide the basis for an effective seed demand analysis (notably for hybrid sunflower). It is yet to be decided before which date this is needed, but it appears that the amounts need to be known before 15th of May in order to be able to import the seed for planting for the 2nd season. Millers such as Ngetta Tropical Holdings are prepared to coordinate some of the hybrid sunflower import processes.

28. **Access to quality seed of hybrid sunflower varieties.** Timely sunflower seed availability of hybrid varieties remains a constraint. Effective demand exists for hybrid variety seed from international companies, while local hybrids Sesun 1H and Sesun 2H are hardly used, or multiplied (UOSPA produces some 10 tons per year). National seed companies are not very interested in importing or local producing and marketing of hybrid sunflower variety seed for various reasons, mostly related to risks and small margins. Hence timely estimates of seed needs, based on referred Season Action Plans, is of interest to millers and traders for joint seed importation in order to fill this gap. Meanwhile NaSARRI is multi-locational testing new national hybrids which can match PAN7033 and others, but release and multiplication under exclusive rights contracts with national seed companies will not happen before 2018.

29. The oil crops seed value chains are developing at different speeds and in different ways. NaSARRI and NACRRI (through a MOU with VODP2) are playing an active role in these seed value chains (see Attachment 5). Some of the general issues at stake are the following:

- PSPs should focus on recommending a limited number of varieties based on the FLPs (farmers have made the choice) and based on proper explanations and discussions (oil and protein content, market interest, etc.).
- Good varieties are available, challenges are getting access to quality seed of these varieties through: (i) Adequate information on where the seed is available; (ii) Foundation seed by research; (iii) Arrangements on who is producing seed (even FS) and how the demand is identified and addressed
- Need for more training farmers involved in local seed production initiatives. Using of existing guidelines and manuals (e.g. www.issduganda.org). Training of district staff in seed quality control, which is required for the production of Quality Declared Seed. TOT can be provided by research.
- The HLFOs offer a great opportunity to produce seed and market it. If a HLFO identifies and develops one of its RPOs for seed production. This particular RPO would be able to supply the whole HLFO, which often has adequate storage as well.

30. **Sunflower seed value chain.** Most farmers have become conscious of the fact that it is worthwhile to use seed of sunflower hybrid varieties, not only for its yield, but also general performance under stress (dry spells and heavy rain), as well as the potential higher price to be obtained due to the milling characteristics and oil content. NK Ferti (Syngenta) and PAN7033 (Pannar) are the most preferred, the former even more due to its characteristics, but at a higher price and PAN 7033 for its lower price and good reputation. The national hybrids such as Sesun 1H and Sesun 2H are only used because they a substantial lower price. It is recommended that referred NaSARRI hybrid sunflower varieties are tested under farmer's conditions in collaboration with PSPs as soon as possible. NaSARRI has reported its progress in Attachment 5, but a full progress report is still required.

31. **Soybean seed value chain.** The soybean seed value chain is becoming operational and effective in producing Quality Declared Seed (not fully official yet or actually fully quality controlled). Makerere and NaCCRRI provide foundation seed with the recommendation that this be renewed every three years, but quality control is limited (as only by NACRRI). Farmers (259 individuals in groups) are trained in producing seed, which is controlled by NaCCRRI and some DLG Extension staff and 'labelled' as Quality Declared Seed. Different varieties are available but popularity is location specific. Maksoy 3N and 4N (larger grain, free nodulation) and Maksoy 2N are preferred in Eastern Province (see Attachment 5). It is recommended that the soybean seed value chain quality control is developed, by training farmers (users and seed producers), and extension staff (PSPs, DLGs) by NaCCRRI. This would also imply some monitoring and transparency on the quantities available and the prices or different categories of seed (or grain).

32. **Groundnut seed value chain.** Quality groundnut seed is still in short supply for Serenut 1-5, while other varieties are not even available. Foundation seed is produced by farmer groups supervised by NaSARRI, but not yet in the Eastern Region. Information on the characteristics of the

different varieties (pros and cons of each) as well as the recommended seed production practices (how many years can it be recycled) needs to be provided by NaSARRI. Farmers are currently unnecessarily shifting from one variety to another.

33. **Sesame seed value chain.** Seed is widely available as QDS or QDS like. Seed to be replaced every 5 years, which is the basis for the production of foundation seed by NaSARRI some more transparency on where the quality seed can be obtained and at what prices is needed.

Attachment 1 - Itinerary

Date	People and organizations met
9 th May	Briefing with MFPED Principal Secretary (John Charles Ogo: jcogol@gmail.com) and staff VODP2 staff meeting Meeting with 4P coordinator (Nico Jansen, Rowena) Meeting with Ngetta Tropical Holding (Paul Omar)
10 th May	Travel to Mbale Mbale DLG: George Wanakina (DPMO), Issa Ziwedde (acting CAO), DFPP: Mabonga Nathan EPSEDEC-CARD: Nelson Woira Kyagera kyagera2000@yahoo.com CRDI: Lwalinda Isaiah isaiahlwailinda@gmail.com
11 th May	Namuny Iyombekha Farmers Group Busiu Subcounty Mbal District Elgon Spices in Nakaloke Subcounty Bulambuli District Bunambutye ACE Bulambuli District Millers in Bulambuli District UCA-Mbale: Harrison Kaziro Ssebuliba: Harrison Kaziro@gmail.com
12 th May	CN Cotton Kachumbala Nile Agro DG (MMP Nile Agro and Nile Agro Ltd Jinja): Magan Patel Omokonyo FG Kumi District Albukin FG Kateta Subcounty Share Orupe FG NaSARRI- Soroti District
13 th May	Meeting with Demeter Ltd (Gill and Rose): Dorethy and Zubair Wanera Meeting with CARD, NSOYNET, EPSEDEC, CRDI AGRINET (Paul Nyende panyende@agrinetug.net , Jacinta Namubiru janmubiru@agrinetug.net)
14 th May	Iki-Iki DATIC Centre NaSARRI/Makerere (Tony Obua) Uganda Grows (Robert Luvunia: rluvunia@ugandagrows.org Seed producers in Budaka District
15 th May	Report writing
16 th May	Wrap-up meeting (35 present): All six PSPs, 4P brokers, DLGs, Research Travel to Kampala
17 th May	Meeting with SNV/OSSUP UCA: Billy Butamanya bbutamanya@uca.co.ug ; Leonard Msemakweli lmsemakweli@uca.co.ug UNBS
18 th May	ISSD-Uganda
19 th May	VODP2 meeting on draft AM
20 th May	Presentation of AM in Entebbe at MAAIF Principal Secretary MAAIF: Vincent Rubarema Commissioner Byarugaba Beatrice (byarubeatrice@yahoo.com)

Attachment 2: Results from Farmer Learning Platforms (FLPs) on Variety and Agronomic Practices in season 2015B

Soybean variety performance

Soybean variety	Yield per acre (Kg)				
	Eastern Uganda	Lira	Gulu	West Nile	Variety average
MAKSOY 1N	595	678	756.0	-	676
MAKSOY 2N	646	705	1,061.5	240	663.1
MAKSOY 3N	623	856	1,167.2	395	760.3
MAKSOY 4N	-	867	-	390	628.5
MAKSOY 5N	-	905	1,011.0	236	717.3
Hub average (Kgs/Acre)	621.3	802.2	998.93	315.25	

Sunflower variety performance

Sunflower variety	Yield per acre (Kg)				
	Eastern Uganda	Lira	Gulu	West Nile	Variety average
NKFERTI	-	956	-	616	786
PAN 7033	719	908	786	596	752
Syngenta 4045	-	768	751	608	709
EASF2H	517	716	753	-	662
New Sunfola	540	678	777	576	643
SESUN 1H	-	615	705	496	605
SESUN 2H	480	643	678	548	587
EASF1H	510	690	543	-	581
Hub average	553	747	713	573	

Effect of fertilizer application on sunflower yield (Lira Hub)

Sunflower variety	Fertilizer	Control	Change in yield (Kg/acre)	% yield advantage
PAN 7033	927	889	38	4.27
EASF1H	702	678	24	3.54
EASF2H	730	702	28	3.99
SESUN 1H	629	601	28	4.66
SESUN 2H	652	634	18	2.84
NKFERTI	972	940	32	3.40
NEW SUNFOLA	700	656	44	6.71
SYNGENTA 4045	781	755	26	3.44

Effect of weed management on sunflower yield (Lira Hub)

Sunflower variety	Weed control method		Change in yield (Kg/acre)	% yield advantage
	Herbicide	Control		
PAN 7033	925	889	36	4.05
ESAF 1H	697	678	19	2.80
ESAF 2H	725	702	23	3.28
SESUN 1H	624	601	23	3.83
SESUN 2H	652	634	18	2.84
NKFERTI	968	940	28	2.98
NEW SUNFOLA	695	656	39	5.95
SYNGENTA 4045	776	755	21	2.78

Effect of weed management on sunflower yield (Lira Hub)

Soybean variety	Weed control method		Change in yield (Kg/acre)	% yield advantage
	Herbicide	Control		
MAKSOY 1N	700	656	44	6.71
MAKSOY 2N	713	697	16	2.30
MAKSOY 3N	875	837	38	4.54
MAKSOY 4N	889	845	44	5.21
MAKSOY 5N	921	889	32	3.60

Attachment 3: Contract price variations for PSPs for agricultural extension services and business partnership development

Ref: MAAIF-VODP2/SRVCS/13-14/00001

Introduction

1 VODP2 has contracted six pay-for-service providers (PSPs) for oil crop extension services as well as linkage services with value chain actors. Two-year contracts with negotiated budgets and workplans were signed in the period 23/7/14 (WENIPS, AFSRT), 15/10/14 (IIRR, CRDI, UOSPA and EPSEDEC). The workplan was for one year and expired in 2015. Since that date the PSPs have been working on the agreed budget and workplan. The process meant working with Farmer Groups and partners for at least three seasons (2015A, 2015B and 2016A).

2 The referred PSPs have submitted proposals for workplans and budgets for 2nd year of the current contracts in August/September 2015. VODP2 submitted the proposals to the VODP2 Sub-contracts Committee on October 8th 2015. The second year's workplan and contract extension required an assessment of performance in the first year as a basis for new (2nd year) workplan. This was only completed in December 2015 and a meeting to discuss the assessment report with PSPs held in January 2016.

3 The VODP2 sub-contracts committee approved the request for approval of Annual Workplans and Budget for Pay for Service Providers on February 12th 2016. The increased contract price of not more than 15% of the 1st year workplan (in line with the PPDA guidelines 55 (4) was accepted.

4 The approved Annual Workplans and Budgets were submitted to IFAD for No Objection. IFAD on April 8th requested additional information and justification on the increase in the budgets. VODP2 responded to this on April 14th with detailed justifications for the budgets. IFAD responded to this with additional queries on the differential increase in the budget categories in the AWPBs. This is the background to the current analysis which is expected to contribute to the IFAD NO.

Analysis

5 PSPs are the backbone of the VODP2 field activities. The budgets of the expired 1st AWPBs (October 2014-October 2015) have been exhausted. The continuation of the programme is at stake if contracts for 2nd AWPBs are not agreed upon soon.

6 The VODP2-PMU has negotiated with the PSPs on the content of the 2nd AWPB as well as the costing modalities. On the content the following topics were listed for inclusion in the AWPB or more to be given more attention:

- Expansion of complementary enterprises as part of the cropping system and value chains
- Climate smart agriculture to respond to issues of climate change with simple mitigation measures, e.g. use of channels to drain away water, minimizing water logging during heavy rains.
- Increased frequency of monitoring of field based workers and community based facilitators and progress review meetings to increase efficiency.
- Farmers' Fields day and graduation to raise interest and confidence of lead farmers/community based facilitators is important for the sustainability of oilseed activities in the communities.
- Endline survey, writeshops, and documentation to establish the change from the baseline, serving to provide information on outcome indicators for the farmer groups engaged by a given PSP at the end of contract period, share experiences and document stories on what works or does not work.
- Need for weaning of graduated functional Farmers in order to start with new FGs for another two year cycle (estimated at about 50%)

7 Details on costing modalities were discussed. Notably to costs mileage of the use of transport and just fuel in order to cater for additional maintenance costs of these vehicles. Some taxes which were not there before were included, while salaries were to follow market rates in order to enhance retention of experienced field staff.

8 The budgets of the six workplans were compared. The unit costs (total costs for each Farmer Group) in the 1st AWPB for FGs varied from UGX 1,584,000 (CRDI) with 213 FGs and UGX 2,604,000 (UOSPA) with 120 FGs. All PSPs submitted a budget which is almost 15% higher, except AFSRT with only 8% increase. In general the budget for field activities decreased, while it increased mostly for Salaries (see also Table 12).

Table 10. Increase in the proposed 2nd AWPBs and budget lines for the six VODP2 contracted PSPs

Budget x 1000 UGX	AFSRT	IIRR	CRDI	UOSPA	EPSEDEC	WENIPS	Average increase (%)
Field activities	-17%	-36%	6%	11%	6%	-59%	-11%
Allowances	-9%		0%	32%	33%	13%	11%
Fuel	7%	27%	41%	5%	6%	55%	23%
Salaries	23%	179%	55%	21%	124%	38%	58%
Administration costs	45%	86%	4%	29%	5%	18%	24%
Total	8%	15%	15%	14%	14%	15%	13%

9 Overall the largest part of the budget goes to field activities, followed by salaries (see Table 11). In the following (as in Table 12) these have been further justified.

Table 11. Proportion of different budget items in the AWPBs of six PSPs (in %)

Cost category	AFSRT	IIRR	CRDI	UOSPA	EPSEDEC	WENIPS	Average	
	AWPB2	AWPB2	AWPB2	AWPB2	AWPB2	AWPB2	AWPB 1	AWPB2
Field activities	17%	37%	39%	48%	72%	7%	47%	37%
Allowances	13%	3%	18%	6%	3%	15%	10%	10%
Fuel	25%	17%	14%	15%	11%	27%	17%	18%
Salaries	31%	41%	18%	22%	13%	40%	20%	28%
Administration costs	14%	1%	11%	9%	1%	10%	7%	8%

10 **Field activities:** Some PSPs have a clear weaning off strategy with less costly agronomic activities in the 2nd year (WENIPS, AFSRT, IIRR) while others include costs CBFs and VSLA training in this activity.

11 **Allowances:** Some argue that fewer allowances are due to extra officers who are field based, while others argue that these will increase due to the increased number of staff. Some allowances are part of the field activities. Overall the increase is only 11%

12 **Fuel:** Most PSPs have introduced the mileage costs and no longer just fuel, while the mileage is also increasing due enhanced activities. Increase is also related to increased monitoring and supervisory activities.

13 **Salaries:** The opportunity cost for qualified technical staff is increasing, as discussed with VODP2. The number of staff is also increasing as emphasis on monitoring and data collection was discussed with VODP2. Some have under-budgeted staff in the 1st AWPB, while others have also costed some staff costs in other cost categories (WENIPS) and others have increased salary budgets due to additional assignments (monitoring, field days and graduation).

14 **Administration costs:** A more than average increase in administration costs is budgeted, due to additional requested activities such as on documentation and publicity, while some have budgeted additional motorbike costs.

Table 12 Main justification by each PSP for increase/decrease in each cost category

Cost category	Reasons for increase	Overall increase in %
Field activities	More CBFs will be trained (CRDI) Formation of VSLAs (UOSPA) More CBFs trained and withholding tax (Epsedec) Less agronomic activities in 2nd year (AFSRT) Agronomic training mainly in 1st year (WENIPS) Yr01 activities not repeated (IIRR)	-11%
Allowances	Staff more field based hence less allowances (AFSRT) More technical backstopping for field staff (IIRR) Training HLFO (CRDI) More staff hence more allowances (UOSPA) Intensification of field monitoring (EPSEDEC) New supervisory staff and quality control staff (WENIPS)	11%
Fuel	Increase of field staff (AFSRT) Mileage costs of the motorcycles used (IIRR) More activities agreed with PMU (CRDI) More staff involved in field work (UOSPA) More staff, longer distances and higher frequency (EPSEDEC)	23%
Salaries	Attract and retain staff and specialized trainers for FGs and HLFOs (AFSRT) Retain qualified staff and allocation of specialized staff on agribusiness (IIRR) Attract new staff and retain experienced staff (CRDI) Increase ne staff and retain staff, but sharing of salary increase costs (UOSPA) Additional data assistant staff for M&E and staff retention (EPSEDEC) Reduce dropout rates of qualified staff and additional technical staff (supervisors, technical (WENIPS)	58%
Administration costs	Systematic documentation, signboards and training CBFs (AFSRT) More administration and indirect costs (IIRR) Operational costs of administrative procedures with partners and FGs (CRDI) More stationary and office supplies due to more staff and motorcycle maintenance (UOSPA) More publicity (public relations and signposts, talk shows, stakeholder meetings) (WENIPS)	24%
TOTAL		13%

Conclusion

15 The budgets with the presented justification are considered adequate and have indeed increased with almost 15%, but this is justified as well as negotiated with VDP2 (for some extra activities and the phasing of the field activities). The specific increase of salary costs is justified based on additional staff (for additional activities, monitoring etc.) and the need to retain qualified staff. Variations among PSPs for the different costs categories are also explained by the inclusion of different additional items in different budget lines. For example the requested activities by VODP2 have been budgeted under fuel (CRDI), field activities (AFSRT, IIRR, UOSPA), Salaries (EPSEDEC) and Administration (WENIPS).

16 It is recommended to accept the presented PSP AWPB as soon as possible and sign corresponding contracts. What needs to be included and formalized is that PSPs will collect

information on the five key indicators on functionality of the FGs in order to allow for gradual weaning off (estimated at 50% of current FGs) of functional groups after season 2016B and replace these with new farmer groups. Also the collaboration with UCA and the strengthening on HLFOs and the clustering of existing FGs needs to be included.

Attachment 1: HLFO proposed for support under VODP II

Source: UCA and VODP2, 2015

Table 13 West Nile Hub

S/N	Name of organizations	Location	No of members	No of groups	Comments
1	Padhoch Oil seed producer cooperative	Jukal West, Panyango Sub-county, Nebbi District	146	6	It is a LLFO registered as CBO. To join Panyango RPO and mobilise more groups to register as primary Cooperatives and later on register as Secondary Cooperative / HLFO. Mobilization of other groups to be done before the end of March 2016
2	Konga co-operative association	Afoyopayodhara village, Patek parish, Jang-Okoro sub-county, Zombo district	87	3	It is a LLFO, members agreed to contact 6 different groups within the same sub-county and discuss the possibility of registering as primary cooperatives and later on Secondary Cooperative / HLFO. Mobilisation to be done within two weeks (by 22nd march 2016)
3	NAFA	Kidoga village , Nyio Parish, Vura Sub-county, Arua district	115	3	LLFO / Primary Cooperative is a member of VURRA ACE which is a HLFO. It is VURRA ACE that will be supported and NAFA through VURRA ACE.
4	Alio-ledio, Ma-ecora & Odumani	Rhino camp sub-county, Arua district	246	6	All the 3 organizations are LLFOs and registered as CBOs. They have agreed to register as primary Cooperatives and form a Secondary Cooperative / HLFO
5	Poroporo	Kemeru village, Alinga parish, Kuru sub-county, Yumbe district	574	16	It is a primary cooperative (LLFO) need to be organized into HLFO / Secondary Cooperative
6	Amatura	Vura Opi village, Vura parish, Moyo sub-county, Moyo district	82	5	It is a primary cooperative (LLFO) need to be organized into HLFO / Secondary Cooperative
7	Mifiako	Dilokata central, Dilokata parish, Aliba sub-county, Moyo district	120	3	It is a CBO/ LLFO & need to be organized into HLFO
8	Obongi	Town-west, Yeknemiji parish, Gimara Sub-county, Moyo district	242	3	It is a primary cooperative (LLFO) need to be organized into HLFO / Secondary Cooperative
9	Oyaa Valley	Taparago village, Ambala Parish, Kei sub-county, Yumbe district	110	3	It is a CBO/ LLFO & need to be organized into HLFO
10	ACTs Association	Aliamu village, Arubaku Parish, Drajini Sub-county, Yumbe district	400	10	It is a CBO/ LLFO & need to be organized into HLFO
GRAND TOTAL			1774+	58	

Table 14 Gulu hub

S/N	Name of Organization	Location	No of members	No of groups	Comments
1	Lamwo District Farmers Association	Lamwo District Headquater	3310	110	Lamwo District Farmers Association is a CBO and has not provided any service to its members. It is a big group with over 100 groups with approximately 3000 members but does not have proper record. Have selected 2 sub-counties within which the HLFOs can be formed. The Chairperson agreed to mobilize the additional groups by the end of march 2016
2	Pangira Grinding millers Cooperative Society	Lamwo district, Lukwa-Lichwa parish, Licwa Central	348	35	Pangira Grinding millers Cooperative Society is a Primary Cooperative / LLFO. Need to mobilise more groups to register as Primary Cooperatives and later on team up with them to form a Secondary Cooperative
3	Acwera Commercial Farmers Cooperative society Ltd	Obera bic Village, Acwera Parish, Amuru District	950	32	It is a CBO /LLFO. Need to mobilize more groups and reorganize into cooperatives
4	UJIGU Farmers' Cooperative society Ltd	Lakang Village, Pailyec Parish, Amuru Subcounty, Amuru District	269		It is a CBO /LLFO.It is in the process of registering as a primary cooperative. Has about 300 Members in total. Need to mobilize more groups and reorganize into cooperatives. Identified 3 more groups to register as primary Cooperatives and later team up with Ujigo to form Secondary Cooperative / HLFO
5	Lamogi Waneno Anjiru Farmers' Cooperative society Ltd.	Pagoro parish, coo rom Village	652	17	It is a CBO /LLFO. Need to mobilize more groups to form Primary cooperatives and later on team with them to form secondary Cooperatives / HLFO
6	Latyeng Cooperative Society	Watyero village, Agago parish, Watyera S/county.	300	8	It is a primary Cooperative / LLFO. Need to mobilize more groups to form Primary cooperatives and later on team with them to form secondary Cooperatives / HLFO
	GRAND TOTAL		5829	202	

Table 15 Mbale hub

S/N	Name of organisation	Location	No of members	No of groups	Comments
1	Kameke ACE	Kamolo B village, Nyakoi parish, Palisa district	606	5	HLFO that needs strengthening & orientation in oilseed value chain
2	Merikit ACE	merikit Parish, Merikit sub county, Tororo district	547	4	HLFO that needs strengthening & orientation in oilseed value chain
3	Kisoko ACE	Kisoko Central, Kisoko Sub-County, Tororo	264	4	HLFO that needs strengthening & orientation in oilseed value chain

		District			
4	Kachumbala ACE	Kachumbala Town Council, Kachumbala Sub-county, Bukedea district.	1352	4	HLFO that needs strengthening & orientation in oilseed value chain
5	Bunambutye ACE	Siipi Town council B, Bwikhonge sub-county, Bulambuli district	646	11	HLFO that needs strengthening & orientation in oilseed value chain
6	Bukusu Yetana ACE	Buwalasi Township, Busiu Sub county, Male District	5000	80	HLFO that needs strengthening & orientation in oilseed value chain
7	Mukekhe Community Development network (MUCCODINET)	Buwalasi Township, Busiu Sub county, Male District	200	10	CBO, it has 24 groups but the average membership per each group ranges from 15 - 20. The members agreed to mobilize more members so that at least 3 groups will have a minimum of 30 members that can register as primary cooperative and later on register as Secondary cooperative (HLFO). The group may be supported on condition that they fulfil these conditions.
9	Mayuge DFA	CBO	600	666	Identified Mulongo & Imanyiro sub-county to mobilize members and form HLFOs
10	Iganga DFA	CBO	600		Identified Buynga & Nawandala Subcounty to mobilize members and form HLFOs
11	Jinja DFA	CBO	600		Identified Buwenge Rural & Butaangaya farmers Association to be transformed into HLFOs
12	Namugalwe ACE	Iganga	630	7	HLFO but need strengthening in governance.
13	Namkoma ACE	Nakoma Sub-county, Nakoma training Centre, Iganga	565	5	HLFO but need strengthening.
		GRAND TOTAL	11,685	799	

Table 16 Lira Hub

S/ N	Name of HLFO	Location	No of members	No of groups	Comments
1	Nyamahasa ACE	Kiryadongo district, Mutunda sub-county, Nyamahasa Parish, Nanda B village	1300	20	Nyamahasa ACE is a HLFO and has been concentrating mainly on maize production and has just gone into production of sunflower and soybean. The ACE is willing to increase production of both Soya & sunflower once there is assured market.

2	Loro Note en Teko Cooperative	Oyam district, Loro sub-county, Alidi parish, Alimo B village	514	18	Loro Note en Teko is a Primary Cooperative/ LLFO. Although it has 18 groups that they consider as their members, it is individual members within the groups that have bought shares in the cooperative. It has a store fairly organized and need capacity building in a number of areas to improve the quality of services to its members. It needs to be reorganized into a HLFO
3	Alito Joint Multipurpose Cooperative	Kole district, Alito sub-county, Okwerodot parish, Awili village	5504	161	Alito Joint Multipurpose Cooperative is a HLFO and has received a number of supports such as storage facility, equipment's for push harvesting machines, tractor, value adding machine etc. It is a well-organized cooperative with proper record.
4	Akoloda ACE	Kole district, Alito Parish, Alito trading centre	5005	9	Akoloda ACE is a HLFO that has received minimum support from one partner. It is fairly organized with proper record.
5	Pakanyi United Farmers' Cooperative	Masindi district, Pakanyi sub-county, Kyakamesi parish, Pakanyi village	892	5	Pakanyi United Farmers' Cooperative is a HLFO that has been concentrating mainly on maize. They are also producing sunflower & soybeans but are sold by individual members. They are willing to increase production of soybeans & sunflower once there is assure market.
6	kataine	Karine village , Katine parish katine sub county Soroti	892	74	The cooperative (Katine farmers' cooperative) is a primary cooperative and it is actively serving its members. It needs to be reorganized into HLFO
7	Chegere Area co-operative Enterprise	Anyargiki Village, Atigolwok parish Chegere sub county, Apac District	1220	6	Chegere is a HLFO that needs to be strengthened.
8	Acan kwo Ilwetta cooperative society	Ogom Village, Ogwete parish, olilim Subcounty	353	9	This is a big primary cooperative covering the whole district of Alebtong. It has many groups at parish level. It needs to be reorganized into HLFO
9	Okwanga Farmers Group	Abwol ojam Village, Amoyeyi Parish, Otuke District	720	10	Okwanga Farmers Group is a CBO /LLFO. It needs to mobilize more groups and register as cooperative and thereafter team up to form HLFO / Secondary cooperative
10	Oyam Agro-Cooperatives	Alao Trading Centre, Oyam distict	300	24	Has 24 clusters with 300 fully paid up members. The clusters are willing to form Primary Cooperatives and later on team up to form secondary Cooperative/ HLFO
11	ANGETTA Cooperative	ALEBTONG DISTRICT	1253	28	This group can be transformed into a better and sustainable organisation , we can take it up
		GRAND TOTAL	16700	364	

Attachment 2: Progress by research organizations in relation to the agreed MOU with VODP2

Table 17 Targets and progress reports by NaSARRI

Agreed outputs with VODP2	Status NaSARRI May 2016
At least three (3) elite varieties each for sunflower, simsim and groundnuts identified and selected from the existing varieties for foundation seed multiplication and distribution to seed companies and other partners in certified seed production to meet the demand for improved seed of these crops.	Sunflower: Sesun 1H , Sesun 2H and New Sunfola Groundnuts: Serenut 1-14. For groundnuts Serenut 5, 6, 8, 9, 11 and 14 are being focused on. Sesame: Sesim 2 and 3
Adequate quantities of breeder/foundation seed to facilitate release of up to 100 tonnes per season of good quality sunflower, simsim and groundnuts certified seed of approved varieties by a network of contract growers and seed companies produced.	Not happening, parental lines for sunflower production on 6 acres (for UOSPA), as well as 2.2 MT of New Sunfola (by NasSARRI) Some groundnut FS for Serenut 1-5 with LSB in Lira Hub (with ISSD) 900 kg of Sesim 2 and 3 supplied to farmers producing seed (12 MT).
Contribute to establishment of the sunflower, simsim and groundnuts certified seed requirement based on foundation seed demand by seed companies and other partners in certified seed production based on individual district's production targets.	Some seed companies are interested in producing new hybrids under exclusive contracts (UOSPA, Equator Seed, and Pearl Seed). Limited interest from seed companies changed to LSBs (Nwoya) for groundnuts and sesame.
At least two (2) advanced lines each of high yielding sunflower, simsim and groundnuts, with high oil content evaluated in multi-locational sites for eventual release. At least five trials will be conducted in each hub.	Two new sunflower hybrids being tested in multi-locational trials in Eastern (Kumi, Bulambuli, Amuria and Kaberamaido) and Northern (Lira and Kitgum) locations producing at the level comparable to PAN7033
On-farm and on-station research on agronomy, fertility and natural resource management; and crop rotation regime for sunflower, simsim and groundnuts in a crop rotation system conducted in liaison with farmers, extension service providers.	The sites are Kaberamaido, Lira, Dokolo, Serere, Kumi
At least five (5) soil fertility improvement and management trials conducted in selected target project districts where nutrient deficiencies have been reported.	Kumi, Amuria, Serere, Soroti, Kaberamaido, Dokolo
At least 2 post-harvest technologies developed and trials run on-farm to validate for eventual promotion.	Many post-harvest issues. So far we have initiated work groundnuts. We are looking at threshing, drying and storage methods and the affect quality. Focus is aflatoxin contamination.

Table 18 Targets and progress reports by NaCRRI/Makerere University

Agreed outputs with VODP 2	Status to date
At least 2 elite soybean varieties identified and selected from the existing varieties for foundation seed multiplication and distribution to seed companies and other partners in certified seed production to meet the demand for soybean improved seed.	Maksoy 2N and Maksoy 3N have been identified as most promising and are being widely multiplied for both oil and protein use purposes.
Adequate quantities of breeder/foundation seed to facilitate release of up to 100 tonnes per season of good quality soybean certified seed of approved varieties by a network of contract growers and seed companies produced.	NaCRRI/Makerere produce about 500-1000 Kg of breeder seed for each variety. 2000 kg of breeder seed would be enough for 50 MT of Foundation seed
Contribute to establishment of the soybean certified seed requirement based on foundation seed demanded by seed companies and other partners in certified seed production based on individual district's production targets.	Limited demand by private seed companies, but increasing demand by LSBs and other local seed producing initiatives. Almost 50 MT of Foundation Seed produced and sold in 2015
At least 2 advanced soybean lines that are high yielding, with high oil content evaluated in multi-locational sites for eventual release. At least five trials will be conducted in each hub.	We have identified 5 advanced lines that are performing better than the local checks included in the multi-locational trials. These lines are still to be evaluated for oil and protein content before eventual release. NB: The local checks included in the trials are Maksoy 3N and Maksoy 4N that are the highest yielding commercial varieties.
On-farm and on-station research on agronomy, fertility and natural resource management; and crop rotation regime for soybean in a crop rotation system conducted in liaison with farmers, extension service providers.	Makerere University is conducting trials on response of the different soybean varieties to fertilizer (rhizobia and foliar). This is still being done at on station. Preliminary results show that one of the old varieties; Namsoy 4M response very well to these fertilizers. More research has to be done on this before eventually out scaling it to the farmers
At least 5 soil fertility improvement and management trials conducted in selected target project districts where nutrient deficiencies have been reported.	Maksoy 3N was identified with high capacity with free nodulation ability, but Maksoy 2N is also quite OK. Inoculum production at Makerere University Soil Science laboratory is stagnating and small
At least 2 post-harvest technologies developed and trials run on-farm to validate for eventual promotion.	Storage and mechanized threshing: We are in the process of identifying the most suitable partners for this technology.

Technical Annex 5: Oilseeds – Value Chain and Market Linkages

Access to financial services

1 **Facilitating access to commercial loans.** The project continues to work with Financial Institutions (FIs) to expand lending to oilseeds FGs across all hubs. During the past six months the PMU has facilitated linkages between five FIs (UDBL, FINCA, OBUL, DFCU and PBU) and around 2,800 oil seeds farmers (40% women) who received loans (UGX 272 million) for production season B 2015. The credit was mainly to cover working capital needs, e.g. land preparation, purchase of quality seed, garden maintenance and marketing (to farmer's organisations to purchase produce from their members). Cumulative lending to date is over UGX 2.6 billion (2.5 billion from UDBL).

2 In the Eastern Uganda- Mbale hub the mission visited the Orupe FG in the Kumi district, Kateta sub-county. Thanks to PSP linkages the FG has been able to access two 6-month loans at interest rate 2.5% / month from Opportunity Bank for groundnuts production (seed purchase, labour cost). The first in March 2015 to 17 members of the group for a total amount of UGX 8 million. The second was in October 2015 to 22 members and a total amount of UGX 13.5 million. The FG has a collective bank account but each member has also an individual account. It is important to note that the Orupe FG is also part of a VSLA and in fact Opportunity Bank applies a solidarity group methodology as loan collateral. Apparently Opportunity Bank is currently financing around 40 FGs from its Soroti branch for a total portfolio of UGX 1.6 billion (portfolio at risk>30 days around 30%).

3 Loan repayment performance is overall satisfactory with four of above-mentioned FIs. The exception is UDBL which however represents 92% of the total lending, 90% of outstanding (principal) portfolio and 99% of arrears (see Table 1). In some cases repayment performance was affected by adverse climate conditions (drought) in season B 2015 which substantially reduced the level production of many FGs. It is suggested to start monitoring more closely the health of the credit portfolio of FIs involved through the appropriate indicators (e.g. portfolio at risk>30 days).

Table 1. Cumulative credit portfolio of VODP2 partner FIs (as at May 2016)

HUB	ENTERPRISE	FARMERS			TOTAL PRIN & INT.	REPAID	FI	Principal outstanding	ARREARS >120
		NO.	M	F					
MBALE	SOYBEAN	150	115	35	222 187 520	10 663 952	UDBL	191 332 048	191 332 048
MBALE	SOYBEAN	226	153	73	197 992 800	58 032 877	UDBL	121 967 123	121 967 123
LIRA	SUNFLOWER	132	116	16	549 980 000	200 509 885	UDBL	299 490 115	299 490 115
LIRA	SUNFLOWER, SOYBEAN	221	156	65	547 230 100	233 406 053	UDBL	264 093 965	264 093 965
LIRA	SUNFLOWER, SOYBEAN	453	196	257	406 435 220	369 500 000	UDBL	-	-
LIRA	SUNFLOWER, SOYBEAN	440			412 606 609	455 713 218	UDBL	369 500 000	-
MBALE	SOYBEAN	175	132	43	352 265 850	56 986 741	UDBL	272 413 259	272 413 259
	Total UDBL				2 688 698 099	1 384 812 727		1 518 796 510	1 149 296 510
LIRA	SUNFLOWER, SIMSIM	192	110	82	39 630 000	10 980 000	FINCA	21 885 069	3 650 000
LIRA	SUNFLOWER	58	36	22	44 224 000	32 341 000	FINCA	11 883 000	
	Total FINCA				83 854 000	43 321 000		33 768 069	3 650 000
LIRA	SOYBEAN, GNUTS	17	12	5	9 320 000	9 440 000	OBUL	-	-
LIRA	SOYBEAN, GNUTS	22	17	5	11 650 000	-	OBUL	-	-
LIRA	SUNFLOWER	22	16	6	11 766 500	7 236 500	OBUL	4 330 000	-
LIRA	SUNFLOWER	17	16	1	9 436 500	9 558 000	OBUL	-	-
LIRA	SUNFLOWER	19	18	1	17 183 750	-	OBUL	14 750 000	-
LIRA	SUNFLOWER, SOYA	10	7	3	5 825 000	-	OBUL	5 000 000	-
	Total OBUL				65 181 750	26 234 500		24 080 000	
GULU	SIMSIM	16	11	5	6 000 000	-	P.BANK	5 000 000	
GULU	SIMSIM	25	12	13	4 800 000	-	P.BANK	4 000 000	
GULU	SIMSIM	20	14	6	2 400 000	-	P.BANK	2 000 000	
	Total P. BANK				13 200 000	-		11 000 000	
GULU	SOYABEAN	10	7	3	5 648 000	-	DFCU	5 000 000	
GULU	SOYABEAN	40	19	21	16 944 000	-	DFCU	15 000 000	
GULU	SOYABEAN	20	2	18	12 425 600	-	DFCU	11 000 000	
GULU	SOYABEAN	30	10	20	12 425 600	-	DFCU	11 000 000	
GULU	SOYABEAN	15	2	13	5 648 000	-	DFCU	5 000 000	
GULU	SOYABEAN	19	10	9	12 425 600	-	DFCU	11 000 000	
GULU	SOYABEAN	19	1	18	14 120 000	-	DFCU	12 500 000	
GULU	SOYABEAN	30	14	16	8 923 840	-	DFCU	7 900 000	
GULU	SOYABEAN	24	9	15	30 499 200	-	DFCU	27 000 000	
	Total DFCU				119 059 840	-		105 400 000	
	GRAND TOTAL	2422	1211	771	2 969 993 689	1 454 368 227	-	1 693 044 579	1 152 946 510

Source: VODP2 PMU

4 **VSLAs.** Based on field visits in Eastern Uganda-Mbale hub and previous visits to Lira and Gulu it seems clear that Village Saving and Loan Associations (VSLAs) play an important role not only as source of capital for personal use (school fees, emergencies) but also for production purposes. In fact many FGs met during the field visits in the Eastern Uganda-Mbale hub reported to have pooled their VSLA savings to purchase seed for the production season. In 2015 840 FGs in three hubs (information from Western Nile is not available) have mobilised savings of more than UGX 1.2 billion and loaned over UGX 940 M to their members as season working capital (see Table 2 below). The VSLA appears also as an important building block towards the insertion of farmers into the financial sector. To this end it could be explored with the banks the possibility of offering favourable conditions to VSLA to open a bank account and piloting innovative ways (e.g. mobile-based) to provide cash transfer and payment services to FGs and their members. Based on these findings it is recommended that the VSLA methodology be replicated through the PSP training package across the hubs whenever appropriate. To this end the PMU should ensure a methodological cross fertilisation among PSPs to capitalise on the expertise already acquired by some of them in certain hubs (e.g. Lira and Gulu).

Table 2. VSLA groups in 2015

VSLA GROUPS FORMED BY PSP FOCUSED ON THE OILSEED VALUE CHAIN.- 2015 second season to date				
Hub	PSP	No. of farmer groups involved	Saving Value	credit portofio
Eastern Uganda	CRDI	291	280 410 000	270 400 000
	EPSEDEC/CARD	112	226 466 600	135 879 960
Lira	AFSRT	208	301 850 000	258 200 000
	UOSPA	54	10 845 000	10 845 000
Gulu	IIRR	175	400 150 500	265 555 185
West Nile	WENIPS			
GRAND TOTALS		840	1 219 722 100	940 880 145

Source: VODP2 PMU

5 **Value chain finance.** Field visits confirmed that there are processors (millers) open to exploring value chain finance mechanisms with their suppliers (FGs), i.e. through the provision of seed as “in kind loans” to farmers. This type of credit is typically recovered by the miller at harvest time by deducting its amount from the total value of the production delivered by farmers. This is not new as there have been already some attempts in the oil seed sector in Uganda. For example, in the Eastern Uganda – Mbale hub CN Cotton, a soybean and sunflower grain aggregator and marketing agent for Nile Agro Ltd, has tried it with mixed results. In fact some FGs side-sold their produce to another buyer offering a better price. Despite these set-backs, which are normal and happen in most of the countries, this option should not be discarded and be further explored when promoting a Public-Private-producers Partnership (4P) approach, perhaps through tripartite agreements among millers, FGs and a FI and/or an agro dealer.

6 **Crop insurance.** The PMU has been in discussions with a crop insurance provider (Jubilee) in view of offering this additional financial service to target farmers under specific conditions (3% rather 5% premium, with a coverage up to 65% of crop value). It is still not clear whether farmers are actually willing to purchase crop insurance even though most of them claim that adverse climate conditions are their main production risk and source of concern. Probably a good awareness building campaign is needed to explain to them the benefits of this financial service and its terms and conditions (including its cost). However, it has to be acknowledged that systemic risk situations (e.g. a drought affecting the entire country) are by definition non-insurable. In other countries this prompted the creation of a specific financial instrument (e.g. Emergency Fund) at the national level to deal with these cases. A discussion in this respect may be promoted by the PMU.

Facilitating linkages among value chain actors.

7 **Positive developments and challenges.** The mission notes the progress made by the project in encouraging farmers to bulk and sell their products collectively and facilitating business relationships with processors (millers) and other oil seed value chain actors. In fact, overall volumes of grains sold collectively by farmers has continued to grow during past 3 years totalling respectively 1,362 tons of sunflower and 1,516 tons of soya beans in 2015 (source VODP2 Progress Report July 2015-April 2016).

8 The increased availability of crushing materials has created an incentive for the private sector to invest in additional processing capacity, which has resulted in an increased competition among the millers. Presently there are around 110 mills in the four hubs, which are able to satisfy on average only 34% of their processing capacity. In order to secure the commitment of farmers to supply crushing material, millers often are willing to offer some incentives: e.g. they provide drying material, bags and quality seed. Because of the risk of side-selling most of millers prefer to sell seed rather than provide it as on in-kind loan (see above).

9 This situation represents a clear opportunity to obtain better prices for organised farmers who market collectively particularly if they comply with quality requirements. Actually, this *market pull* factor potentially sets the basis to develop mutually beneficial (“win-win”) business cases and business relationships between FGs and millers.

10 For example in the Eastern Uganda- Mbale hub, according to date provided by EPSEDEC (one of the PSPs), the quantity of crushing material bought by millers as a result of the VODP2-supported business linkages with FGs has really increased significantly (see below):

- CN Cotton (Nile Agro Ltd): 335 MT bought through agents from FGs in Kumi, Bukedea, Pallisa (compared with 67 MT purchased before VODP2 intervention);
- Gill & Rose: 95 MT bought through Middle men and direct purchase from FGs in Palisa, Bugiri and Busia (compared with 25 MT purchased before);
- Three small millers: 196 MT bought direct from FGs in Bukedea and Kumi (compared with 64 MT purchased before).

11 EPSEDEC estimates that this increased sales has resulted in an increase of involved farmers’ earnings from oilseed farming activity from UGX 117 million (\$39,000) to UGX 688 million (\$229,500) in five districts of operations (Bugiri, Bukedea, Busia, Kumi and Pallisa). According to CRDI (another PSP in the Eastern Uganda hub) farmers who grew sunflower made some money with an average household income of UGX 630,000 in season 2015A.

12 It is important to highlight that the price/kg of sunflower grains fluctuated during the season reaching its lowest level (UGX 750) in December 2015 and then gradually increasing up to UGX 1,300 in April- May 2016. This is due to supply/demand dynamics. Often farmers in need of cash and with no storage capacity are forced to sell at the lowest price. However, those FGs that were linked to millers by PSPs were able to sell on average at UGX 900-950/kg in season B 2015.

13 Despite these promising results, in reality many of the actors in the oil seed sector still operate their business in a very opportunistic way based on a season price maximisation strategy which is clearly in conflict with any logic of win-win and stable business relationship. In particular, farmers in most of the cases still lack a clear understanding of their production costs so that are naturally inclined to always go for the best possible price even if it implies a non-compliance to agreements with buyers. This is also happening on the other side as it was reported that agents and intermediaries have often taken advantages of farmers’ limited marketing and business skills. There is, therefore, a strong need for trust building among all actors in the sector and for farmers to have more capacity to take informed decisions and really manage their farming as a business at the individual and collective level.

14 **Need for market-driven production planning.** In few visits farmers admitted not to know where they were going to sell their grains hoping to get help from PSPs to identify potential buyers. That is why, in addition to strengthening the “Farming as a Business” training, it is critical that the project, through PSPs, more systematically help FGs and HLFOs to undertake a market-driven planning of their production. The proposed instrument is a “*Season Action Plan (SAP)*” to be prepared by each FG with the help of a PSP prior to the planting season. The SAP should include:

- (i) identification of the market demand (quantity and quality) for each product (e.g. 10 tons of sunflower grains with a certain parameter of moisture and oil content);
- (ii) whenever possible negotiation of related commercial agreement with a buyer (agent or preferably directly with a processor) with clear specification of key contractual issues (e.g. price-setting mechanism, payment schedule, who, when and how quality control is performed, collection point and transportation); and
- (iii) based on the above, production targets and inputs /seed requirements estimated accordingly.

15 These SAPs should be based on consultations with input dealers, seed providers, millers and FIs in order to cover the production financial needs (e.g. through tripartite agreements).

16 **Capacity building of PSPs.** However, facilitating this type of market-driven relationships requires specific competencies, methodology and tools which, currently, PSPs seem to have just to a limited extent. To this end VODP2 should maximize the synergies with the two IFAD grant –funded initiatives currently operating in Uganda (see below) and taking advantage of the know-how and expertise of their implementing partner, i.e. SNV, in order to strengthen the capacity of its PSPs in the area of business to business brokering services and facilitation of market linkages.

Uganda Oilseeds Subsector Platform (OSSUP) – IFAD Grant

17 OSSUP has been supported by SNV since 2004. The current IFAD grant-funded phase will be completed in December 2016. To date the OSSUP platform has provided a space for strengthening communication, information exchange and learning among the actors of the sub-sector at the hub and national level (once/year). However, this dialogue has not materialised in any tangible impact at the policy and regulatory level as originally expected by some of the participants which is probably the reason why after 12 years it is still not clear the actual interest of the participants to give continuity to this initiative.

18 Increasingly, the OSSUP initiative has expanded its scope of intervention towards direct provision of services to members, e.g. “facilitating inclusive business to business (IB2B) relationships”, “facilitating inclusive business to finance (IB2F) linkages” with Financial institutions. OSSUP facilitators have increasingly gained expertise in business coaching and mentoring services and market intelligence.

19 In 2015 OSSUP focussed on the theme “financial inclusion” building on from “access to quality inputs” and “inclusive trading systems” themes in 2013 and 2014 respectively. By focusing on financial inclusion OSSUP aimed to share knowledge and information regarding available financing options, foster dialogue between financial service providers and stakeholders, promote inclusive and systemic finance along oilseed value chains. A total 17 multi-stakeholder platforms (MSP) meetings were held attracting a total of 439 participants including the public and private sector in all 5 platforms. The focus of the national meeting held in November 2015 was the policy dialogue generated by proposed tax policy changes, which could impact farmers and trade within the agriculture sector.

20 **Sustainability.** It is important to distinguish two very different dimensions of the OSSUP initiative. The first has to do with the IB2B and IB2F services provided by the OSSUP facilitators to members whilst the second refer to the MSP events at regional and national level. With respect to the first area SNV is still looking for a business model for the sustainability of the OSSUP services

through a cost-recovery mechanism. The proposal currently under assessment includes: (i) a fee-based web platform offering market intelligence and other strategic information to the members and (ii) a company to manage brokering and business to business services to be provided by the current OSSUP facilitators.

21 In reference to the second dimension, it can be argued that the MSP meetings have the nature of a “public good” as they represent an open space for a dialogue among all actors of the sub-sector, farmers, millers, local authorities, financial institutions, etc. This nature can indeed justify a more active support from the Government in the future to ensure the sustainability of this dialogue as part of a strategy for the development of the oil seed sector. So, approaching the phasing out of the IFAD grant, it is recommended that VODP2 hub coordinators closely coordinate with OSSUP the organisation of some of these MSP meetings at the regional level as well as at least one at the national level.

22 A particular focus on key policy-related issues identified at hub level by oilseed stakeholders¹³ and a more prominent role of VODP2 and the MAAIF should help attract key policy makers to these events and maximise the likelihood of ultimately contributing to translating this discussions into tangible policy changes.

Promoting Public Private Producers Partnerships in Agricultural Value Chains (4Ps) – IFAD Grant No. 2000000503.

23 Uganda is one of the five countries where IFAD is supporting this global initiative launched in February 2015 and to be completed in January 2018.

24 **Key principles.** It is important to highlight two underlining principles of this programme which were heavily discussed during the mission among the partners (IFAD, SNV, and VODP2). First, the “public good” nature of the knowledge generated through this initiative which has to be freely disseminated to any interested actor in order to build capacity in the country to replicate and scale up its approach. A direct implication of this principle is that it is expected that the 4P initiative through its component 2 (Knowledge and Learning) build the capacity of all PSPs engaged with the VODP2 in order to facilitate with the necessary know-how the maximum number of mutually beneficial (win-win) partnerships between FGs and millers taking advantage of the above mentioned market pull.

25 Second, 4P broker should be perceived by all stakeholders as a neutral facilitator as this is the only way to have the credibility to broker business relationships and help the parties negotiate truly win-win deals. It is, therefore, not compatible with the role of agent of a particular actor in the value chain as this by default would undermine the neutrality of the 4P broker in helping FGs select the most suitable business partner and in negotiating a fair deal for both parties. In fact it is hard to imagine how a 4P broker can remain neutral and able to defend the interest of farmers if he/she is paid a commission by a particular processor. This point comes directly from the rationale of the 4P initiative at IFAD level, i.e. testing the model of a third party broker to facilitate win-win partnerships after having realised (proven by some in depths studies) that brokering partnerships between farmers and private enterprises is not a suitable task for neither the PMUs nor IFAD staff.

26 The last point triggered some discussion with SNV-Uganda which, building on the OSSUP work, has the interest of testing the viability of a business brokering cost-recovery service in the oil seed sector. Conversely, for IFAD brokering is an instrument to achieve other objectives, i.e. greater capacity of the actors to work together and manage their business decisions and relationships in a mutually beneficial way. In conclusion, IFAD clarified that testing brokering as a service is fine as long as it is not compromising the two above-mentioned principles.

¹³ For example: import duties on cooking oil, seed policy, crop insurance, financial instrument to deal with natural disasters in agriculture, tax issues.

27 Further training of PSPs and 4P brokers. To properly address the first principle it has been agreed that SNV will organise jointly with VODP2 other trainings as refresh and follow-up for those who attended the initial 2-day event in January 2016. The latter will be replicated to five new PSPs who should come on board in the coming weeks. The concrete recommendation is as follows: *SNV to be engaged on a cost-sharing basis to train existing and new PSPs on business linkage and 4P approach during the third quarter of 2016.*

28 Progress since November 2015. Since last supervision mission there has been some significant progress in terms of (i) official selection of five 4P cases (out of a long list of 26 cases) based on a number of criteria¹⁴, (ii) creation and kick-off meeting of a 4P Steering Committee with the participation of IFAD, VODP2 and SNV, (iii) delivery of a 2-day training on 4P approach for service providers (PSPs and OSSUP facilitators) and (iv) selection (based on a call for proposals) of five 4P brokers in four hubs to look after a 4P case each (see Table 3 below).

Table 3. 4P cases and respective 4P brokers in the four hubs

Business Case Selection	Hub Location	Value Chain	4P Broker (Organisation)	VODP2 Service Provider
Olam (U) Ltd	Arua	Sesame	PALM Business Consult	Nile Pro Trust
Ngetta Tropical Holdings	Lira	Sunflower	AFSRT	AFSRT
Gill & Rose	Mbale	Soya bean	CARD Uganda	CARD Uganda
AgriNet	Mbale	Soya bean	NSOYNET	EPSEDEC
Global Traders	Gulu	Sunflower	VSL	IIRR

Source: SNV

29 Selection of 4P brokers. Related to the latter point the mission acknowledges that only two (CARD and AFSRT) of five selected 4P brokers were picked from PSPs already working with VODP2. In the other three cases the 4P brokers and PSPs are two different organisations. This choice was a surprise for the IFAD team as it does not reflect one of the 4P broker selection criteria agreed upon during last supervision mission, i.e. “being under contract with VODP2 as PSPs to ensure the best coordination with the rest of VODP2-supported activities” (see Annex 5 of the November 2015 Supervision Report). SNV clarified the selection was based on an open call for proposal launched just after the 4P training in January 2016. Only five service providers (among them the four OSSUP facilitators) ultimately submitted proposals. It was discussed whether a call for proposal (never mentioned during the last mission) was the most appropriate competitive mechanism to select the 4P brokers as, in fact, resulted in having no choice: all five organisations which submitted proposals ultimately were selected. In the end, as it is not possible to re-open the selection process, it was agreed that all parties involved should work together to minimise possible coordination challenges.

30 Coordination between PSPs and 4P brokers. In three business cases (Olam in Arua hub, AgriNet in Mbale, Global Traders in Gulu) selected 4P brokers and PSPs must quickly find a way to coordinate their actions in supporting the same FGs with different but complementary services avoiding overlaps and conflicting behaviours as sometimes happened in the past between PSPs and OSSUP facilitators¹⁵. To address this issue, it was agreed among all the actors (VODP, IFAD, SNV) the following: *(i) a strong leadership and continuous oversight is required from the VODP2 hub coordinators and SNV staff; (ii) the quarterly meetings at hub level should systematically include the 4P as item in the agenda from next quarter onwards (i.e. starting in July 2016). These meetings will include Hub coordinators, SNV, 4P brokers, PSPs and UCA (to coordinate with their work in HLFO and LLFO strengthening) and district authorities.*

¹⁴ Criteria include: (i) commercial, technical and management capability of the private sector partner, (ii) number of beneficiaries; (iii) governance and sustainability potential of the partnership; (iv) alignment with VODP2 priority crops; (v) potential for replication and scaling up; (vi) potential benefits to others (VC actors or wider community); and (vii) other environmental and social aspects.

¹⁵ It is important to note that the TOR of PSPs include both training to FGs in technical areas and provision of extension services as well as market linkage support.

31 **Selected 4P cases under preparation.** For each selected 4P case 4P brokers are currently working on the preparation of full-fledge 4P Business Cases or Business Plans to meet the global deadline agreed by SNV and IFAD, i.e. 30 June 2016. A short description of each case is included in the Attachment.

32 The mission had the opportunity to meet the two 4P brokers operating in the Eastern Uganda-Mbale hub (CARD and NSOYNET) and discuss their 4P business case under preparation. The impression is that while the concept correctly reflects the 4P approach, there is still a substantial work to be done in order to define the details of the 4P partnership and related agreement: e.g. quantitative targets of product to be sourced by the buyer, quality and variety, price setting mechanism (minimum price plus an adjustment based on market conditions?), collection location, roles of the 4P partners, precise activities and related budget, sources of funding, services and training to be provided to farmers, implementation arrangements including the role of the 4P broker vs. PSPs (in case of the NSOYNET case).

33 In addition it is recommended to revisit the number (currently five) of farmers organisations involved in the AGRINET 4P case which seems very ambitious considering the time available for both the negotiation and implementation of the partnership under the 4P initiative.

34 **Alignment with VODP2 procedures.** It was also discussed and agreed on the following: (i) the importance of finalising the 4P business plans on time to include any required training budget in the VODP2 2016-17 AWPB; and (ii) the need to discuss how best integrate the M&E data of the five 4P cases (collected through a set of 4P-specific indicators) in the overall VODP2 M&E system. To this end the following timeline has been agreed:

Table 4. Timeline for the finalisation and final approval of 4P cases

Agreed action	Responsibility	Agreed date
Hold a meeting at hub level to discuss the final workplan, implementation arrangements, budget and funding sources of each 4P case	Hub Coord/PSPs/4P brokers	By 27 May 2016
SNV submission of 4P consolidated workplans and budget to VODP2 to be integrated in the overall AWPB 2016-17	SNV (follow up by PMU)	By 7 June 2016
Technical meeting to discuss M&E and other operational arrangements of the five 4P cases	PMU and SNV	By 30 June 2016
4P Steering Committee meeting to officially approve five 4P business plans.	IFAD, PMU, SNV	1 st half July 2016

Attachment 1: Short description of five 4P cases (source SNV)

OLAM (U) Ltd – Arua Hub

Broker: PALM Business Consult

Value Chain: Sesame

The Problem		
<p>Export companies in the Arua hub buy sesame from designated agents¹⁶ who mobilize the produce through a series of sub agents; the designated agents pre-finance sub agents to buy from farmers on their behalf at a commission of between UGX 50-100 per kg. The agent in turn sells to the export company (agent led marketing model) at a commission of at least UGX 200 per kg.</p> <p>The agent-led marketing model is prevalent because producer organizations are unable to bulk for export companies due to weak leadership & governance systems, lack of storage facilities for bulking, limited access to finance for produce buying & marketing and limited capacity in financial management among others. Experience working with export companies shows that when producer organizations successfully bulk even 5MT, the export companies are willing and have always bought directly from their stores.</p>		
The Proposed Solution		
<p>A 4P arrangement between Olam, producers and VODP aims to pilot an inclusive trading model that will:</p> <ol style="list-style-type: none"> 1. Strengthen the bulking capacities of selected sesame producing groups in the Arua hub 2. Provide adequate storage facilities closer to those selected producer organisations 3. Reduce Olam's losses incurred through their current agent-led model 4. Provide a signed off-taker agreement between Olam and selected producer groups <p>The above will be done through a producer-agent model where Olam pre-finances selected producer groups and also invests in low-cost storage facilities geographically close to these farmer groups so that they are able to bulk produce and sell directly to Olam.</p>		
Anticipated Investment Requirements		
Investor	Type of Investment	Purpose of Investment
Centenary Rural Development Bank	Input and production financing	Capacitate groups to buy produce from farmers to minimize side selling. Improve access to improved technologies for increased production and productivity
VODP2	Capacity building of producer groups on GAP and farmer institutional development (FID)	Improve knowledge and skills on GAP for increased production. Improved leadership and management capabilities for good governance and accountability
SNV/IFAD	Partnership brokering expertise	Develop 4P brokering capacity for the development of 4P arrangements

¹⁶ Designated agents are recognized and pre financed by export companies

Global Traders – Gulu Hub

Broker: Virtuous Springs Ltd

Value Chain: Sunflower

The Problem		
<p>Global Traders (GTL) is based in Gulu District. The Company has been in operation for one year, starting in 2015 with the first season harvest, buying from farmers they were linked to in Gulu, Amuru and transporting the produce themselves. GTL has an installed crushing capacity of 15MT per day, but crushes 2-3MT per day (up to 5% of his capacity) due to the lack of crushing material in the region despite a clear market for their produce. The key market failures include:</p> <p><i>Demand side constraints:</i> Overall utilization of installed milling (or crushing) capacities is still only 20% per year, exacerbated by high marketing costs accruing from a weak, disaggregated supply chain. Efficiently aggregating and storing the small volumes of produce from widely dispersed smallholder producers is also a major challenge. Another key limiting metric is working capital to fuel expansion of raw material supply and milling capacity.</p> <p><i>Supply side constraints:</i> (uninsured) production risks, access to high-throughput infrastructural assets for production, postharvest management and aggregation.</p> <p><i>Public sector constraints:</i> lack of system-wide coordination and consultative framework to ensure (public and private) investments achieve effective overall functioning and linkages in the value chain.</p>		
The Proposed Solution		
<p>GTL is currently exporting to South Sudan and Kenya (crude oil and seed cake). Within the proposed partnership between GTL, VODP2 and selected producer groups, GTL would commit to</p> <ol style="list-style-type: none"> 1. An off-taker arrangement for supply of sunflower seed (crushing material) produced by the farmer groups 2. In-kind pre-financing of production of crushing material, through seed and/or other input loans. The proposed 4P arrangement will catalyse the expansion of northern Uganda's vegetable oil market penetration through market/industry-driven intensification of local raw material production and optimizing the utilization of installed milling capacities. An efficient partnership would also require: <ul style="list-style-type: none"> • Strengthening farmer aggregation, which will attract both the buyer and other service providers, and significantly driving down costs. This will work best with co-located farmer groups. • Synchronizing demand and supply through joint planning and coordination between the 4P actors. • Developing the readiness of farmer groups for the potential offtaker arrangement with the buyer. • Appropriate monitoring mechanisms for a win-win offtaker engagement with the farmer groups. 		
Anticipated Investment Requirements		
Investor	Type of Investment	Purpose of Investment
aBi Trust	Infrastructure	High-throughput for production, postharvest management and aggregation
Uganda Development Bank	Commercial financing	Augment working capital to absorb expansion of raw material supply
VODP2	Technical agricultural extension services	Promotion of technologies aimed at increasing oil seeds production and productivity, producer institution development, development of value chain linkages among processors/traders, producers and agro-inputs dealers
SNV/IFAD	Partnership brokering expertise	Develop 4P brokering capacity for the development of 4P arrangements

Ngetta Tropical Holdings – Lira Hub

Broker: Agency for Sustainable Rural Transformation

Value Chain: Sunflower

The Problem		
<p>Ngetta Tropical Holdings (NTH) is a newly formed company with the long-term aim of exporting sunflower oil to Europe and North America. As a new market entrant NTH quickly realised that access to hybrid sunflower seed was a major constraint in the sunflower value chain and began importing the Agsun4045 hybrid seed variety that was ready for the first planting season in 2015. NTH does not have established seed distribution channels and for two consecutive seasons has had hybrid sunflower seeds remain unsold. This is largely because producer organisations are not yet able to give a clear and timely indicative seed demand and some currently lack awareness about the availability and viability of Agsun 4045.</p> <p>At the same time NTH is still yet to install their processing machinery that is expected to arrive in June 2016 and establish a sustainable outgrower scheme to buy back the grain from farmers.</p>		
The Proposed Solution		
<p>A 4P partnership between NTH, VODP2, producers (from Aboko and Ongooceng Cooperative Societies) and millers will:</p> <ol style="list-style-type: none"> 1. Improve access and establish seed supply channels by partnering with local sunflower millers to distribute seeds to farmers and develop an awareness campaign through farmer learning platforms 2. Develop an out-grower scheme of farmers by providing EU and North American market tailored extension services to selected producer groups and establishing bulking facilities in close geographical proximity to those farmers to enable NTH to begin buying back grain produced by those groups 		
Anticipated Investment Requirements		
Investor	Type of Investment	Purpose of Investment
NTH	Infrastructure	Processing plant and producer storage facilities
Commercial investor	Working capital	To support the importation of hybrid seed and buying back of grain from producers
VODP2	Technical agricultural extension services	Demonstrate the viability of the Agsun4045 hybrid variety.
		Institutional development for producer groups
SNV/IFAD	Partnership brokering expertise	Develop 4P brokering capacity for the development of 4P arrangements

AgriNet – Mbale Hub

Broker: National Soybean Network

Value Chain: Soya bean

The Problem		
<p>AgriNet has a demand of 200MT of soya bean per season for their poultry and animal feed processing service line as well as exports within the EAC (East African Community) region. However, AgriNet receives an average of only 60MT, a short fall of close to 70% of its requirements. AgriNet predominantly source their grain through agents and often incur losses. At the same time AgriNet needs investment to be able to absorb the 200MT and meet their current market demand.</p>		
The Proposed Solution		
<p>A 4P partnership between Agrinet, VODP2 and producers will pilot a direct private-producer engagement where farmers are pre-financed 'agents' of AgriNet producing and bulking at least 10MT of soya bean according to the specifications of AgriNet. This can then be scaled up as AgriNet also grows its absorption capacity.</p> <p>Through the process, it will be important to strategically build trust between the producer groups and AgriNet the off taker a strategy to sustain the partnership between the two entities. This shall be attained through strategic meetings and selecting farmers who have been mentored on the long term prospects of the 4P in which they are positioned as the major stakeholders.</p>		
Anticipated Investment Requirements		
Investor	Type of Investment	Purpose of Investment
AgriNet	Inputs and working capital	Pre-finance producers through seed supply, provision of tarpaulins and moisture metres
Commercial bank to be identified	Production financing	Support producer production capacity
VODP2	Technical agricultural extension services	Capacity development to producer groups to meet soya bean qualities required by AgriNet
SNV/IFAD	Partnership brokering expertise	Develop 4P brokering capacity for the development of 4P arrangements

Gill & Rose – Mbale Hub

Broker: CARD Uganda

Value Chain: Sunflower

The Problem		
<p>Gill & Rose has a daily milling demand of 5 MT a day but has not been able to meet this capacity during the past year of its existence in the region. The processor has not been able to build a sustainable supply chain even with the available markets for Gil & Rose in Uganda and Kenya for their sunflower oil and cake.</p> <p>There is also need for Gil & Rose to fully operationalize their business and work in compliance with the required legal systems and also improve their human resource.</p> <p>For producers, reliable access to quality seeds has also remained a challenge, making producer in the Eastern hub reluctant to engage in sunflower production.</p>		
The Proposed Solution		
<p>A 4P partnership with VODP2, producers from Kagumu ACE and Bunambutye ACE, will:</p> <ol style="list-style-type: none"> 1. Develop an off-taker agreement between Gill & Rose and the selected ACEs for the supply of sunflower grain by building a relationship between G&R and producers through pre-season meetings with farmers. This will be supported by investments to provide technical support to producers to address capacity gaps including; BDS, Faab, farming as a business 2. The 4P should also create steady access to seed by NTH supplying G&R hybrid seeds that producers can access. 		
Anticipated Investment Requirements		
Investor	Type of Investment	Purpose of Investment
Gill & Rose	Working Capital	To support the distribution of seed and buying of grain
VODP2	Technical agricultural extension services	Improve bulking capacities of selected farmers
SNV/IFAD	Partnership brokering expertise	Develop 4P brokering capacity for the development of 4P arrangements

Technical Annex 6

Monitoring and Evaluation

Results framework completion

1. **Baseline.** Baseline studies for the 3 project areas have been finalised. A summary of the information obtained from the three studies at the different levels is presented in Attachment 1. The Oil Seeds Study has been done in-house by the MAAIF Statistical Unit, Department of Planning, in collaboration with UBOS and is a solid report from a statistical point of view. The approach represents best practice in terms of high quality, minimizing costs, capacity building and knowledge generation, and should be adopted for future studies to the extent possible. The PMU has managed the various contracts well, in terms of ensuring common standards across the three studies, making the reports comparable and enabling input into the Results Framework and Log-Frame. The mission provided technical support to the M&E Unit to extract relevant information from the studies to populate the Results Framework,

2. **Impact indicators.** Although being part of the anchor log-frame indicators, none of the reports managed to develop or report on a household asset index, as per RIMS guidelines, making the conclusions and options for follow-up challenging. Similarly, the child malnutrition indicator has proven to be a challenge both to calculate and interpret. The standard definition is based on 2 standard deviations of the “z-score” as defined by WHO, and the three measures weight-for-age; height-for-age; and weight-for-height. However, it is not clear if the correct interpretations have been made, for example on the direction of the change. This is a shortcoming of the IFAD manuals and few consultants have the competence in this area. Household assets are reported through various indicators. For easy reporting and analysis under VODP2, the mission has worked to develop an index of these various indicators and recommends the below interpretation (based on information available in household surveys). The index will be calculated based on the percentage of households in each category, as supposed to at individual household level. For example, 46% of households in Kalangala are roofed with iron sheets, so $46\% \times 5 = 2.3$ will be the rating (out of 5 points) on the indicator for housing roofing material. Calculations are presented in Attachment 2.

3. **Women Empowerment Index.** In each of the oil palm baseline studies, women empowerment has been assessed through 5 simple questions related to women role in decision making and control over productive assets. It is recommended that these be compiled into an index, similar to the Women Empowerment in Agriculture Index, promoted by IFAD and others. Though the WEAI comprises 10 indicators with a subset of questions, it recommends giving equal weight to the 5 impact domain areas of production, resources, income, leadership and time. Indicators related to leadership (e.g. speaking in public) and related to time (e.g. workload) are not captured, so one third weight should be given to the remaining domains. Based on this, the below calculation is recommended by the mission for VODP2.

Question asked: “level of involvement of women in...”	Impact domain	Weight	Kalangala values	Kalangala index	Buvuma values	Buvuma index
Land ownership	Resources	1/9 (=0.11)	30	3.33	25.1	2.76
Household assets	Resources	1/9 (=0.11)	36	3.96	23.9	2.63
Household production	Production	1/3 (=0.33)	46	15.18	19.9	6.57
Allocation of farm sales proceeds	Income	1/3 (=0.33)	41	13.58	42.6	14.06
Allocation of household products	Resources	1/9 (=0.11)	43	4.73	58.3	6.41
Total				40.78		32.43

4. Based on the studies and analysis presented in this report, as well as other data sources (described below), the PMU has updated and populated a final version of the Results Framework.

This includes realistic targets in those cases where the baseline figures do not correspond to the anticipated. The framework will be updated at output and outcome level on an annual basis.

Oil Palm Kalangala

5. **Oil palm Kalangala Impact Study.** The first phase of the project closed without having done an impact assessment, which has created information gaps and speculation. The project has thus agreed to have the MAAIF Statistics Department to undertake an impact assessment, at around 50,000,000 UGX (USD 15,000). The study will be a random sampling of oil palm beneficiaries using a control group of farmers from Bugala Island. It was agreed that child malnutrition will not be measured again, but figures from the recently concluded baseline study can be referenced. In line with the previous IFAD recommendations, the team was asked to include as much secondary data as available.

6. **Farm model validation in Kalangala.** As part of the work of assessing impact in Kalangala, as well as the continuous work to update the oil palm farm model, the mission worked to pilot the methodology of validating the model in the field. The method will also be used to more accurately forecast yields. A sample of 6 farmers was interviewed in Kalangala across 2 oil palm blocks. They were selected amongst those who have finished repaying their loan principal (although the interest rate calculation is pending), with different land sizes and with mainly one year of planting. An analysis of the data collected combined with farmer loan and harvesting statements will form the basis for a systematic review of the database.

7. **External financing and fertilizer.** KOPGT has commenced with the one-year development loan from Uganda Development Bank, where farmers are getting as much as UGX 3.5 million in both cash and in-kind loans to cater for their fertilizer and maintenance needs on an annual basis. The system replaces the fertilizer loan system with deduction in 3 or 4 months, as rejected by the farmer leaders. 2/3 of the approved loan amount (based on the farmers' proposal and the land size) is provided as in-kind fertilizer and 1/3 as cash. KOPGT receives the loan at 10% financing from UDB, and then passes it on to farmers at 18%, thus charging a management fee for the risk and additional work incurred. KOPGT requested that the external financing impacts be included in the farm model, which will require a dis-aggregation of farmer income flows at monthly level. The exercise will be important to analyse the cost of financing, but also to better understand the income flows at farmer level. Initial field consultations showed that harvesting amounts can fluctuate as much as 50% between dry and rainy seasons, which is not adequately reflected in the model.

8. **Follow-up actions needed.** Input of the collected data in the farm model and updating the model to include external financing are expected to be carried out during the next mission, along with piloting of the GIS verification exercise. Following this, the PMU should develop a plan and methodology for completion of the work.

9. **GIS data collection.** Data collection using the STDM tools has been done in all blocks of Kalangala and will be integrated in the MIS and maps, currently under procurement. The data has not yet been analysed, and some work is foreseen in comparing it to farmer records. In a small sample undertaken, some farmers have accurately estimated the size of their garden (which is the basis for estimation of the maintenance loan); while in other cases the GPS indicates as much as 15% difference.

10. **KOPGT data management.** KOPGT has a very large amount of data, updated at a high frequency (daily), in terms of harvesting, transport and FFB delivery records. Partly due to the lack of staff in the Field Department at the moment, data input is lagging behind, providing a risk to KOPGT management, as well as rendering them not able to respond on time to routine requests from MAAIF. Computers are a constraint, with only 2 desk tops and a number of 5 year old laptops are available. Data is currently input manually by harvesting clerks (acting as field officers), who are forced to stay in office minimum one day a week, and the last week of the month. Several initiatives are on-going, including updating the server capacity of KOPGT, gaining full user rights to the PEARL Farmer Loan system, which will enable KOPGT to open a store management module (to enable the fertilizer

management to happen directly in the system) and procurement of SQL software as the old licenses have expired. However, it is recommended that the Field Department be re-vamped with new inter-linked computers and strong wi-fi internet to reach the fertiliser store, as well as training in excel and access data management.

Oil Seeds Component

11. Reporting under oil seeds has greatly improved. For example the project has been able to report on milling capacity utilization for the first time. The project has implemented various monitoring tools, including baseline study, annual outcome study, quarterly data collection by service providers and yield/production estimating through the “100 farmer” approach, where a panel of 100 farmers in each district will be established. It will be important to ensure that these various tools capture a broad spectrum of information, but do not overlap. The exercises are relatively expensive, and expected to feed into the MIS under procurement. At some stage, a consumption study should be done, to verify consumption of vegetable oil.

12. **PSP data collection (quarterly).** The standardized templates for data collection under oil seeds were reviewed and will continue to be improved for the next season. The method provides a snap-shot of yield and area planted, supplemented by other methods to give a full picture. Tools for farmer learning platform monitoring are also available, including yield monitoring. Prices should be included, either at the mill or directly as reported by smallholder farmers.

13. **Annual outcome study.** To further substantiate the outcome level reporting, an annual outcome study is being designed to be undertaken for the first time this year. The budget is UGX 50,000,000 and it will be undertaken by MAAIFs statistical division. In interactions with the team, it was highlighted that this study should focus only outcome level indicators, not capture impact level, and not use qualitative methods (including focus groups), as the 100 farmer approach will capture those elements. Rather, the study should focus on production – productivity – adoption – and the quality of extension. Milling information and market analysis will be included, as well as an assessment of the performance of the credit facility.

14. **RCT.** The randomized control trial, which has been under way for some time, is progressing. The team, including the lead researchers came to Kampala in January 2016 to agree on the way forward. Communication has been a main challenge, as well as ensuring thorough understanding of the project, the scope for randomization exploiting the roll-out of work plans, and the implementation modalities of Government projects. Small adjustments in the research design can render the implementation non-viable, while the research requirement in terms of sample size has been high, to try to detect even small effects. However, a common understanding has now been reached and the work will be on-going over the next two years.

15. The final agreed upon research topics are to assess if the extension services provided (“information package” with farmers being “treated” with knowledge) will lead to adoption of improved practices, as well as the overall impact and cost-effectiveness of the project. RCTs aim to construct a valid comparison group to find out what would have happened if the project had not come. Those who will receive services in the first season serve as comparison to those who receive at a later stage. This means the two groups are comparable in terms of willingness, production potential etc. Baseline data will be collected in April and May 2016, around planting time. The team has interacted with the service providers on ground, and are worried over delays in contract finalization and thus selection of sub-counties and groups, and ultimately delays in implementing activities. At least the researchers will be able to collect some data, working closely with service providers.

16. A total of 86 sub-counties will be sampled with 8 groups in each, and 5 farmers in each, a total of 3440 farmers to be interviewed. 50% of the sample is for control, and it covers Gulu, Eastern and West Nile hubs. Data will be collected 4 times at the beginning of each season, up until the end of 2015.

Attachment 1: Comparison of baseline studies

Information from Baseline Studies for Results Framework (Impact level)

Impact domain	Comments	Oil seeds – Lira, Eastern, Gulu, West Nile	Oil Palm - Kalangala	Oil Palm - Buvuma	National Statistics	Target	Source
Food security	Number of households who have experienced a hungry season in the past 12 months, and the length of the season (Length of hungry season not captured in any study, hence should be deleted from results framework)	Not reported	24%	69.8%			
Child malnutrition (all based on 2SD)	Reflects the percentage of children below 5 who are below the z-score (2SD)				WHO database, 2011	Overall 20% reduction of malnutrition, meaning the below numbers should increase.	
- Weight for age (underweight)	Composite measure. No general interpretation, but should be increasing (at a constant height), indicating increased body-mass of children. Figure should be above 80%. Below 60% indicates severely malnourished	26.3% (26.1%; 31.6%; 24.9%; 24.8%)	28.6%	34.8%	14.1%		
- Height for age (stunting – chronic malnutrition)	Low values indicate stunted growth, i.e. not receiving enough or proper food early in life. A high value is good – 95-110% is adequate. 60% is severely malnourished however.	61% (54%; 63%; 54.1%; 69.8%)	66.2%	46.6%	33.3%		
- Weight for height (wasting – acute malnutrition)	Low figures could be caused by starvation. Figure should be high. 90-120% is considered adequate. Anything below 70 is considered severely malnourished.	25.4% (33%; 16.5%; 33%; 19.6%)	16.3%	11.8%	2.4%		
Household assets	See separate analysis (Attachment 2)	29				50% of households with improvement	

Information from Baseline Studies for Results Framework (outcome level)

Project Objective	2008	2009	2010	2011	2012	2013	Comments
(a) Quantity of vegetable oil crops produced in Uganda (tonnes)							
Groundnuts		258,000	276,000	327,000	295,000	295,000	
Soya bean		27,000	27,000	32,000	23,000	23,000	
Sim-sim		115,000	119,000	142,000	124,000	124,000	
Sunflower				265,000	230,000	238,000	
Total	94,000	400,000	422,000	766,000	672,000	680,000	
(b) Vegetable oil produced (divide by 3 as per conversion rate used in design report)	33,000	133,333	140,667	255,333	224,000	226,667	– NB! We are not catering for export/import of raw material
(c) Uganda population size ('000)	31,000	34,000	34,000	34,000	34,000	34,000	NB! Pop size 2008 calculated backwards to fit with design report)
(d) Vegetable oil import (From FAO Stat Trade – sum of all types of oil)	181,130	176,474	206,014	190,747	211,045	233,434	Figure is fluctuating / no real trend
(e) Vegetable oil export (From FAO Stat Trade – sum of all types of oil)	12,851	13,826	21,404	34,292	41,873	41,000	Figure generally increasing
(f) Vegetable oil consumption (metric tonnes) (b+d-e)	173,000 (*design)	295,981	325,277	411,788	393,172	419,101	
(e) oil produced compared to consumed (b/f*100%)	19%	45%	43%	62%	57%	54%	
(f) Per capita consumption (f/c)	5.6	8.7	9.5	12.1	11.6	12.3	
Food supply quantity (kg/capita/yr) from FAO Stat	8.09	7.94	8.24	8.08			

Information from Baseline Studies for Results Framework (oil seeds component)

		Lira	Eastern	Gulu	West Nile	Total project area	2011/12 Panel Survey (Avg. East & Northern)	Growth in 4 years	Target
	Proportion of farmers growing								
	Soya Bean	11%	30%	6%	8%	17%	13%	4 pts.	
	Groundnuts	34%	55%	39%	46%	45%	37%	8 pts.	
	Sim-Sim	35%	13%	41%	41%	28%	15%	13 pts.	
	Sunflower	20%	2%	15%	4%	9%			
	Number of hhs	666,472	1,102,198	315,670	408,150	2,488,493			
	Corresponding # farmers								
	Soya Bean	73,312	330,659	18,940	32,652	423,000			
	Groundnuts	226,600	606,209	123,111	187,749	1,119,822			
	Sim-Sim	233,265	143,286	129,425	167,342	696,778			
	Sunflower	133,294	22,044	47,350	16,326	223,964			
	Total					2,463,564			
	Average plot size (acres)								
	Soya Bean	1.19	0.58	1.09	0.76				
	Groundnuts	2.15	0.64	1.15	0.94				
	Sim-Sim	1.38	0.47	5.21	1.87				
	Sunflower	1.64	1.35	1.10	1.09				
	Estimated acreage under production								
	Soya Bean	87,241	191,782	20,645	24,816	324,484			
	Groundnuts	487,190	387,974	141,578	176,484	1,193,225			
	Sim-Sim	321,960	67,344	674,304	312,930	1,376,484			
	Sunflower	218,602	29,759	52,085	17,795	318,242			
	Total					3,212,435			
	% of farmers using improved seed	31%	12%	11%	9%	17%	(*) lacks proper data on disaggregation of crops		
	Estimated corresponding number of farmers	206,606	132,264	34,723	36,734	423,044			
	Average yield (kgs)								
	Soya Bean	455	90	362	135	174			
	Groundnuts	146	159	304	152	176			
	Sim-Sim	159	61	229	210	170			
	Sunflower	541	169	178	478	417			

Information from Baseline Studies for Results Framework (oil palm component)

Indicator	Comment	Oil Palm - Kalangala	Oil Palm - Buvuma
Land conflict	Number of households who have experienced land conflict in the last 12 months (irrespective of ownership / production on the land)	10%	
Food production	Area under food production (cassava, sweet potatoes, rice, maize) Proportion of households who planted crops	2,204 ha	76%
Stock of areas to be protected	Tropical forest (fully stocked) Tropical forests (degraded) Wetland vegetation (papyrus, reed swamp) Total area for protection	221.5 sq. km 6.2 sq. km 7.10 sq. km 234.8 sq. km	
Forest reserves	NFA protected forest reserves (number & size)	31 forests – 88.61 sq. km	
Women empowerment	Indexed	41	32

Attachment 2: Household asset index calculation

Indicator	Interpretation	Rating	Kalangala values	Kalangala index	Lira hub	Lira index	Eastern	Eastern index	Gulu	Gulu index	West Nile	W/N index	Buvuma	Buvuma index	Avg
Housing roofing material	<ul style="list-style-type: none"> Thatch, straw, other Iron sheets, tiles 	0 5	45% 55%	0 2.75	75% 25%	0 1.25	31% 69%	0 3.45	89% 11%	0 0.55	79% 21%	0 1.05	42% 58%	0 2.9	0 1.99
Housing external wall construction material	<ul style="list-style-type: none"> Thatch, straw, mud, poles, timber, un-burnt brick Burnt blocks (mud, cement), cement blocks, stone 	0 5	98% 2%	0 0.1	81% 19%	0 0.95	45% 55%	0 2.75	81% 19%	0 0.95	70% 30%	0 1.5	88% 12%	0 0.6	0 1.14
Housing floor material	<ul style="list-style-type: none"> Earth, cow dung, other Cement, tiles, etc. 	0 5	59% 41%	0 2.05	85% 15%	0 0.75	72% 28%	0 1.4	91% 9%	0 0.45	80% 20%	0 1	92% 8%	0 0.4	0 1.01
Energy source for cooking	<ul style="list-style-type: none"> Paraffin, kerosene, charcoal, firewood Electricity (grid, generator, solar) 	0 2	N/A N/A	0 0	99% 1%	0 0.02	99% 1%	0 0.02	97% 3%	0 0.06	100% 0%	0 0	97% 3%	0 0.06	0 0.03
Distance to water source	<ul style="list-style-type: none"> Within 200 metres Above 200 metres Above 1000 metres 	10 5 0	61% 28% 10%	6.1 1.4 0	Tabulation of data done "the other way" in baseline, cannot calculate								3% 43% 54%	0.3 2.15 0	3.2 1.78 0
	Sub-total	27		12.4		2.97		7.62		2.01		3.55		6.41	9.15
Any household members owns (groupings do not come out clearly; the highest values have been considered)	• Land	10	36%	3.6	29%	2.9	44%	4.4	11%	1.1	16%	1.6	N/A	0	2.71
	• House	10	69%	6.9	30%	3	45%	4.5	11%	1.1	14%	1.4	N/A	0	3.38
	• Solar panels or electronic hh equipment	5	39%	1.95	42%	2.1	45%	2.25	15%	0.75	18%	0.9	52%	2.6	1.76
	• Bicycle	5	27%	1.35	32%	1.6	44%	2.2	13%	0.65	11%	0.55	32%	1.6	1.23
	• Motorbike or other transport equipment (boat, vehicle)	10	11%	1.1	61%	6.1	31%	3.1	30%	3	16%	1.6	12%	1.2	2.68
Ownership of agricultural equipment	• Mobile Phone	3	64%	1.92	28%	0.84	45%	1.35	12%	0.36	15%	0.45	69%	2.07	1.17
	• Basic cultivating equipment (axe / hoe / slasher / panga / spade etc.)	5	54%	2.7	29%	1.45	46%	2.3	15%	0.75	18%	0.9	88%	4.4	2.08
	• Non-mechanised equipment (wheel barrow, ox plough, trailer, weeder, sprayer etc.)	10	10%	1	52%	5.2	40%	4	21%	2.1	22%	2.2	14%	1.4	2.65
	• Mechanised equipment (tractor, maize mill)	15	0%	0	42%	5.88	0%	0	56%	8.4	2%	0.3	0%	0	2.43
	Sub-total	73		20.52		22.97		24.1		18.21		9.9		13.27	20.09
	Total	100		32.92		25.94		31.72		20.22		13.45		19.68	29.24

(NB! Note that the formulation of the indicator in the logframe is 50% of households with an improvement. This does not specify the magnitude of improvement, and means the calculation should be done at household level, not like here, on averages. Proposal is to set a target for the household asset index as calculated above. Increasing by 50% would be to add around 14 pts., which requires improvement in for example, roofing (5 pts.) + vehicle ownership (10 pts.)).

Technical Annex 7

Financial Management

1. The purpose of this annex to explain in more detail the key financial management findings as included in the main body of the Supervision and Implementation support report.

PMU Fiduciary Aspects

Steps towards using IFMS as the disbursement and project accounting tool

2. Currently VODP2 is off IFMS not even as a disbursement tool. Once payments are approved through the MAIIF processes, the documents are brought back to PMU for preparation of a payment voucher and manual EFT. The payment voucher and EFT are approved by Project Manager, Principal Accountant and PS. After approval of EFTs; internet banking (BBS connect) follows, where payment has to be uploaded by PMU and approved by PS between 9.00am and 3.30pm or else the payment is rejected. BBS connect also has its challenges like availability of system and availability of the Accounting officer (AO). BBS connect has been unreliable since 7/05/16. The experience of other projects is that IFMS is faster than BBS connect and has no manual EFT steps that can be a source of delays. It is, therefore, very crucial that VODP2 be rolled on IFMS beginning from the next financial year. As discussed later, in profiling VODP2 within IFMS the MAIIF Permanent Secretary (PS) needs to consider delegating roles of the accounting officer to the Project Manager (PM). The experience of other projects is that initially IFMS will be used as disbursement tool in parallel with Tally until all the functionalities of IFMS project module are set-up to the satisfaction of IFAD. In demonstration by the Accountant General IFMS team, IFAD was satisfied that IFMS can handle project accounting demands. The remaining steps to follow are:

- a) At least by 1 July 2016, the VODP2 disbursement needs to be through IFMS as the detailed project accounting functionalities are set-up
- b) There after complete the profiling of VODP2 in IFMS using the Output Based Tool (OBT) and other functionalities as demonstrated to IFAD
- c) Pre-set the standard reports as has been done in Tally
- d) Test accuracy of reports coming from the IFMS by comparing with those coming from Tally
- e) If the above steps are successful, invite IFAD to satisfy itself that IFMS has been well set-up and thereafter Tally can be switched off.

Applicability of the Treasury Single Account (TSA) for VODP2

3. IFAD and other development partners have been discussing the transition to use the TSA approach for all projects. IFAD agreed to a phased approach, with one project (PRELNOR) initially under the full TSA arrangement. VODP2 is to retain its conventional designated and operations accounts as per the financing agreement. However, VODP2 is operating 45 sub-accounts majority being with participating District local Governments. Some districts in line with GoU policy are gradually moving towards implementing the TSA approach. This implies comingling project funds with other district funds in joint bank accounts. For the district level transfers, the mission concurs with the arrangement for districts such as Gulu district that are IFMS Tier 1, which has strong budget control features to ring fence project funds. However, it is agreed that for districts on IFMS Tier 2 or manual platforms the specific VODP2 bank accounts will be maintained. For practical accounting purposes for districts under IFMS tier 1 who may phase out the VODP2 specific bank accounts the following is the suggested arrangement:

- a) Conventional bank statements will be substituted with print-outs from the IFMS systems showing the balance of funds available on VODP2 votes. These statements shall be certified by the Chief Administrative Officer (CAO) and the Chief Finance Officer (CFO).
- b) On the designated account reconciliation such outstanding balances may be included as outstanding advances as amounts withdrawn but not yet replenished. A breakdown of such advances should always be attached to the designated account reconciliation.

- c) Periodic advance aging analysis within tally should be used to detect any overdue advances for effective follow-up.

Dealing with important delays in the flow of funds

4. Some important delays in the flow of funds have been reported, attributable to the long and cumbersome process for payment approval. Some payments duly authorized way back in February 2016 were still pending by the time of the mission, three months later. Examples are given below:

Examples of payments that have face significant delays:

Request for payment	Invoice Receipt date	Loose minute date	EFT date	Date of payment
April Salary	11/04/15	11/04/15	03/05/16	Still outstanding
AK Oils	19/03/16	19/03/16	28/04/16	Still outstanding
Ngetta Tropical Holdings	21/03/16	21/03/16	16/04/16	Still outstanding
IIRR	19/02/16	20/02/16	13/04/16	Still outstanding
UOSPA	10/02/16	12/02/16	13/04/16	Still outstanding
NaCRRRI	16/03/16	16/03/16	05/04/16	08/04/16
Charles Olet Ogwang	25/02/16	26/02/16	15/03/16	17/03/16
SK Holdings	25/02/16	26/02/16	15/03/16	17/03/16
Mughecom	22/02/16	03/03/16	10/03/16	17/03/16
Arrow Centre	25/02/16	27/02/16	02/03/16	04/03/16

5. Furthermore, there are considerable delays in the authorisation of Withdraw Applications (WAs), taking on average over a month to go through seven different signatories. The VODP2 payment cycle involves a number of heavy and cumbersome steps and controls. In spite of a well-resourced PMU with high-level professional capacity in financial management, the Ministry has retained the payment processing authority fully centralised. In other IFAD-funded projects under other ministries, the Project Manager has delegated accounting officer powers, which considerably improves the efficiency of the flow of funds. As discussed above the flow of funds delays are being compounded by the fact that VODP2 is not yet profiled in IFMS, it uses internet banking (BBS connect) for payments, which further slows down the process. In the agreed actions, the mission has reiterated the importance of the action agreed in the last supervision mission (October 2015) for MAAIF to consider streamlining the procedures for approval of payments, including delegation of authority at PMU level to handle project payments. The importance of expediting the rolling of VODP2 on IFMS to be used as payment system cannot be overemphasised.

Status of funds/ Disbursement

6. As of 30 April 2016, actual disbursement as per IFAD status of funds report is 46.7% (SDR 15.6 M out of 33.5M), inclusive of an initial deposit of SDR 3.2 million. This is moderately unsatisfactory for a project in its sixth year of implementation, compared to the disbursement profile of similar projects in the overall IFAD portfolio. Actual utilisation of funds, including the pending WAs 41 and 45 and expenditures from the special account not yet claimed but excluding the initial deposit (USD 3.65 million), stood at 44.54%.

Status of available funds as at 30 April 2016

	Original currency	Amount in original currency	Exchange rate	USD equivalent
IFAD	SDR	17,851,908	1.39	24,814,152
Bank of Uganda				1,829,000
Total				26,643,152
Number of years to completion				2.50
Minimum average annual disbursement				10,657,261

With project completion in two years and a half (31 December 2018) and 30 June 2019, the annual disbursement rate for the IFAD loan will have to increase to an average of USD 10.6 million per annum to achieve a satisfactory disbursement rate, above 95%, by project end. This seems to be a big challenge considering that actual expenditures for 2015/16, including all commitments, will be about USD 4.3 million and the highest disbursing component (Oil Palm investment in Kalangala) is gradually phasing out due to the achievement of its targets. The historical disbursement rates have been as follows which show annual average of USD 4.3 million compared to the desired disbursement annual average target of USD 10.7 million.

Summary of historical disbursement by year as per IFAD records

Year	Amount Disbursed (USD)
2011	4,437,926
2012	5,202,514
2013	3,343,883
2014	3,813,853
2015	4,681,549
2016	1,948,680
Total	23,428,405

7. Disbursements by other funding partners against project design targets is as follows:

- IFAD grant (OSSUP) – 71.8% (USD 819,000 disbursed out of USD 1,140,000);
- GOU – 89.5%;
- OPUL - 0% (as no investment for Buvuma took place);
- Trust - 0% (as loan reflows have not yet been used to finance oil palm development, although a total of UGX 6.3 billion has been accumulated so far);
- KOPGT – 0% (as no KOPGT revenue has been used so far to cover its operational costs, still covered 100% by the project, although a total of UGX 606 million has been accumulated so far);
- Farmers - 111.7%; and SNV - 75%.

Designated account (DAs) and liquidity levels

8. The project operates two designated accounts: one for PMU expenditures (recently increased to USD 3.6 Million from USD 2 million) and another for oil palm development loans (recently reduced from USD 3 million to USD 1.4 million). The liquidity level in the DAs is moderate with USD 2.2 million (43% of initial advance) available in bank accounts as at 30 April 2016. The PMU should ensure that expenditures are translated in a WA on hitting the 30% of initial advance and/or at least one withdrawal application be submitted under each designated account every quarter, even if the 30% threshold is not met. The summarised designated account reconciliations were as follows:

Designated account reconciliation as at 30 April 2016

	PMU USD'000	For farmer Loans USD'000
Balances on designated and operational accounts at BoU	1,073	756
Balance in sub-accounts with implementing partners	350	5
WA in pipe line	1,778	-
Amount withdrawn but not yet replenished	1,229	639
Total	4,430	1,400
Less: GoU counterpart funds deposited in operational account	830	-
Equals to the initial advance to the designated account	3,600	1,400

Statement of Expenditure (SoEs) review

9. The project's SOE ceiling is currently at USD 50,000 given the low to medium fiduciary risk assessment. An SOE spot check has been done on a 43% sample across expenditure categories of WAs 38 and 39 and the mission confirms the existence of the underlying supporting documents. The sample size was as follows:

SOE sample size:

	WA 38	WA 39	Total
Amount of WA- USD	1,109,359	1,156,328	2,265,687
Amount tested- USD	421,556	555,037	976,593
% tested	38%	48%	43%

Counterpart funds

10. Overall GoU contribution is at 89% of the target at design. Out of USD 15 million envisaged in the Financing Agreement, GoU has disbursed USD 12.6 million. Most of the funds were released for acquiring land for oil palm development in Buvuma. For the financial year 2015/16, GoU allocated UGX 10.97 billion (USD 3.13 million) and has so far released UGX 5.16 billion (47% performance). It is to be noted, however, that the relatively low performance in execution of the 2015/16 allocation is not to be ascribed to delays in the release of funds, as the counterpart funding account still has an unutilised balance equivalent to USD 830,000. GoU has consistently performed very well in this respect, with the contributions in the previous three years at 97%, 100% and 225% of the budgeted funds respectively as tabulated below.

GoU counterpart contributions per year (UGX)

Years	Amount Requested	Amount Approved by Govt	Amount Received	Amount Received	% of Approved Amount
				USD	%
2011/12	2,446,122,999	2,440,000,000	1,262,712,889	549,006	52%
2012/13	2,441,879,694	2,441,879,694	5,501,317,575	2,081,793	225%
2013/14	7,372,297,708	7,372,297,708	7,372,297,708	2,891,097	100%
2014/15	16,579,718,684	16,579,718,684	16,009,009,744	5,717,503	97%
2015/16	10,967,416,791	10,967,416,791	5,156,196,368	1,412,657	47%
Total	39,807,435,876	39,801,312,877	35,301,534,284	12,652,055	89%

Compliance with loan covenants

11. Compliance with loan covenants is overall satisfactory, except for those covenants related to Buvuma, most of which are not yet due given the delays in the investment; those related to the establishment of the oilseeds guarantee fund, which are not any more applicable as this investment activity has been abandoned; and those related to the financial self-sustainability of KOPGT, which, although not yet due, are likely to be delayed with respect to the timing set in the financing agreement.

12. **Amendment to the Financing Agreement.** The Government has submitted to IFAD on 14 March 2016 a request for amendment of the Financing Agreement following the agreed recommendations by the Mid Term Review report. The request, which is being processed by IFAD, includes a request for reallocation of funds under Schedule 2 and takes due care of those loan covenants with problematic compliance as discussed in the paragraph above. IFAD will process GoU request for amendment of the Financing Agreement by 30 May 2015. Specifically schedule to the financing agreement needs to be amended in order to affect the implementation of the 2016/17 budget. The oil palm expenditure category is virtually running out of funds.

Proposed reallocation as per post MTR costing

Category	Category description	Original allocation		Re-allocation	
		USD	SDR	USD	SDR
118389	Vehicles and equipment	6.83	4.40	1.96	1.27
118390	Materials	2.22	1.43	1.26	0.83
118391	Pontoon landing sites	1.27	0.82	1.26	0.81
118392	Other Civil works	2.03	1.31	1.57	1.04
118393	Smallholder oil palm development	12.46	8.03	14.91	9.56
118394	Oil seed Guarantee Fund	1.43	0.92		
118395	Consultancies, Workshops & Training	3.21	2.07	5.22	3.36
118396	Extension services	9.62	6.20	12.54	8.08
118397	Salaries and allowances	5.08	3.27	5.37	3.51
118398	Operating costs	3.07	1.98	3.21	2.10
	Unallocated	4.77	3.07	4.71	2.93
	Total	52.00	33.50	52.00	33.50

Audit

13. The Office of the Auditor General takes into due consideration IFAD requirements and risk assessment when preparing and carrying out external audit. The 2014/15 financial audit was completed in time but erroneously sent to World Bank, which resulted in actual delayed delivery to IFAD. The audited financial statements for the year ended 30 June 2015 received an unqualified (clean) opinion. The issues highlighted in the management are not of a financial control nature. Internal audit functions are fulfilled by MAAIF internal auditors, which pre-audit payment vouchers as part of payment approval and have undertaken two audits on Kalangala oil palm activities.

Procurement

14. In terms of procurement unit staffing and organisation, the position for procurement specialist is vacant and has recently been advertised. For the year ending 30 June 2016, the project planned to undertake 40 procurements using different methods. The updated procurement plan shows that 17 have been undertaken indicating a performance of 43% performance.

15. The mission has provided a procurement efficiency measure template below that will track separately for services, goods and works the following:

- (i) contracts planned to be awarded during the Financial Years contracts actually awarded,
- (ii) average processing time and
- (iii) Expected contracts to be awarded during the Financial Year.

Template for procurement efficiency measure

Type	Contracts to be awarded during the past 12 months (#)	Contracts awarded during the past 12 months (#)	Achievement (%)	Average processing time (Days)	Expected contracts to be awarded during the next 12 months (#)
Services					
Goods					
Works					
TOTAL					

16. For the year ending 30 June 2016, the project planned to undertake 40 procurements using different methods. The updated procurement plan shows that 17 have been undertaken indicating a performance of 43% performance.

Record keeping

17. In accordance with the PPDA, a procurement and Disposal Unit (PDU) is required to maintain an individual file for each procurement, which shall be marked with each relevant procurement reference number. The file shall contain all information, documents, and communications related to procurement proceedings. Transparency and accountability is promoted through appropriate recording of procurement procedures, hence the importance of a good and complete procurement record keeping system. A checklist for some of the key information that should be included in a procurement file is given as suggested below:

Checklist for the basic information that should be contained a specific procurement file for each procurement:

a) The authorized requisition, including the specification of goods, works or services required;
b) The procurement plan, including the justification for use of method other than open tendering or request for proposals
c) A copy of any invitation to prequalify or call for expression of interest notice and any prequalification documents;
d) All applications to prequalify or expression of interest received and the evaluation of qualifications or comparison of expression of interest;
e) Invitation to bid notice or any short-list or list of prequalified bidders;
f) The bidding documents, request for proposals or other solicitation documents issued, including any pre-bid meetings
g) The record of solicitation documents issued, bid received and all bid or proposals opened;
h) All bids proposals or quotations received other than the bids or proposals returned unopened to bidders;
i) Copies of clarifications, requested and received
j) The evaluation report, including individual score sheets or other documentation
k) Records of any negotiations
l) Any notice of proposal award
m) Any notice of bid acceptance
n) A copy of the contract or purchase order documents
o) Copies of letters rejecting or debriefing unsuccessful bidders
p) A copy of any published notice of contract award
q) Copies of all contract variations and modifications
r) All documentation and correspondence relating to contract administration
s) Copies of all documentation demonstrating performance of contract, such as inspection of reports, delivery documentation and interim certificates;
t) Any documentation relating to cancellation of a procurement process or termination of a contract
u) Information related to all applications for review; and
v) All approvals from Contracts Committee and IFAD.

18. The current situation in VODP2 is that although all procurement documentation and information may be available in the project, retrieval is difficult and takes a considerable effort and time, because the information and documentation is scattered in various files kept in different locations.

Ex-post procurement reviews

19. As noted in the main body of the mission report/ Aide Memoire, the mission did an ex-post review on procurements. A sample of ex-post reviews revealed general compliance with procurement

procedures, with the exception that the direct contracting for purchase of oil seeds would have required IFAD's explicit No Objection. The following sample was selected:

- a) Supply of 2,000 Pieces of tarpaulins (post-harvest handling materials) for farmer learning platforms in W. Nile, Gulu and Mbale hubs under oil seeds by M/S Systech Consults Limited – UGX 177, 000,000 using NCB procedure.
- b) Supply of calendars and Diaries for 2016- UGX 36 million by Mughecom technologies limited- using quotation method.
- c) Repair and Maintenance of project road equipment – USD 129,405,821 by Victoria Equipment Limited using the direct contracting.
- d) Supply of 32 units of Motor cycles and 03 units of double cabin pick-ups at USD 132,502 by M/S Motor care Uganda limited.
- e) Three Direct Purchase contracts for supply of oil sunflower seeds.

20. A sample of ex-post reviews revealed general compliance with procurement procedures, with the exception that the direct contracting for purchase of oil seeds would have required IFAD's explicit No Objection. Filing will require improvement; there are a number of documents that are misfiled but could be retrieved from within the PMU in other files. The projected implemented last mission's recommendation to always update the procurement plan with actual dates when milestones are achieved.

21. The key on-going procurements that will need fast-tracking include:

- (i) the renewal of six contracts for Pay for Service Providers where the main issue has been attaining agreement on the new unit prices;
- (ii) recruitment of five new service providers, which are currently at negotiation stage;
- (iii) procurement for two stores on outlying islands, two tractors and one boat for the outlying islands.

22. **Contract management.** All major contracts have formally appointed contract managers to follow up the technical aspects of the contracts including payment sanctioning. Following the recommendation of the last mission, the use of contract monitoring forms has been improved upon.

Attachment 1: Financial Management Assessment at Supervision

Country: Uganda	Loan /Grant ID: 806 – UG
Project Name: VODP2	
Executing Agency: MAAIF	CPM: Alessandro Marini
Reviewing Finance Officer/FMS: Davis Atugonza	Date of this review: 10/05/2016

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
A. Inherent Risks			
B. Control Risks			
1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	The organisation structure is adequate – two components and each has a component head, and under each component head there area e.g. HAB coordinators (oil seeds component), Managers KOPGT and BOPGT (oil palm),
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	ToRs clear, well documented in the VODP administrative manual.
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	Both FC and Accountant are qualified professional accountants, and an accounts assistant seconded from MAAIF. Staff is thus adequate and well qualified to meet functional project needs.
d.	Availability and adequacy of operating manuals and guidelines for staff.	M	E.g. Oil seeds guidelines manual, operations manual (that also includes HR guidelines), FM manual (also covering procurement guidelines), and Oil palm manual.
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Performance appraisal is done before contracts for staff are renewed. It involves the immediate supervisor, functional supervisor under the ministry and the PS or Under Secretary.

f.	Adequacy of health insurance coverage for all staff (where applicable).	H	There is no health insurance scheme for project staff.
g.	Timely payment of social security fees (where applicable).	L	Yes, while preparing payroll the schedule for NSSF contribution is attached.
h.	Staff adequately informed about IFAD's national and anti-corruption policy and relevant contact details.	L	Mainly the senior staff are informed. Field officers in say Kalangala need to be sensitised.
2. Budgeting			
a.	Timely preparation and approval of AWPB.	M	First draft ready before the end of the financial year. To be submitted to IFAD for NO objection.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	YES
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Every sub component with a particular implementing agency is allocated a detailed table
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.	L	There is linkage between AWPB and procurement plan
3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	M	Delays experienced in the authorisation of withdraw applications. On average authorisation of a WA takes over a month to go through the 7 signatories
b.	Timeliness of counterpart funds disbursed.	L	Funds for the last 2 years have been more than 100% of the initial AWPB allocation. (1.8M out of 10M USD). Overall GOU contribution is at 89% out of the appraisal target.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	The project receives debit notes from IFAD, and can request for a status update from the IFAD office on WAs. GOU funds are disbursed quarterly based on the AWPB.
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.	L	
i)	Adequacy of the authorized allocation to ensure a smooth flow of funds	L	In the beginning Initial allocation was USD 2.5, now increased to 5 million.

	ii) Appropriateness of disbursement methods used	L	Direct payment and replenishment disbursement methods
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Attachment IV and complete, reflecting finding in rating).	L	
	iv) Timely preparation and accuracy of Withdrawal Applications	M	At least a WA prepared each quarter
	v) Authorization of WA preparation.	H	Authorisation takes more than 30 days.
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	DA well reconciled
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	H	Reconciliations done quarterly.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	M	AWPB performance is at 52.49% Inclusive of commitments, budget execution is estimated at 70.02%.
	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	A requisition is raised at PMU, reviewed by the internal audit department at MAAIF, approved by Under Secretary at MAAIF, Principal Accountant who also reviews. It is then returned back to the PMU for voucher and EFT (electronic funds transfer). The EFT is approved by Project Manager, Principal Accountant and Permanent Secretary (PS). The expense transaction is recorded by the accountant, and the related budget item is captured by the FC. In the process, the FC reviews all entries done by the Accountant.
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	Reference is made to the PMU manuals and GOU FM guidelines.
c.	Adherence to Financial Manual.	L	Adequate
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	M	IFMS
e.	Adequacy of contract management (use of contracts register	M	In accounts there's a

	and monitoring form) and filing there-of.		ledger for each supplier. At receipt of invoice, DR. Expense Acc. and Cr. Supplier. At payment DR. Supplier and CR. Bank.
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	
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Adequate
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	There is no petty cash at the project. Documents and records are kept in cabinets under lock and key.
i.	Adequacy of physical management of cash.	L	No petty cash
j.	Timely payment to suppliers and consultants.	H	Due to the many approval levels involved, a payment takes an average of three weeks.
k.	Eligibility of expenditures with respect to Financing Agreements.	L	Financing agreements are followed when budgeting and paying.
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Partial accountability is accepted for implementing agencies to ensure liquidity.
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	Compliant. IFAD funds are not used for taxes and NSSF.
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	There is an Up to date fixed asset register.
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	Vehicles and other assets are properly tagged. Drivers maintain log books Travels are all authorised by the Project Manager and Permanent Secretary or Under Secretary.
p.	Adequacy of vehicles and assets insurance.	M	Government of Uganda does not insure its vehicles
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	There lists of participants for workshops. DSA are paid to participants in accordance to attendance Receipts for hotel are provided
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) /	L	Adequate. There were three

	and other operational accounts – non-special account.		signatories for each of the accounts: Project Manager, Principal Accountant MAAIF and Permanent Secretary as Principal signatory.
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Reconciliation is done by the Accountant and reviewed by the FC
t.	Existence of a proper IT support unit in place.	M	No IT department. For IT issues the PMU outsources
5. Accounting			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD's requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	IPSAS Cash basis
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?).	L	Yes. TALLY accounting system uses double entry system, where budget lines are captured, Payee and account. Reports can be produced by both category and component.
b.	Recordkeeping (including documentation and filing/archiving)	L	Transactions are entered in TALLY and Documents are filed in box files per month.
c.	Fixed assets register maintained and reconciled (Sample and physical check).	L	YES
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	L	Financial records are regularly backed up. Access is by passwords and rights.
e.	Adequacy of chart of accounts for project accounting purposes	L	It captures adequate budget lines.
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	Transactions recorded on daily basis.
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	M	Counterpart accounting is adequately done using IFMS.
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	L	Financial reports are accurately prepared by category and component.
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	L	YES

c.	Preparation of reports showing actual vs. budget income/expenditure and AWPB execution rate.	M	Every quarter PMU prepares a report to be submitted to MAAIF. There is format that has been provided by GOU. To IFAD reporting is done on an annual basis.
d.	Follow up of previous aide-memoirs fiduciary recommendations.	L	
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	M	YES
7. Internal Audit			
a.	Existence of Internal Audit arrangements.	M	There is pre-audit of all transactions by internal audit department in Ministry of Agriculture.
b.	Adequacy of internal audit arrangements (organization - staff capacity).	M	
c.	Adequacy of internal audit scope of work and quality of reports.	M	
d.	Assessment of matters raised in audit reports.	M	
8. External Audit¹⁷			
a.	Adequacy of scope and ToRs.	L	Adequate
b.	Adherence to ToRs.	L	Office of the Auditor General takes into consideration IFAD requirements and risk assessment when preparing and carrying out audit
b.	Timeliness of audit report.	M	The audit was completed in time but erroneously sent to World Bank
c.	Quality of audit.	M	Good
d.	Implementation of audit recommendations/agreed action plan in place to address these.	M	On-going

¹⁷ Refer to IFAD audit review.

Attachment 2: Summary of Project Fiduciary Risk Assessment at Supervision

Project # __ Loan 806 _____

Implementing Agency: _____ MAAIF/VODP2 _____

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk		N/A
Control Risks		
1. Organization and Staffing	L	
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	M	MAIIF needs to streamline the payment processing to allow some delegation to PMU Roll-on IFMS to cut off some steps in the payment processing.
4. Internal Controls	L	
5. Accounting	L	
6. Financial Reporting and Monitoring	L	
7. Internal Audit	M	Need to extend more beyond pre-audit of payments
8. External Audit	M	Reports to be sent directly to IFAD.
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

Comments:

In order to improve on disbursement levels, the MAAIF payment processes will need to be more efficient allowing more delegation to the PMU.

Technical Annex 8

Mission Note - Kalangala

Introduction

1. The second phase of the Vegetable Oil Development Project (VODP2) entered into force in October 2010. It is implemented by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) over a period of 8 years, with project completion date set on 31 December 2018. The total cost of the project is USD 147.2 million, financed as follows: an IFAD loan of USD 52 million; an IFAD grant of USD 1 million to SNV to support the Uganda Oilseeds Subsector Platform (OSSUP); an investment by Oil Palm Uganda Ltd (OPUL) of USD 70 million to establish the nucleus estate and processing capacity on Buvuma island; Government counterpart financing equivalent to USD 14.4 million; co-financing of USD 340,000 by SNV for the IFAD grant; USD 4.4 million of reflows from the oil palm development loan to be reinvested in the project; USD 1 million of own revenue generated by the Kalangala Oil Palm Growers Trust (KOPGT); and an estimated in-kind beneficiary contribution of USD 3.9 million in the form of labour for the establishment of the oil palm plantations. The project development objective is to *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*. A Mid-Term Review was undertaken in November-December 2014.

2. An IFAD supervision and implementation support mission was held from 9 to 20 May 2016 with the objective to review the overall implementation progress of the project and provide implementation support as needed. One team¹⁸ visited the oil palm investment in Kalangala, where it interacted with the local authorities, 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) and other relevant stakeholders. The NARO oil palm researchers joined the mission during the field visit in Kalangala. A debriefing meeting with key local stakeholders was held in Kalangala on 14 May 2016 at the end of the field visits. The mission was accompanied by the relevant Project Management Unit (PMU) staff. The mission would like to thank the GoU and all the other partners for their collaboration and support in contributing to the success of the mission.

Outputs and outcomes

3. The oil palm component continues to show good progress in Kalangala. As of the mission dates, 6,500 hectares have been planted by the nucleus estate (100% of target) and 4,300 hectares by the smallholder farmers (92%). The total crude palm oil production progressed well to 22,662 tons (62%), but is still short of design expectations due to the initial delays in planting by smallholder farmers. 70 new farmers (46 female) were registered to participate in the oil palm smallholder scheme, which increased the total number of farmers registered by KOPGT to 1,770 (37% women), with 716 (30% female) on 2,200 hectares of mature oil palm gardens. Smallholders' yields, however, remain low compared to the nucleus estate's, respectively 7.42 t/ha versus 12.78 t/ha in 2015. High FFB prices (UGX 512/Kg) have increased the current net annual income to almost USD 1,400/ha. KOPGT financial self-sufficiency stands at 62%. Little progress was achieved in this financial year with respect to infrastructure. There is still some uncertainty in the Buvuma investment, without a clear commitment of private sector for the nucleus estate model. So far, the project has 4,834 hectares of land acquired and free of any encumbrances, and another 3,200 ha have been identified and are in the process of acquisition.

¹⁸ The team was led by Mr Alessandro Marini, IFAD Country Director and included: Mr. Billy Ghansah, Oil Palm Specialist; Mr. Nicola Francesconi, Rural Institutions Specialist; Mr. Davis Atugonza, Financial Management Specialist; and Mr Dagmawi Habte-Selassie, IFAD Programme Officer. The mission was accompanied in the field by two representatives of the Uganda Cooperative Alliance.

Project implementation progress

Status of Oil Palm Development in Kalangala

4. **Status of production.** Production of Fresh Fruit Bunches (FFBs) from smallholder plantations has been growing steadily. The total production for 2015 was 16,332 tons, compared to 11,409 tons in 2014, while the first 4 months of the 2016 calendar year have registered 7,040 tons compared to just over 5,930 tons in the first 4 months of 2015. On such basis, projections for 2016 indicate an annual production of 24,000 tons, from 2,200 hectares under harvesting. This is the result of different factors, including the increase in the number of plants that get towards full maturity and the increase in harvested area. Although the overall appearance of the trees shows an improvement in nutrition, there is room for better nutrition management in some of the blocks. Overall, plantation maintenance has improved markedly, especially pruning and inter row weeding in areas under production. There is need, however, to improve on circle weeding in order to maximize the collection of loose fruits, which will impact positively on the Oil Extraction Rate (OER) and the final price paid to farmers.

5. **Yields.** While the production of FFBs has been growing, the average yields in smallholders' fields remain more than 40% lower than those in the nucleus estate, at 7.96 t/ha, 7.47 t/ha and 7.42 t/ha in 2013, 2014 and 2015 respectively, versus 12.62 t/ha, 11.68 t/ha and 12.78 t/ha respectively. The main reasons seem to be the poor performance of some of the 2010 plantings, which were done on poor soils, as well as problems in fertilizer application, both in the initial phases and in the transition between the development and commercial phase. Due to staggered plantings, KOPGT still faces difficulties in collecting and analysing data on yields. This is, however, extremely important to allow KOPGT to regularly monitor the yield patterns. The mission has provided some support in this respect and produced a yield-tracking file to be used for this purpose. Furthermore, it has become urgent to finalize a detailed tree census as a tool for proper planning of agricultural activities by KOPGT, including fertilizer application, crop projections and transport logistics. **Agreed actions:** (i) KOPGT, with the support of the PMU, will finalize the tree census and the related collection and processing of GPS data to establish the actual number of trees per farmer by 31 October 2016; (ii) KOPGT will roll out the regular use of the yield tracking file by 31 December 2016.

6. **Fertilizer application.** There has been an improvement in fertiliser purchases by KOPGT, farmer uptake and field application, due to the new fertiliser store, the use of fertiliser gangs and improvement in the fertiliser loan advance system to farmers. However, the uptake by commercial farmers in some blocks (Bbeta East and Bbeta West) needs to improve as it is only 17% and 15% respectively compared to others (Bujumba and Kagulube) where uptake is at 87% and 80% respectively. Block and unit structures, supported by KOPGT field officers, play a key role in ensuring that fertilizer collection and application is done as planned. **Agreed action:** KOPGT will ensure that all farmers in the commercial phase join the fertiliser loan scheme by the end of June 2016.

7. **FFBs' quality.** A bumper harvest of over 3,000 tons in April 2016, which was more than twice the previous monthly average, together with the poor status of some roads (see below) have put a strain on the transport logistics by KOPGT as well as labour availability for farmers. As a result, the quality of FFBs delivered to the mill has decreased, with a higher percentage of rotten bunches, resulting in over 4% of rejected FFBs compared to the usual 1-2% rejection rate. This risks eroding the trust and relationships among farmers, KOPGT and OPUL, unless awareness on quality of harvest is increased at farmers' level and KOPGA leadership plays its role in enforcing peer pressure at unit and block level. **Agreed action:** KOPGT and KOPGA will organize training and exposure for farmers at the oil mill on FFB grading and quality analysis by 31 October 2016.

8. **FFBs' prices.** The local price sub-committee, composed of 2 farmers per block, 2 OPUL officials, 1 PMU staff and the KOPGT General Manager was instituted as per agreement of the last supervision mission and has been meeting every month. This has increased the transparency and trust of farmers on the process of price setting. Furthermore, the FFB prices have increased over the last few months as a result of a combination of factors, which has resulted in May 2016 in the highest ever price since the beginning of the project at UGX 512/kg. As a result, there are no more complaints

by the farmers on FFB prices. There has been however a request to increase the information and transparency on the transport and CPO prices used in the formula. **Agreed action:** KOPGT will regularly collect information on transport and CPO prices in preparation for the meetings of the local price sub-committee.

9. **Roll-out plan for new plantings.** The planting of the 400 ha on Bunyama Island was successfully completed within 12 weeks between May and July 2015 using work groups (bubondo). The same strategy will be used for Bubembe Island, where the planting of 400 ha is planned for this year. The seedlings presently in the nursery are growing faster than anticipated and will be ready starting October 2016. Farmers should be sensitised to prepare their lands and plant cover crop from June 2016, for the planting to be done in October to December 2016. With the planting of 400 ha in Bubembe, the target of 4,700 ha of smallholder plantations in Kalangala District will be reached and no further plantations will be supported by the project. Care should be taken to ensure that the selection process of the farmers to be supported adhere with the agreed principles and criteria and be duly documented. **Agreed actions:** (i) KOPGT to finalize planting of 400 ha in Bubembe by the end of December 2016; (ii) PMU to analyse the District Land Board report for the selection of farmers in Bunyama and Bubembe to ensure adherence to agreed principles and criteria.

10. **Environment.** The Environmental Impact Assessment (EIA) reports and certificates for the Islands of Bunyama and Bubembe have been received. The key recommendations include: the respect of the 200 m lake buffer; the enrichment of the lake buffer zone by planting of native species in places where encroachment has occurred; and planting of woodlots to reduce the collection of fuel wood from the forest reserves and the buffer zones. The same key recommendations apply to Bugala. The ecosystem management committee, comprising of district officers and OPUL, is in charge of the monitoring of the status of recommendations of the EIAs. This includes the 'ground thruthing' of famers' encroachment into the buffer zone, the monitoring of water quality of streams flowing into the lake and the on-going environmental management activities by OPUL. **Agreed actions:** (i) land use change analysis maps will be completed by 30 June 2016; (ii) a plan for enrichment planting of the buffer zone and establishment of woodlots, including the necessary support by the project to the KDLG's tree nursery, will be elaborated by 30 September 2016.

11. **New oil palm mill.** A new 20 tons/hour mill has been constructed in Bbeta East and will be operational from 1 June 2016 to serve Kagulube, Kayunga, Bbeta East and Bbeta West blocks and the out grower fields, currently totalling 2,025 ha in production, which will eventually grow to 3,417 ha. This mill will primarily process smallholder crops, which will allow OPUL to make a better estimate of the actual OER for smallholders. The installed processing capacity of 40 tons/hour in the two mills will be more than enough to absorb the expected production from the planned 11,200 ha (6,500 ha of nucleus estate and 4,700 ha of smallholders). The processing capacity for the newly constructed mill, however, could eventually be upgraded to 40 tons/hour, in anticipation of a possible expansion in oil palm plantings. The mission notes that expansion of oil palm cultivation on Bugala could entail the risk of gradually evolving towards oil palm monoculture, with the related possible negative impact on environment and food security. KOPGT should therefore refrain from supporting any further planting of oil palm in Bugala. Other options for expansion should be explored, including other islands surrounding Bugala as well as mainland, depending on suitability of agro-ecological conditions as well as on the viability in terms of cost and logistics for transport. In this respect, it would be important to avoid putting further strain on KOPGT capacity to serve smallholder farmers.

Agreed action	Responsibility	Agreed date
Finalize the tree census and processing of GPS data.	KOPGT/PMU	31 Oct 2016
Roll out the regular use of the yield tracking file.	KOPGT	31 Dec 2016
Ensure all farmers in the commercial phase join the fertiliser loan scheme	KOPGT	30 Jun 2016
Train/expose farmers on FFB grading and quality analysis at the oil mill	KOPGT/KOPGA	31 Oct 2016
Regularly collect info on transport and CPO prices for price sub-committee	KOPGT	Continuous
Finalize planting of 400 ha in Bubembe	KOPGT	31 Dec 2016
Report on farmers' selection process in Bunyama/Bubembe	PMU	31 Oct 2016
Complete land use change analysis maps	PMU	30 Jun 2016
Elaborate plan for enrichment planting and establishment of woodlots.	PMU	30 Sep 2016

Infrastructure

12. **Road development/maintenance.** The progress in road construction and maintenance has been hampered by the passing of the Project Engineer, delays in the repair and return of the district road equipment fleet and delays in the signing of the MoU with local government on management of the equipment. The recruitment of a new Project Engineer is on-going and meanwhile the District Engineer is providing support to the project. So far this year, 20 km of roads have been demarcated on Bubembe. Road access has been flagged by farmers and KOPGT as a constraint to timely delivery of FFBs to OPUL, resulting in loss of quality of the crops. The project still has a target of constructing 180 Km of roads, with 100 km on Bugala and 40 Km each in Bunyama and Bubembe. For construction on the islands, a vessel will be needed to transport the equipment. MoWT will support the PMU in the tendering process for the services. While this process is on-going, the construction of 10 km of roads labour-based techniques and pedestrian rollers will be piloted in Bunyama. It is also very important to finalise and disseminate a road maintenance plan for Bugala, clearly outlining the responsibility and roles of all stakeholders (District, KOPGT, KOPGA and farmers) in the maintenance of the roads. **Agreed actions:** (i) PMU will expedite the return of all repaired equipment to the island to resume road construction by 15 July 2016; (ii) complete the pilot on 10 km of roads through labour-based technique on Bunyama by 30 September 2016; (iii) complete the construction of 65 km of roads on Bugala by 31 December 2016; (iv) launch the tender for procurement of services for transport of road equipment to outlying islands by 31 July 2016; (v) demarcate the remaining 20 km of roads in Bubembe by 30 September 2016, before planting starts; (vi) elaborate a road maintenance plan for Bugala by 30 September 2016.

13. **Access to outlying island.** Landing sites and ferry services need to be in place for evacuation of FFBs to the mill by the time of the first expected harvests in 2019. The Ministry of Works and Transport (MoWT) has completed the recruitment of the consultant to design the landing site. The design will be completed in the next 6 months. Actual construction, including the related procurement process, will take at least another 18 months. Concurrently, the Government should start working on a solution for the provision of ferry services between the islands. **Agreed actions:** (i) MoWT to complete landing sites design by 30 November 2016; (ii) PMU to launch the tender for the construction of land sites by 31 January 2017.

14. While waiting for the permanent solution envisaged above, connectivity to the islands of Bunyama and Bubembe is an urgent issue to be addressed in order to ensure the delivery of inputs for the new plantings as well as the transport of FFBs from the planting trials that have started to yield. It is estimated that 2 10-ton wooden boats with 25hp engine will be able to ensure the provision of the needed services for the next 4 years. Furthermore, 4 tractors for transport on the island as well as a supervision boat for KOPGT will also need to be procured. **Agreed actions:** (i) KOPGT will procure 2 10-ton boats through its own funds by 30 September 2016; (ii) PMU will procure a supervision boat and 4 tractors by 30 April 2017.

15. **Fertilizer stores.** The project plans to build fertilizer stores in both Bunyama and Bubembe. The construction of the store in Bunyama will be prioritized in 2016 since planting has already started. The district engineer will prepare cost projections for 250 m² and 400m², including space for agro-chemical store, office space, as well as accommodation for a guard and visiting staff. It is important that KOPGT start to identify and secure the land where the stores will be built. **Agreed actions:** (i) PMU to launch tender for fertilizer stores by 30 June 2016; (ii) KOPGT to confirm identification of the land sites by 30 June 2016.

Agreed action	Responsibility	Agreed date
Return all repaired equipment to the island and resume road construction	PMU/KDLG	15 Jul 2016
Complete 10 km of roads on Bunyama (labour-based)	PMU/KDLG	30 Sep 2016
Complete 65 km of road on Bugala	PMU/KDLG	31 Dec 2016
Launch tender for transport of road equipment to islands	PMU	31 Jul 2016
Demarcate 20 km of roads on Bubembe	KOPGT/KDLG	30 Sep 2016
Elaborate road maintenance plan for Bugala	PMU/KOPGT	30 Sep 2016
Complete design of landing sites	MoWT/PMU	30 Nov 2016
Launch the tender for the construction of landing sites	PMU	31 Jan 2016

Procure 2 10-ton boats for the transport of fertilizer and FFBs	KOPGT	30 Sep 2016
Procure one supervision boat and 4 tractors	PMU	30 Apr 2017
Launch tender for fertiliser stores in outlying islands	PMU	30 Jun 2016
Identify land sites for fertilizer stores in outlying islands	KOPGT	30 Jun 2016

Governance and Institutional Issues

16. Progress is continuing in implementing the three-pronged approach to create a conducive governance and institutional framework to ensure the sustainability of the investment: (i) strengthening of the oil palm producers' organization (KOPGA); (ii) strengthening of KOPGT as a professional and efficient organization; and (iii) restructuring of the current institutional framework for long-term, sustainable delivery of high quality professional services to oil palm smallholders.

17. **Strengthening of KOPGA.** UCA has continued to support KOPGA in institutional strengthening, restructuring and revitalization with the aim to create a business-oriented membership-based organization, following the deliberations of the AGM. In February 2016 KOPGA held its Annual General Meeting (AGM) with participation of about 250 farmers out of the 1,700 oil palm farmers who are potential members of KOPGA. The AGM deliberated on key aspects including: (i) the new KOPGA's governance structure based on units, blocks, AGMs made of block-level delegates and a board of directors made of members elected by the AGM; (ii) the establishment of "Leadership Search and Vetting Committees", composed of reputable member-farmers who have no interest to become KOPGA leaders, to identify suitable candidates for leadership positions at all levels of KOPGA's governance structure; (iii) the need to lobby to increase the representation of farmers - directly selected by and from the newly elected KOPGA Board - on the KOPGT Board and other key governance bodies and committees.

18. UCA will continue to sensitize and mobilize KOPGA member towards the election of new KOPGA leaders starting from unit and block levels based on the principle of "one member one vote". The next AGM is expected to result in the election of 9 KOPGA board members, 3 of which will be nominated in the KOPGT Board. Under the newly elected leadership, KOPGA will elaborate on its roles and responsibilities at the different levels, encompassing commercial, social and environmental aspects. These will be included in a document defining the operational guidelines or mandate of KOPGA, to be signed by its board members, which will constitute the basis for the future constitution. **Agreed actions:** (i) KOPGA will hold the next AGM by 31 August 2016; (ii) KOPGA operational guidelines will be elaborated by 30 November 2016.

19. UCA has so far been operating with no contractual agreement with VODP2, which has partly slowed down the institutional strengthening process. The PMU has submitted to IFAD a request of No Objection for single sourcing of UCA. **Agreed action:** IFAD to provide its NO Objection to the Request for Proposal for single-sourcing of UCA by 30 May 2016.

20. **Strengthening of KOPGT.** KOPGT is continuing its gradual transitions towards a self-sustainable professional organisation providing high-quality services to the oil palm producers. Focus areas in this transition include:

- **Progress towards sustainability.** As of 30 April 2016, KOPGT's Operational Self Sufficiency (OSS), defined as the ratio between total revenue (net of the subsidy from VODP2) and total expenditures was 62% compared to 56% at 30 June 2015. The operating deficit after nine months stands at UGX 360 million which, if annualized on linear basis, could reach UGX 480 million by the end of the financial year, slightly above the target of UGX 470 million in its business plan. KOPGT is therefore fully in line with its projections towards financial self-sustainability by 31 December 2018 (see table below). The transport business segment has steadily improved, with revenue of UGX 423 million compared to transport costs of UGX 316 million for the first nine months of the year. The transport and capital replacement bank accounts, and related fixed deposits, already have cash balances of UGX 224 million (cumulative). The sustainability account (largely made up of the KOPGT share in interest on farmer loans) already has a fixed deposit of UGX 320 million.

KOPGT financial projections and performance up to 31 March 2016 (UGX, million)

	2014/15	2015/16	2016/17	2017/18	2018/19
(Deficit)/ Surplus- (Target)	(690)	(470)	(386)	(13)	276
(Deficit)/ Surplus- (Actual)	(799)	(360)*			
OSS (Target)- %	76	88	92	99	105
OSS (Actual)-%	56	62			

* Year to date up to 31 March 2016, annualized loss assuming linear increase would reach UGX 480 million

- Interest regime.** The mission undertook a financial performance review on a random sample of farmers to assess the impact of different interest regimes on the income stream of farmers. The result is that compound interest rate with no grace period (i.e. no interest during development phase) would be quite onerous for most farmers and only very few high performers would complete their loans in reasonable periods. It is therefore agreed that KOPGT will apply a compound interest rate from first harvest. **Agreed action:** KOPGT will run an interest journal following the newly agreed regime by 15 June 2016.
- Status of farmers' loan accounts.** Cumulatively, disbursement towards loans to farmers has reached UGX 40 billion. Loan recoveries from FFB sales amount to UGX 6.3 billion. Interest has not yet been posted on farmers' loan accounts due to the uncertainty on the regime to apply, with the effect that some farmers' loan accounts are already in credit balances. The mission, however, has noted that some farmers are undertaking collective harvesting and directing the proceeds to one loan account number at the expense of other independent loans. This is happening for individual loans taken at different times as well as for family members/ neighbours who choose to harvest and sell collectively. **Agreed action:** KOPGT will post interest on farmers' loan accounts as per the agreed regime by 31 July 2016. Loans reported as fully recovered will be reconciled on case by case basis.
- Loan portfolio analysis.** KOPGT should undertake regular portfolio analysis including portfolio analysis ratios and other key indicators such as portfolio at risk and report on specific non-performing loans to make adequate provisions and/or take corrective measures. Outliers such as underperforming or over performing farms/ loans (possibly due to collective harvesting) should be easily detected through monthly loan portfolio analysis. KOPGT should also maintain a complete report on the status of commercial loans (i.e. loans given to farmers after the development phase). **Agreed action:** PMU will support KOPGT to set up loan portfolio analysis/reporting formats by 31 December 2016
- KOPGT financial management:** KOPGT has the financial management tools needed to run the business as a corporate entity, including the Tally accounting software to run the general ledger and the Pearl system to run the FFB sales and the subsidiary ledger record of the loan portfolio. However, the mission noted some capacity gaps in the staffing of the finance department. All financials were updated to 30 June 2015 in preparation for the 2014/15 external audit. However, from 1 July 2015 to date accounting backlogs have accumulated again as data are not regularly inputted in the Tally system, as parallel excel-based accounting is kept. Furthermore store management has high inherent and control risks with some stock releases taking more than six months to be accounted for. **Agreed actions:** (i) PMU will support KOPGT finance department to fully reconcile and update the accounting data in Tally by 30 September 2016; (ii) KOPGT General Manager will set monthly performance deliverables for the finance department; (iii) KOPGT will organise the accounting for stores to strictly use the Pearl system for all stock issues and accountabilities.
- Human resources.** Since the last supervision mission, KOPGT has filled all vacancies for field officers and store keepers. A Human Resources consultant, recruited by IFAD, has supported KOPGT over the last few months to review the HR manual and procedures to make them more consistent with the KOPGT business plan and its envisaged functions in support of the oil palm business. The outputs of this process include a new proposed organogram, new job descriptions for the different positions and new tools for performance management. The mission has reviewed the different outputs, including the revised HR

Manual, and found them satisfactory. The new organogram structures KOPGT in three departments mirroring its three key functional areas: business operations; finance and administration; and credit management. The proposed new structure will entail the upgrading of some of the current positions (i.e. credit officer to credit manager and harvesting clerks to harvesting officers) as well as the creation of some new positions (i.e. a FFB inspection officer, an accounts assistant and a data officer). The HR consultant has also undertaken a review of KOPGT salary and incentives structure in view of the proposed organizational restructuring as well as its competitiveness in the current market. The mission considers that some further work is needed in this area to further align KOPGT salary and incentives structure to that of similar organizations, including in particular large cooperatives offering business and economic services to their members as well as farmer-owned companies.

Agreed actions: (i) IFAD to ensure additional inputs by HR consultant to finalize a proposed KOPGT salary and incentives structure by end of June 2016; (ii) the HR consultant to present to the KOPGT Board the new HR Manual, including the new organogram, the proposed salary and incentive structure, as well as all the other relevant elements, for discussion and approval by end of July 2016; (iii) KOPGT to advertise for all new positions by end-August 2016.

21. **Scenarios for new institutional framework.** KOPGT's assets, services and professional management team are essential to ensure the commercial viability of the oil palm investment in Kalangala over time. However, KOPGT has so far been fully financed by IFAD and GOU through the project, which is expected to end in December 2018. Possible options to ensure continuity of the services provided by KOPGT include: (i) transformation into a decentralized public institution; ii) privatization; or iii) devolution to oil palm smallholder farmers. The discussions with local stakeholders indicate the latter option (i.e. devolution) as the most promising given the prevailing conditions. However, the devolution of KOPGT's ownership to KOPGA and its member-farmers is seen as a complex and risky venture. In particular there are serious concerns about the current professional capacity and entrepreneurial attitude within KOPGA, which might prevent it to fully realize and appreciate the importance of the services, assets and management team provided by KOPGT.

22. Consensus is emerging, however, around two key principles: (i) the need to gradually strengthen the ownership of farmers on KOPGT; and (ii) the need to preserve high-quality professional management in charge of the provision of services. So far, two main options for the future institutional and governance framework for oil palm development in Kalangala have been broadly identified consistently with these key principles: (i) the establishment of a farmers' organization with a subsidiary company; and (ii) a merger to establish one "new generation cooperative" that will fully integrate the current KOPGT's management, assets and services with KOPGA's membership and governance structure, preserving some autonomy for executive management from the cooperative board. Both options have pros and cons.

23. Once a new KOPGA leadership will be established (see above) the different stakeholders, including KOPGA, GoU, IFAD and OPUL will have to engage in discussions and negotiations about the way forward. Prior to that, the project will provide capacity building and support to the representatives of KOPGA and KOPGT, as well as other key stakeholders, to fully understand the pros and cons of these two options and elaborate their own position. Training sessions and exchange visits (in Uganda and abroad) will be organized for this purpose. Independent legal advice will also be sought to define the constitution and by-laws of the new organizational design. UCA will provide support and evidence-based advice, as well as inspiring and visionary leadership, to facilitate this process. During this process, strategic partnerships with international agencies will be established to increase the exposure of the decision-makers to the different options. **Agreed action:** Organize study tours within Uganda to study relevant organizational frameworks by 31 October 2016.

Agreed action	Responsibility	Agreed date
Hold KOPGA's next AGM and elect new board members	KOPGA/UCA	31 Aug 2016
Elaborate new KOPGA's operational guidelines	KOPGA/UCA	30 Nov 2016
Provide No Objection to RFP for UCA single-sourcing	IFAD	31 May 2015
Run interest journal with agreed regime (compound interest from harvest)	KOPGT	15 Jun 2016
Post interests on farmers' loan accounts	KOPGT	31 Jul 2016
Set up loan portfolio analysis/formats	KOPGT/PMU	31 Dec 2016
Fully reconcile and update accounting data in Tally	KOPGT/PMU	30 Sep 2016
Set monthly performance deliverables for finance department	KOPGT	Continuous
Use Pearl for stock uses and accountabilities	KOPGT	30 Jun 2016
Finalize proposal for KOPGT salary and incentive structure	HR consult./IFAD	30 Jun 2016
Present outputs of HR consultancy to KOPGT Board for approval	HR consultant	31 Jul 2016
Advertise for new positions	KOPGT	31 Aug 2016
Organize study tours for organizational frameworks	PMU	31 Oct 2016