

Republic of Uganda

Vegetable Oil Development Project – Phase 2

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

Vegetable Oil Development Project – Phase 2

Supervision Mission 26 Oct – 6 Nov 2015

Main Report

A. Introduction¹

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. At the time of the mission, the report had not yet been finalized, neither the recommendations finally agreed between GoU and IFAD.

2. An IFAD supervision and implementation support mission² was held from 26 October to 6 November 2015 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 six days in the field and visited the hubs of Gulu and Lira, in particular the districts of Gulu, Lira, Kaberamaido, Serere, Alebtong and Soroti, where it met and interacted with the local authorities, the project service providers, the OSSUP facilitators, different farmer groups and private sector operators including seed companies, millers and financial institutions. The oil palm team worked for seven days in Kalangala where it interacted with the local authorities, the 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 newly recruited oil palm researchers joined the mission during the field visit in Kalangala. A debriefing meeting with key local stakeholders was held in Kalangala on 2 November 2015. The mission was accompanied by the relevant Project Management Unit (PMU) staff during the field visits. The oil palm expert also visited Kiriandongo 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 with other senior MAAIF staff, research institutions (NARO, NaSARRI), 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' for two consecutive years in IFAD portfolio reviews (2014 and 2015). This was mainly due to the uncertainty regarding the likelihood of achieving its original development objectives given: (i) the withdrawal of the private sector partner from the original plan of establishing a nucleus estate of 6,500 hectares in Buvuma, which put at risk the whole oil palm investment on the island; and (ii) the accumulated delays in the implementation of the

¹ Mission composition:

² The mission was led by Mr Alessandro Marini, IFAD Country Director and included: Mr. Billy Ghansah, Oil Palm Specialist; Mr. Richard Morgan, Value Chain Specialist; Mr. Marco Camagni, IFAD Senior Technical Specialist; Mr. Frederick Kagaba, Financial Management Specialist; Ms. Line Kaspersen, IFAD Programme Analyst; and Mr. David Jasi, IFAD Administrative Assistant.

oilseeds component, with very limited activities visible on the ground after almost four years of implementation.

4. While the project Mid Term Review (MTR) undertaken in November-December 2014 had identified appropriate strategies to address the above challenges, final agreement about the key recommendations of the MTR has been pending for a year, mainly due to the ongoing discussions and negotiations between GoU and BIDCO on the investment plan for Buvuma. With the agreement between IFAD and GoU during the mission on key MTR recommendations, the ground is finally set for the project to get back on track in the last three years of implementation on a path towards achievable targets and objectives. Key agreements in this respect 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.

5. The next few months will be crucial to quickly 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 should be given priority within the next six months: (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.

6. With respect to the overall implementation on the ground, apart from the sub-component on oil palm development in Buvuma where no investment activities have occurred except for the purchase of new land, good progress continues in the other components. 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. 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. More important, the oilseeds component shows dynamism and good progress after the first year of operations of the PSPs. Furthermore, both the PSPs and the hub coordinators have started to successfully facilitate and broker linkages of oilseeds producers with other key players in the value chain, notably millers, financial institutions and seed importers. Further efforts are needed to address the challenges in the area of developing the domestic production of improved seeds in the target crops, in particular for sunflower and soybean.

C. Outputs and outcomes

8. **Oil palm.** Very good progress continues in the oil palm component in Kalangala. An additional 400 ha have been planted on the outlying islands, bringing the total to 4300 ha. Only 400 ha, for which seedlings are already maturing to satisfaction, remain to be planted in order to achieve the overall target for Kalangala of 4,700 ha. Initial delays in planting have meant delayed maturity of the plantation, with total crude palm oil production standing at 19,075 tons as of early October 2015, meaning that about 86% of the overall crude palm oil production target is projected to be achieved within the project period. The number of farmers participating is now 1,770 (37% women), with 596 farmers (2,210 ha) having reached harvesting stage; 320 farmers (1,050 ha) having reached the commercial stage; and 15 farmers having finished repaying their loans. The loan repayment has thus

taken between 5 and 9 years, which is on-track and in some cases faster than the farm model indicates. The financial model indicates that the outcome of USD 1500/ha starting from the 4th year of development is fully achievable. Given the uncertainty on Buvuma investment, no progress has been registered so far on outputs and outcomes in this sub-component. It is agreed that a new output capturing purchase of land on Buvuma will be added to the results framework to duly capture Government's investment in this respect.

9. **Oilseeds.** Good progress continues in the oilseeds component, with the Pay-for-Service Providers (PSPs) having been operating for two seasons in 29 districts throughout the four hubs. Annual targets in terms of number of groups have been surpassed with 1,196 groups supported against a target of 1,122. A total of 1,415 Farmer Learning Platforms (FLPs) have been undertaken overall in seasons A and B of 2015, equivalent to 87% of the target of 1,630 for the two seasons, mainly due to the delayed rainfall that has affected season B in some areas. Limited data is available on the uptake of the technologies demonstrated at FLP as well as on outcomes at farm level (increased yields and income). However, 83 groups among those supported by the project have purchased a total of 15 tons of soybean seeds and 7.5 tons of sunflower seeds, including some new hybrid varieties, at the market price of UGX 30,000-35,000/kg. The project has also continued to facilitate linkages with financial institutions, managing to broker loans for a total of UGX 2.5 billion for more than 1,800 farmers in their respective groups.

Encouraging progress was registered in 2015 in terms of availability of hybrid seeds for sunflower, mainly through imports of hybrid varieties, with higher quantities (350 tons), more varieties (4 against 1 in the previous year) and 3 new companies entering in the business. On the other side, very limited achievements were registered in local production of sunflower seeds, with only 200 Kgs of parental lines and 50 kgs of foundation seeds produced by NARO against an annual target of 40 tons. Production of foundation soybean seeds has achieved the target of 40 tons for 2015. Some progress was also made in seed multiplication through farmers in Mbale, Lira and Gulu hubs, with a total of 120 tons of soybean seeds produced, 87 tons of sunflower (OPV) and 45 tons of sesame

D. Project implementation progress

Component 1 – Oil palm consolidation and expansion

Oil palm development in Kalangala

11. **Status of production.** By September 2015, FFB production from smallholder plantations reached over 12,000 tons, with 15,000 tons projected by the end of the year, stemming from 2,200 hectares under harvesting. As quantities are projected to increase exponentially (next year's harvest is predicted at 24,000 tons, an increase of more than 60%) issues of transport, labour availability, as well as quality will be of paramount importance. While 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 in areas under production. There is need to develop a system for reliable crop projections by KOPGT. **Agreed actions:** (i) PMU to finalise the collection of and processing of GPS data as a basis for a system of quarterly crop projections; (ii) participatory monitoring and evaluation trainings for farmers to be rolled out to support the monitoring of yields and profits at farm level, in conjunction with the sharing of the GPS data collected.

12. **Fertilizer application.** There has been an improvement in fertiliser purchases by KOPGT and uptake by farmers, thanks to the finalisation of the fertiliser store in May 2015. However, the uptake by those farmers who have been weaned off the development loan is very low (15% in 2013/14 and 13.5% in 2014/15) and there is now excess fertiliser in stock. This seems to be primarily due to the fertiliser repayment schedule for commercial farmers, which requires them to pay the fertilizers costs in only three months. KOPGT, with the support of the PMU is negotiating with the Uganda Development Bank a loan scheme at 10% interest rate per year and repayment in 12 months that should facilitate fertilizers uptake for farmers in the commercial phase. A fertiliser loan committee

established at KOPGT will review farmer fertilizer needs and grant those interested in loan financing a fixed loan for the fertilizer required. KOPGT will charge farmers a small loan management fee. Block and unit structures, supported by KOPGT field officers, should ensure that fertiliser application is done as planned. **Agreed action:** KOPGT to finalize the agreement with UDB for the loan fertilizer scheme by 31 December 2015.

13. **FFB harvesting.** Some 15% of the farmers have been found to send poor quality FFBs to the mill. The crop stays for too long on the harvesting platforms with the risk of getting rotten, due to non-adherence to the harvesting schedules, leading to poor oil quality. **Agreed actions:** (i) KOPGT will carry out a comprehensive training on harvesting and quality for the farmers who planted in 2010/11/12 as they are about to reach the harvesting stage; (ii) the unit leaders will identify the farmers who are unable to harvest on time and implement the use of contracted labour for harvesting, under the supervision of the farmer himself, KOPGT and the unit leaders.

14. **Roll-out plan for new plantings.** The total target of 400 ha on Bunyama Island was planted within 12 weeks between May and July 2015 by about 160 farmers. Lining, holing and planting was done using work groups (bubondo). This worked very well, in addition to the other logistics like transport and labour recruitment to carry the seedlings to the fields. The same terms and conditions will be applied in Bubembe. The seedlings presently in the nursery will be ready for planting on Bubembe Island starting from October 2016, on track with the current plan. There is need to keep proper documentation about the land allocation in Bunyama and Bubembe, especially with reference to the identity of the benefiting farmers, the size of land holdings per farmer and the criteria applied in land distribution. **Agreed action:** the PMU will request for the land allocation report from the District Land Board and analyse it to document to ensure adherence with agreed principles and criteria.

Agreed action	Responsibility	Agreed date
Finalise and disseminate the GPS data	PMU	30 Jan 2016
Roll-out PM&E trainings for farmers	PMU	30 Jan 2016
Finalize the agreement with UDB for fertilizers' loan scheme	KOPGT	31 Dec 2015
Conduct trainings on harvesting standards	KOPGT	30 Nov 2015
Identify and support farmers who are unable to harvest on time	KOPGT/Unit lead.	30 Nov 2015
Analyse District Land Board report and farmer lists for Bunyama	PMU	30 Mar 2016

Infrastructure

15. **Road development/maintenance.** Limited progress has been made in road construction and maintenance. 31 km of roads been upgraded to community access roads on Bugala, out of a target 50 km. Identification and demarcation of 65 km of new roads on Bugala was done with the participation of the farmers. 40km of roads were demarcated on Bunyama before planting. No other physical work has been done, mainly due to the delays in repairing the road equipment and in agreeing with KDLG on the arrangements for its management. The district road equipment fleet is down, with an estimated repair time of 2 months and the procurement for repairing services not yet finalized. Over the next two years a total 145 km of roads is planned to be constructed, of which 65 km on Bugala and 40 km each in Bunyama and Bubembe. It is therefore very important that an agreement with KDLG for the management of the road equipment be reached at the earliest. KDLG has in principle agreed to release the road equipment for external management. Two options should be explored in this respect: (i) the PMU to assume direct responsibility for managing and operating the equipment, recruiting the necessary capacity under the supervision of the Project Engineer; or (ii) the PMU to contract a company for the management and operation of the equipment over a period of two years to achieve the agreed road construction targets. **Agreed actions:** (i) the PMU will finalize the procurement of repair services for road equipment by 31 December 2015; (ii) the PMU will identify the preferred option for management of road equipment and enter into an MoU with KDLG by 31 December 2015; (iii) demarcation of roads in Bubembe will start in December 2015; (iv) road works in Bugala will be finalised by 30 June 2016; (v) road works in Bunyama will start in August 2016; and (vi) PMU to finalize the draft farm roads maintenance plan by 31 March 2016.

16. **Ferry services to outlying islands.** By harvesting time (FY19/20) from Bunyama and Bubembe, landing sites and ferry services are expected to be in place for evacuation of FFBs to the mill. Ministry of Works is at contract award stage to recruit a consulting firm to study, recommend and design suitable ferry services and landing sites. **Agreed action:** MAAIF senior management should follow up with Ministry of Works to ensure the study begins in December 2015.

17. **Other infrastructure on outlying islands.** The specifications for two boats for KOPGT are being prepared in consultation with the Ministry of Works. The boats will be used to deliver fertilizers to the smallholders and transport ffb to the mill while the landing sites (and ferries) are being constructed. Appropriate land on each island has been identified by the District for construction of the fertilizer stores. Opportunities are being explored for reducing the cost of construction of the stores, using the district hydro foam machine for brick construction. **Agreed actions:** (i) the procurement process for the KOPGT boats will be launched by 31 December 2015; (ii) a final decision on the construction method for the fertilizer store will be taken by 31 December 2015.

Agreed action	Responsibility	Agreed date
Finalize the procurement for repair of road equipment	PMU	31 Dec 2015
Enter MoU with KDLG for road equipment management	PMU	31 Dec 2015
Start participatory road demarcation on Bubembe	PMU/KOPGT	31 Dec 2015
Complete road construction on Bugala	PMU	30 Jun 2016
Start road construction on Bunyama	PMU	31 Aug 2016
Develop participatory road maintenance plan	PMU/KOPGT	31 Mar 2016
Ensure commencement of ferry services design study	MAAIF/MoW	31 Dec 2015
Launch procurement process for KOPGT boats	PMU	31 Dec 2015
Take decision on fertiliser store construction methods	PMU	31 Dec 2015

Governance and institutional framework

18. With the planting targets almost achieved, the focus is increasingly on the governance and institutional framework to ensure the sustainability of the investment. In a stakeholders' round-table discussion organized by IFAD on 19 October 2015, a consensus has emerged on a three-pronged approach built on: (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.

19. **Strengthening of the oil palm producers' organization (KOPGA).** KOPGA has undergone a mobilization and sensitization process at grassroots level (units and blocks) aimed at promoting a bottom-up internal process of restructuring and revitalizing the organization and increasing the accountability and communication among its different levels. The KOPGA leadership is in the process of setting a date and developing an agenda for the next AGM, whose main objective will be to discuss and agree on the way forward for restructuring. UCA has been supporting KOPGA in this process, as recommended by the MTR, and are expected to provide further inputs in the institutional strengthening of KOPGA towards a business-oriented farmers' organization, following the deliberations of the AGM. Unfortunately, no contractual agreement has been signed yet with UCA to provide it with the necessary resources to duly support this process. There is solid justification for single sourcing of these services to UCA, given their unique institutional mandate in Uganda and vast experience in supporting farmers' associations and cooperatives to evolve towards business-oriented organizations. **Agreed action:** the PMU will proceed with the necessary process for single-sourcing of UCA, with the aim to sign a contract by end of February 2016.

20. **Strengthening of KOPGT.** KOPGT has evolved from a project-oriented disbursement office (providing accountabilities to the PMU) to a medium scale commercial entity, managing a loan portfolio of UGX 37 billion, and with an asset base of more than UGX 42 billion. Key issues are establishing a transparent and efficient financial management system, strengthening its governance bodies and ensuring qualified and motivated staff:

- **Financial sustainability and audit.** The current operational self-sustainability of KOPGT has been estimated at 56%, with the two income sources being 30% of the interest on the reflows and the transport recovery account (self-sustaining). Thus, KOPGT is on track towards self-sustainability, with a draft business plan in place. With support from an auditing company, KOPGT has prepared draft financial statements and will undergo its first external audit for the financial year 2014/15. The draft financial statements were reviewed by the mission and found to have been prepared in accordance with international reporting standards. Accounting is up to date as per 30 September 2015. A number of detailed observations were made by the mission to KOPGT management in order to further improve its financial management in view of the upcoming audit. **Agreed action:** The KOPGT board will appoint an external auditor by 30 November 2015.
- **Transport recovery account.** The initial design of the transport recovery account was to ensure that transportation of FFBs was fully paid for by farmers. This included operating costs (including fuel and drivers salaries), maintenance of vehicles as well as replacement of vehicles following a set depreciation rate. The average transport price per kg of FFB is 37.5 shillings, which will not be able to fully replace the KOPGT fleet of 6 trucks. Estimates indicate that KOPGT will be able to replace 3 trucks of the current standard. As a medium-term strategy, KOPGT will increase outsourcing of transport services as trucks depreciate and harvesting volumes increase, while ensuring a minimum operational own transport fleet. Individual farmers, other businessmen on the island and KOPGA should be encouraged to take up this as a business opportunity.
- **Pricing committee.** According to the tripartite agreement, the price committee is constituted by representatives from MAAIF (chair), MFPED, MTIC, OPUL, KOPGT, KDLG and any other invited members. The mission noted that the committee has not met regularly, due to logistical challenges for stakeholders from outside the island. This has led to complaints by the farmers about the transparency of the price-setting mechanism. The mission has reviewed the price setting calculations over the last six months and their frequency and concluded that although formal pricing committees have not taken place with the full expected membership, this has not affected the monthly price setting as per the agreed formula and farmers have thus been paid the appropriate price. Nevertheless, there is a need to respond to the legitimate concerns of the farmers and increase the level of transparency of the price setting mechanism. **Agreed actions:** (i) a technical sub-committee of Kalangala stakeholders will be established for the monthly price calculation exercise, comprising the KOPGT General Manager, one representative from OPUL, a minimum of two farmer representatives and the District Commercial Officer; (ii) a general training and induction on the price setting formula for farmers (including KOPGA, block and unit leaders) will be organised by KOPGT by 30 November 2015; (iii) the pricing committee in its full functions will meet every 6 months to review the work of the technical sub-committee; (iv) KOPGT will ensure that minutes of the meetings are posted on the office notice boards, and the farmer representatives will ensure communication of the process to the farmers at large, through their organisational structures.
- **Service cost panel.** The mission reviewed the minutes of the service cost panel (SCP). The SCP comprises of 6 members, two farmers, two KOPGT staff, one representative from OPUL and one member from the PMU. The panel is tasked to review the prices for farm inputs. The filing of minutes was well documented. Some inconsistencies regarding the invitations for the meetings were noted. While the SCP is operating satisfactorily given the current tasks, there is a need to strengthen its capacity and streamline its procedures in the medium-term to prepare for an estimated higher workload as KOPGT moves towards self-sustainability.
- **Human Resources.** A qualified and motivated staff is a key element in building a professional organisation providing high-quality services to the oil palm producers. Recent developments have seen the contracts of five staff members not renewed due to underperformance, while two others have resigned. The cases have been handled in accordance with the established

procedures. While these positions should be filled as soon as possible to enable KOPGT to continue delivering quality services to the farmers the situation provides an opportunity to revisit the organisational structure to make it more consistent with current thinking on KOPGT operations as per its draft business plan. This might imply the restructuring of the operations department along functional lines rather than on a block/zonal basis; and the strengthening of various functions including record keeping and monitoring, data and analytical support in the credit unit; procurement and office administration/logistics and store keeping. Furthermore, the current salary structure of the KOPGT Secretariat was approved in 2011 and never revisited since then. Inflation has eroded the real value of salaries. In the view of the mission, the current salary levels are not competitive in the current market. Overall, there is a need to review the HR manual and procedures in areas related to staff appraisal methodology, remuneration levels and the organisational structure. IFAD will support KOPGT in this respect with the services of an HR consultant. **Agreed actions:** (i) as per procedure in the HR manual, the KOPGT manager will undertake exit interviews for the outgoing staff and present the findings to the board; (ii) an announcement for key vacant positions in the operations department (field officers) and a store keeper will be published by KOPGT by 30 November 2015; (iii) TORs for a HR short-term consultancy will be prepared by KOPGT and submitted to IFAD by 20 November 2015, as IFAD funds will need to be committed by 31 December 2015; (iv) IFAD to mobilize the HR consultant by 10 December 2015.

21. **Restructuring of the current institutional framework.** As KOPGA and KOPGT are being strengthened (see above), the overall institutional and governance framework for smallholders' oil palm management in Kalangala will be discussed, including the institutional and governance relations between KOPGT and the oil palm producers' organizational structure. This will require an overall review of the legal and organizational structures currently in place. The PMU is expected to take the leadership in facilitating this process and bringing together all stakeholders. This might include facilitating consultative meetings in Kalangala to discuss various options and models; organizing exchange visits for farmers and other stakeholders; recruiting technical expertise to contribute on specific issues, etc.

22. **Partnership building.** To ensure a conducive environment for the project, partnerships must be continuously strengthened. This includes with the District (for road and equipment maintenance and environmental monitoring); with NEMA for environmental compliance; with the oil palm growers SACCO for development of a savings culture and with NARO for continued research are key; and with OPUL for a positive working and commercial relationship.

23. **Communication.** External pressure and negative publicity on the project continues with media stories both on the international and national press. The mission has noted that pockets of farmers spread false or incomplete information which generate mistrust amongst farmers and other stakeholders. It is important that all island stakeholders, most especially farmer leaders, ensure local level support to and knowledge of the project. KOPGA leadership should ensure the communication of consistent messages about the project to avoid that incomplete or incorrect information be circulated and manipulated to the detriment of the project. Farmer leaders should proactively represent the voice of the farmers towards external actors. KOPGT and KDLG will upscale the radio programmes with sensitisation messages and Q&A sessions, both on Radio Sese and national radios.

Agreed action	Responsibility	Agreed date
Single-source UCA for support to KOPGA	PMU	28 Feb 2016
Appoint the KOPGT external auditor	KOPGT	30 Nov 2015
Establish technical sub-committee on prices	KOPGT	15 Nov 2015
Conduct training on price formula for unit and block leaders	KOPGT	30 Nov 2015
Pricing committee to meet every 6 months	KOPGT	Continuous
Post minutes of sub-committee meetings on notice board	KOPGT	Continuous
Undertake exit interviews for outgoing staff	KOPGT	30 Nov 2015
Advert for field officers and store keeper	KOPGT	30 Nov 2015
Submit to IFAD ToRs for HR consultancy	KOPGT	20 Nov 2015
Mobilize HR consultancy support to KOPGT	IFAD	10 Dec 2015

Oil palm development in Buvuma

24. The Government's preferred option for investment in Buvuma remains through a nucleus estate/smallholders model. While BIDCO has reiterated that it does not intend any more to invest in a nucleus estate, Government has decided to continue purchasing land in Buvuma to reach the target of 6,500 ha of plantable land. Once the target is reached, GoU intends to re-engage BIDCO in the negotiations around the establishment of a nucleus estate. While the option of a pure smallholder model is not entirely discarded, it is considered as a last resort alternative in case BIDCO confirms its intention not to invest in the nucleus estate. BIDCO has however confirmed its commitment to support the pure smallholder model by investing in the required processing capacity as well as by facilitating the access to inputs and technical advice.

25. It is noted that, as per the Financing Agreement, IFAD Loan resources must be invested in Buvuma in line with the existing agreement between the Government of Uganda and BIDCO. Thus formal commitment from BIDCO for the development of a nucleus estate on Buvuma is a precondition to disburse any IFAD funding for oil palm plantation development by smallholders on the island.

26. So far, about 7,330 ha of land have been identified, of which 4,830 ha are available and free of encumbrances (tenants compensated and vacated), and another 2,500 ha have been committed by their owners (about 1,610 from mailo owners and 890 ha from the Buganda Land Board) and are awaiting for compensation of tenants. It is expected that 6,500 plantable ha could reasonably be secured, free of encumbrances, by end of June 2016. Until then, no final decision is expected from Government on the way forward for the investment in Buvuma and the model to be adopted.

27. Meanwhile, the targets for Buvuma investment under VODP2 have been reviewed. The new target is to plant 2,500 ha of smallholder oil palm plantations (down from an initial target of 3,500 ha) by project completion, while the planting of 6,500 ha of nucleus estate has been removed from the scope of the project. Given the legal impediment to use IFAD loan resources to finance any investment in Buvuma in the absence of a commitment by BIDCO on the nucleus estate, the Government committed to provide the necessary additional financial resources to ensure the planting of the targeted 2,500 ha for smallholders by VODP2 completion, estimated at a total of USD 10.4 million up to 2019. These will be financed through the loan reflows from Kalangala (USD 4 million) and new counterpart funding equivalent to USD 6.4 million. UGX 200 million have already been committed by GoU in the budget for the FY 2015/16 for preparatory activities for Buvuma, which will allow the project to establish some capacity on the island, including a minimum staff with an office and basic equipment to operate (the skeleton structure of a future Buvuma Oil Palm Growers Trust – BOPGT), to undertake the initial mobilization and sensitizations activities. In FY 2016/17 further resources will be made available to allow for the planting of 500 ha. **Agreed actions:** (i) order seedlings for the planting of 500 ha during FY 2016/17; (ii) establish minimum capacity (staff and equipment) to coordinate activities in Buvuma by 30 April 2016; (iii) commit an estimated amount of USD 800,000 of counterpart funding in FY 2016/17, besides the contribution from loan reflows, to achieve the target of planting 500 ha.

28. While IFAD confirms its long-term interest and commitment to continue supporting oil palm investment in Uganda, the current uncertainty surrounding the investment in Buvuma does 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. This will be the subject of a separate negotiation between IFAD and the Government, outside the scope of VODP2.

Agreed action	Responsibility	Agreed date
Order seedlings for 500 ha planting	PMU	31 Dec 2015
Establish minimum capacity in Buvuma	PMU	30 Apr 2016
Commit budget for Buvuma (USD 800,000) in FY 2016/17	MFPEP/MAAIF	30 Mar 2016

Oil palm research

29. The importance of national oil palm research cannot be overstated, given the past cases of half-ripening and rotting bunches; fluctuations in yield patterns based on variety; fertilizer regimes for various soil types; designated labs for foliar analysis, cooperation with the private sector for seed import etc. The mission notes some progress with the recruitment of four scientists and the appointment of a team leader by NARO. **Agreed action:** The team will be exposed to oil palm in the commercial setting in Bugala through an agreement with OPUL.

30. The broad objectives for oil palm research in the next few years were identified as follows: (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; 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. **Agreed actions:** (i) a work plan and budget for the research team will be finalised and submitted to the PMU by 15 November 2015, with priority given to rehabilitation of farmer trial plots; (ii) planting of trial plots of 2 ha in Namulonge will be completed by 31 December 2015; (iii) short-term training abroad will be planned for 2016.

Agreed action	Responsibility	Agreed date
Submit work plan and budget for oil palm research to PMU	NaCCRI	15 Nov 2015
Plant trial plots in Namulonge	NaCCRI	31 Dec 2015
Plan for short-term training abroad	NaCCRI	31 Mar 2016

Component 2 – Oil seeds development

31. **Review of the component intervention strategy.** The MTR has introduced a few changes to the strategy of delivery of extension services to achieve the intended target of total beneficiaries in a shorter period, in order to catch up with the initial delays in implementation of the component. The original target is maintained at 136,000 households through 5,900 farmer's groups, but the total number of districts has been reduced from 51 to 42, with a narrower commodity focus by hub, with the aim of strategically focusing on value chain clusters around markets and processors. The number of PSPs will be increased from 6 to 11 across the 4 hubs and the project will invest in strengthening the capacity of 40 apex higher-level farmers' organizations (HLFOs), targeting 600 lower level groups with an estimated 18,000 members. District Local Governments (DLG) will maintain their regulatory and supervisory role through Focal Point Persons (FPPs).

32. **Delivery of extension services through Pay for Service Providers (PSPs).** The mission visited two regional hubs – Gulu and Lira – and held detailed discussions with current PSPs. These discussions and the visits to some of the farmer groups supported, confirmed that the intervention strategies have been adapted to include recommended areas such as financial literacy, agronomy, post-harvest handling, etc. During the two agricultural seasons of 2015, the PSPs focused on establishing a new set of Farmer Learning Platforms (FLPs), reaching a target of 1,414 new FLPs, thus increasing the cumulative total since project start to 8,147 FLPs. The FGs express genuine

enthusiasm for the work of PSPs in terms of practical learning opportunity gained from access to FLPs and Farmer Field Days. It appears that extension delivery through FLPs is an effective channel to drive productivity and raise incomes, provided there is access to improved seed for sunflower and soybean to respond to the demand of the farmers as a result of the technological demonstrations.

33. Consistently with the recommendations of the MTR, the PMU will build on the positive outcomes of the current approach and expand current operations within the main catchment areas by: (i) expanding the scope of the existing contracts with the 6 PSPs to reach more groups within their intervention areas; and (ii) increasing the number of PSPs from 6 to 11 with one new provider in each of Lira, West Nile and Gulu hubs and two new providers in Eastern Uganda hub, to cover a total of 13 new districts with high potential in the selected crops. **Agreed actions:** (i) PMU to submit to IFAD for No Objection the shortlist of new PSPs by 15 November 2015; (ii) PMU to issue Requests for Proposals to the selected PSPs by 30 November 2015, with the aim to sign the contracts by the end of the third quarter of the current financial year; (iii) PMU to assess the capacity of existing PSPs to expand the coverage in existing districts and submit the necessary modifications to their contracts for consideration by the Contract Committee by 31 December 2015. The expanded PSP program aims to target a total of 108,765 beneficiaries through 4,834 FGs with an average investment of USD 81/beneficiary.

34. **Support to Higher-Level Farmers Organizations (HLFOs).** The MTR identified the Uganda Cooperative Alliance (UCA) as the specialised service provider to deliver capacity building to the 40 apex HLFOs, given their unique institutional mandate in Uganda and vast experience in supporting farmers' associations and cooperatives to evolve towards business-oriented organizations. Limited progress has been made to date in implementation in this area, apart from the preliminary screening of existing FOs. Unfortunately, no progress has been made with respect to the contractual agreement with UCA to implement this support. **Agreed action:** the PMU will proceed with the necessary process for single-sourcing of UCA, with the aim to sign a contract by 28 February 2016. Through the support to 40 HLFOs, the project aims to target a total of 18,000 beneficiaries through 600 FGs.

35. **Availability of improved seeds.** Timely availability of improved seeds for all the crops targeted by the component remains a critical bottleneck. Importation of hybrid sunflower seeds continues to be dominated by Mukwano Industries, which have imported 260 Mt in 2015, although new companies, such as Ngetta Tropical Holdings, are aggressively entering the market. Some of the seeds imported by these companies have found their way to VODP-supported FGs, through the links established by hub coordinators and PSPs, while some go the “secondary” market where they trade at three times the official price. This high premium indicates growers understanding of benefit/cost ratios of using improved seed and the chronic short-fall in supply. The fundamental reasons for this national shortfall in availability of all improved oil seeds remain the same. Importers remain risk averse to importing quantities of seed they are not sure they can sell. Weather and price volatility in competing cash crops has previously left them holding excess quantities of seed which has lost viability. Local seed companies remain reluctant to enter the domestic multiplication of OPV and hybrid seed due to the unavailability of parent lines, perceived superiority of imported hybrids and a lack of “exclusivity” to protect brand identity and longer-term added value.

36. **Imported sunflower seeds.** The PMU has achieved good results in 2015 in building links between FGs, PSPs, agro-input dealers, processors and seed importers. The project has successfully brokered contacts with agro-dealers and seed importers and PSPs have played an intermediation role between farmers and seed suppliers facilitating advance payments and seed delivery. As PSPs have become fully operational and worked closely with the hub coordinators, local networks are emerging between the actors. These networks have been able to mobilise group funds in excess of UGX 29 M for the cash purchase of hybrid sunflower seeds directly from importers at prices around 35,000 UGX/Kg. This work should continue across all hubs as the most likely strategy to succeed in delivering improved seed to FGs working with the project. The national picture, however, remains problematic until critical mass is achieved in terms of varietal acceptance by farmers of “brands” other than the Pannar varieties traded by Mukwano. **Agreed action:** (i) PMU to produce hub-specific action

plans dedicated to forecasting hybrid sunflower seed demand, include activities to mobilize funds from FGs for cash payment to seed importers, established supply contracts with processors/traders and financial institutions, by 31 December 2015; (ii) PMU to lead the process of coordinating all relevant players in the VC to prepare an action plan for variety trials of new hybrid varieties.

37. **Promotion of domestic sunflower varieties.** Very limited progress is registered with respect to the promotion of domestic hybrid and OPV sunflower varieties through support to NARO/NaSSARI. None of the activities or targets agreed in March has been achieved. This needs urgent attention if any progress is to be made over the remaining life of the project. Key issues to be resolved include delayed transfer of funds; the establishment of exclusivity rights for hybrid multiplication; and the complete breakdown of reporting from NARO to the project. **Agreed action:** PMU to convene a meeting with NARO to discuss future funding of activities and agree on a work plan and budget for production and distribution of parent lines for local hybrids over the remaining three years (six seasons) of the project.

38. **Access to soybean seeds.** Soybean foundation seed multiplication is more straight forward and less risky, but is still operating at a very low base. The mission notes the progress made in accessing foundation seed from the unit at Makerere University and the PMU/HC's activities to multiply this through selected specialised FGs. Three specialised FGs in the Eastern Hub were able to produce 57 tons of improved seeds, which generated revenues of UGX 67 million when sold to other FGs in the hub. This model needs to be replicated in as many FGs as the availability of foundation seed will allow, with emphasis on quality control, certification and clear price premiums. The focus of these activities will initially be around the Eastern hub, where high volume processors offer opportunities to link financial institutions to producing FGs. Broadening the distribution of soybean seed is also vital to the introduction of crop rotations with sunflower to maintain soil fertility and conservation. It was disappointing to note that the seed multiplication unit had generated foundation seeds in excess of the immediate needs of the project but was unable to sell this. **Agreed actions:** The PMU and the seed unit need to produce a seed forecasting and production plan starting from the first season of next year.

39. **Access to financial services.** The project continues to work with financial institutions to expand lending to oilseeds FGs across all hubs. The PMU has developed linkages between five financial institutions (DFCU, UDBL, FINCA, OBUL, and PBU) and 12 groups consisting of 1,864 members. Total lending to date is just over UGX 2.5 billion, mainly as working capital to fund land preparation and seed cost. Loan repayment performance has been variable being negatively affected by climate and poor quality of seed. The focus of PMU activities continues to be around de-risking transactions between banks and small scale agricultural borrowers, with the aim to link FGs who have direct access to improved seeds, financial literacy training and brokered agreements with millers to financial institutions actively seeking to expand loan portfolios in the agricultural sector. In addition to working with commercial banks, the PMU has piloted capacity building and training with VSLA groups in Gulu through the PSPs. About 170 groups have mobilised savings of over UGX 400 M over the 2015 season and loaned over UGX 265 M to their members as working capital. While so far the focus of the project has been on facilitating improved access of farmers to the financial services, a broader perspective should be taken, to also look at the financing needs of other actors of the value chains and facilitate linkages to the financial sector for this purpose. **Agreed action:** (i) PMU, in close coordination with the partner financial institutions, to closely monitor portfolio performance and ensure input availability, particularly seed, to FGs who have needed to restructure loan and interest payments; (ii) PMU to work closely with PSPs to facilitate the preparation of viable seasonal plans, starting from season A of 2016, to be considered by financial institutions; (iii) PSPs to replicate VSLA training in other hubs where conditions are appropriate.

40. **Facilitating linkages among value chain actors.** The mission notes the progress made by the project in building trust and facilitating business relationships among the key oil seed value chain actors. Efforts to link farmers to buyers (particularly millers) have produced some promising results in terms of increasing volumes of crushing material marketed and improved prices obtained, thanks to better quality of the produce and improved post-harvest handling and delivery. 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. This represents a clear opportunity for farmers. This market pull factor sets the basis to develop “win-win” business cases, which can generate tangible and sustainable benefits for each actor involved, hence an incentive to stick to the agreed deal. It is important that the project strengthen its efforts on brokering relationships and negotiations between FGs and VC partners looking for truly mutually beneficial (win-win) arrangements. While this is already being done through the hub coordinators and the PSPs, facilitating this type of market-driven relationships requires specific competencies, methodology and tools in order to align the different interests towards a common goal and define all necessary operational arrangements. To this end VODP2 should maximize the synergies with the two IFAD grant –funded initiatives currently operating in Uganda through SNV (see below).

41. 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 (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. Presently it is not clear whether the participants are willing to contribute to keep such space functioning beyond the completion date of the IFAD grant. SNV is preparing a business model for the sustainability of the OSSUP platforms, building on the brokering services (business to business facilitation) provided by the OSSUP facilitators. It is to be noted that two of the OSSUP facilitators work for VODP2 PSPs. There is therefore an urgent need to define an effective coordination between OSSUP, VODP2 and the new IFAD grant to SNV for Promoting Public Private Producers Partnerships in Agricultural Value Chains (see below) on operational and financing matters. The latter is important in particular to avoid duplications and to make the most efficient use of IFAD grant and loan resources. **Agreed action:** VODP2 and SNV to coordinate the provision of business facilitation services by the hub coordinators, the VODP2-hired PSPs and OSSUP facilitators at the hub level.

42. Promoting Public Private Producers Partnerships in Agricultural Value Chains (4Ps) – IFAD Grant No. 2000000503. This is an IFAD global initiative operating in five countries (including Uganda) launched in February 2015 and to be completed in January 2018. The basic idea is to hire on a competitive basis the services of specialised service providers (*4P brokers*) with proven expertise in facilitation of public private producer's partnerships, to support the development and monitoring of these partnerships in the context of IFAD-funded projects and different agricultural value chains. In the case of Uganda the VODP2 project, specifically its oil seed component, has been identified as a suitable intervention area. Progress made so far includes preliminary meetings between SNV and VODP2 teams to explore ways to work together; discussions with the private sector (agro dealers and oil seed millers in particular) to build awareness about the 4P approach; pre-identification of 18 potential business cases; and ongoing consultation with the financial sector to explore possible financing of viable and bankable 4P investment plans. However, with the 4P initiative approaching the end of its first year of implementation, key coordination mechanisms between VODP2 and SNV are still not defined. There is, therefore, a concrete risk of an actual disconnect between the implementation of 4P and VODP2, which will represent a missed opportunity for mainstreaming the 4P approach within the VODP2 to replicate it and scale it up. **Agreed actions:** (i) SNV to set-up a simple and effective governance mechanism (e.g. a Steering Committee including representatives from IFAD, SNV and VODP2) in charge of reviewing the AWPB and providing strategic oversight; (ii) VODP2 and SNV to establish coordination mechanism at the local level, including specifying the brokerage role (and ToRs) to be played by PSPs on the basis of a complementary contract funded by the 4P grant; (iii) list of 4P business cases to be completed, covering all four hubs where VODP2 intervenes, by 31 December 2015; (iv) consultations with Agribusiness Initiative (ABI) Trust and other FIs to be completed by December 2015; (v) SNV to prepare by 31 December 2015 a draft bi-annual (2016-17) WPB to be presented and discussed at the first 4P Steering Committee in January 2016; and (vi) SNV training of PSPs on 4P brokerage concepts, methodology, M&E and related tools to start in January 2016.

Agreed action	Responsibility	Agreed date
Submit to IFAD shortlist of PSPs	PMU	15 Nov 2015
Issue RFP for PSPs	PMU	30 Nov 2015
Submit to CC proposed modifications for contract review of PSPs	PMU	31 Dec 2015
Single-source UCA for support to HLFOs	PMU	28 Feb 2016
Produce hub-specific action plans for seed demand forecasting	PMU	31 Dec 2015
Agree on 2-years WPB for local hybrid seeds	PMU/NaCCRRI	31 Dec 2015
Produce a seed forecasting/production plan for soybean seeds	PMU/NaCCRRI	31 Dec 2015
Prepare viable seasonal investment plans for consideration by FIs	PMU/PSPs	31 Jan 2016
Replicate VSLA training where appropriate	PSPs	Continuous
Set up a governance mechanism for 4P grant	SNV	31 Dec 2015
Establish ToRs for PSPs' functions under 4P	PMU/SNV	31 Dec 2015
Complete list of 4P business cases	SNV	31 Dec 2015
Prepare a bi-annual WPB for 4P	SNV	31 Jan 2016
Train PSPs on 4P brokering concepts and tools	SNV	28 Feb 2016

Component 3 – Project management

43. **Project Management Unit (PMU).** The PMU is fully established, with overall adequate capacity to deliver on the expected project outputs, although some strengthening is required in a few areas including: the replacement of the Communication and Knowledge Management Officer who resigned a few months ago as well of the Procurement and Contracts Manager who resigned very recently; and the recruitment of a Monitoring and Evaluation Assistant given the expected increase in workload in the M&E unit. The Credit Officer has recently been assigned the responsibility to look at the institutional aspects related to both oil palm and oilseeds components, which the mission considers a good management decision to give adequate emphasis and importance to these aspects, which are becoming crucial for the overall sustainability of the project investment as completion approaches. For the oil palm component, the PMU has only one dedicated officer with a role of coordination and supervision, as actual implementation on the ground is mainly the responsibility of KOPGT in Kalangala and the envisaged BOPGT in Buvuma. Thus, proper staffing of these two institutions is critical for project implementation. The PMU needs therefore to follow up closely on the HR issues arisen in KOPGT, as well as on the recruitment of some basic capacity for Buvuma. **Agreed action:** PMU to advertise for the positions of Communication and Knowledge Management Officer; Procurement Officer; and M&E Assistant by 31 December 2015.

44. **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.

45. **AWPB execution.** Actual execution against the AWPB is very low at 7.6% as of 30 September (first quarter of the AWPB 2015/16). This is however expected to improve given the firm commitments (invoices ready for payment) amounting to UGX 8.4 billion, which would increase the execution rate to 33.1%.

46. **Mid-term review.** A MTR was undertaken in November 2014, but the final report has been kept pending by the PMU due to the uncertainty around Government's plans for Buvuma. A complete draft was submitted to IFAD during the mission. The mission reviewed the report and provided some preliminary, overall comments. Given some of the changes proposed to the original project design, in particular with reference to the investment plans for Buvuma, it is expected that some amendments to the financing agreement will be required. These include changes to Schedule 1 to adjust the project area, target population and quantitative targets; and to Schedule 2 to reallocate among disbursement categories. **Agreed actions:** (i) the PMU will submit a final complete draft of the MTR report to IFAD by 15 November 2015; (ii) final comments will be provided by IFAD by 30 November 2015; (iii) the Government will submit a request of amendment to the financing agreement by 31 December 2015.

Monitoring and evaluation system

47. **Baseline and impact.** The baseline data for the three components of VODP2 was collected in August 2014 and the final reports are almost finalised, including impact level indicators of child malnutrition, food security etc. The Buvuma and Kalangala studies were outsourced, while the oil seeds baseline was done by the Planning Department Statisticians in MAAIF. **Agreed action:** Finalize baseline studies by 31 December 2015.

48. **Logical framework and results management framework.** The project logical framework was updated and finalized as part of the MTR. The Results Management Framework has also been reviewed and updated as part of the MTR. Annual and overall targets have been revised during the mission, and additional indicators for annual outcome level reporting have been suggested and incorporated. This follows the outline of the AWPB and will be important to ensure that service provider reports are aligned with the results framework. Results from the final baseline studies will be used to finally populate the RMF. **Agreed action:** An updated version of the RMF will be submitted to IFAD by 30 November 2015 and continue the process of establishing annual targets as appropriate.

49. **Outcome reporting.** Impact level reporting is scheduled for end of project and outputs are reported regularly through service providers' and partners' reports. While reporting templates at outcome level have been prepared and shared with PSPs and KOPGT, there is still need to strengthen outcome level reporting, as per the updated Results Framework, on an annual basis.

- The Oil Palm Impact Study will analyse farmer loan statements and update the existing farm model using actual figures. About 350 farmers have reached the commercial stage and 15 have finalised loan repayment, giving an adequate sample for analysis of actual figures. The study will analyse the cost of development of one hectare of oil palm; farmer yields; loan repayment times and income at farm level. **Agreed action:** (i) IFAD will organize a technical workshop to facilitate ownership of the farm model by the PMU and KOPGT staff by 30 November 2015; (ii) the oil palm impact study will be completed by 30 June 2016.
- The Oil Seeds Outcome Study will seek to capture outcomes seen to date, giving adequate attention to attribution through usage of qualitative methods, where possible. Estimates of farmer profitability will be established combining farm models with field verification. **Agreed action:** the study will be undertaken at the end of season B 2015, to be finalized by 30 June 2016.

50. **Management Information System (MIS).** The project is procuring an MIS to consolidate databases and data inputting under the various components. A consultancy for software development is in progress. All data will be GIS referenced and the system will allow for production of maps and spatial analysis, building on elements of the GIS elements of the MIS already in place (the GLTN Social Tenure Domain Model and oil seeds stakeholder mapping). **Agreed action:** ToRs will be finalised by 15 November 2015 and the procurement process will be finalized by 31 January 2016.

51. **Environmental monitoring.** EIAs have been undertaken for oil palm developments on the outlying islands and Buvuma. The certificate for Buvuma is in its final stages. The certificate for the outlying islands has been received, with the main recommendation on observing the 200 metre lake buffer zone. The mission observed that the buffer zone has been duly 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 being cultivated in the buffer zone. Unfortunately, no progress is registered since 2014 by KDLG to identify the level of encroachment into the lake buffer zone. 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 by 28 February 2015; (ii) the PMU will complete the recruitment of a firm to establish the extent of encroachment using the procured satellite imagery and ground verification by 30 November 2015.

Agreed action	Responsibility	Agreed date
Advertise for COM/KM, Procurement and M&E Assist. positions	PMU	31 Dec 2015
Submit final draft of the MTR report to IFAD	PMU	15 Nov 2015
Provide final comments on MTR to GoU	IFAD	30 Nov 2015
Submit request for amendment of the FA	PMU	31 Dec 2015
Finalize baseline studies	PMU	31 Dec 2015
Submit updated version of the RMF to IFAD	PMU	30 Nov 2015
Organize a technical workshop on oil palm farm model	IFAD	30 Nov 2015
Complete oil palm impact study	PMU	30 Jun 2016
Complete oilseeds outcome study	PMU	30 Jun 2016
Finalize procurement of MIS	PMU	31 Jan 2016
Hold sensitisation meetings on NEMA recommendations	PMU/KOPGT	28 Feb 2016
Recruit a firm to establish the extent of encroachment in Kalangala	PMU	30 Nov 2015

E. Fiduciary aspects

52. **Financial management.** The project accounting system is capable of recording financial transactions in a timely and accurate manner and the aggregate set of procedures and practices that allow for proper management of public funds are in place and well documented. As a government requirement, the PMU is moving from use of the current accounting software, Tally, to the government's recommended Integrated Financial Management System (IFMS). The PMU financial management staff is still undergoing training before fully adopting the IFMS. Given the experience of other IFAD-funded projects in using the IFMS, however, it is expected that it will take some time before VODP2 will be fully profiled within the IFMS's project module/version and the IFMS will be able to generate the full information required for financial reporting to IFAD. Meanwhile, the PMU will continue using both Tally and IFMS in parallel until it is demonstrated that the latter can handle project accounting demands.

53. Funds disbursed by the PMU to the service providers and the districts were seen to be severely delayed. The PMU attributes these delays to the long approval procedure of requests for payment. Efficient and timely funds flows to implementing partners are critical, as delays will lead to activity implementation being stalled. **Agreed action:** MAAIF should consider the streamlining of the procedures for approval of payments, including delegation of authority at PMU level to handle project payments, as it is happening in other IFAD-funded projects implemented by other ministries.

54. A comprehensive system of financial internal controls to safeguard project assets from misuse or fraud is maintained. An internal control structure is in place. While the project does not have an independent internal audit system, the ministry's internal audit department reviews all expenditure requisitions before they are approved for payment by the permanent secretary. MAAIF internal audit department should however widen their scope of audit to include checks on compliance with the financing agreement covenants, undertake procurement audits and test check whether the system of internal controls ensures compliance with established policies and procedures.

55. **Disbursement of IFAD Loan (802-UG).** Actual disbursement as per IFAD status of funds report is 39.9% (SDR 13.3 M out of 33.5 M), inclusive of an initial deposit of SDR 3.2 million. Actual utilisation of funds, including pending WAs 38 and 39 and expenditures from the special account not yet claimed (to be included in WA 40), but excluding the initial deposit, is estimated at SDR 13.2 million, equivalent to 39.5% of the total loan.

56. Disbursements by other funding partners against project design targets is as follows: IFAD grant - 64%; GOU - 79%; OPUL - 0% (as no investment for Buvuma took place); Trust - 0% (as loan reflows have not yet been used to finance oil palm development, but a total of UGX 5.3 billion has been accumulated so far as loan reflows); KOPGT – 0% (as no KOPGT revenue has been used so far to cover its operational costs, still covered 100% by the project); Farmers - 111.7%; and SNV - 75%.

57. **Designated accounts (DAs).** The project operates two designated accounts; one for PMU expenditures (USD 3 Million) and another for pre-financing cash payments to farmers for Oil Palm

development (USD 2 million). During the time of the mission, two WAs amounting to USD 2.26 million (45% of the initial allocation) were still under approval processes at ministerial level, and USD 2.2 million had been spent from the DAs but not yet claimed. The implication is that, in total, 90% of the DAs has been utilized and not yet replenished. This situation, if not mitigated, will result in liquidity problems that may affect project implementation. It is thus important that the approval processes at ministerial level (which takes approximately 45 days) are reviewed to avoid delays, and that the PMU prepares replenishment WAs as soon as 30% of the DA has been spent.

58. It was further observed that the number of oil palm farmers being supported to access loans/advances has significantly reduced, and on the other hand the Oil seeds component has increased the number of service providers. This will entail disbursement of advances to service providers from the DA for PMU expenses. To provide for these advances, therefore, and taking into account the fact that the DA allocation for payments to oil palm farmers has almost served its purpose (with approximately 75% disbursed so far), it was agreed that USD 1 million (out of the 2 million), be re-allocated to the DA for PMU expenses.

59. **SoEs review.** A review was done for sample expenditure items in WA 36 and documentation supporting payments was found to be generally sufficient. Presentation of information in the SOEs also allows for ready access to the files for review and audit purposes.

60. **Counterpart funds.** Out of USD 15 million envisaged in the Financing Agreement, GoU has disbursed USD 11.8 million, equivalent to 79%. Counterpart funds are generally received on time as per allocations in the AWPB.

61. **Compliance with loan covenants.** 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.

62. **Procurement.** The 18 month procurement plan (PP) implementation progress is estimated at 44.2%. This reflects low performance on handling procurement processes and it is in turn reflected in low achievements in implementation of the AWPB. As procurement progresses, it is imperative that actual dates are indicated on the PP and that the subsequent forecast dates for each milestone are updated to allow monitoring of actual versus planned. This ensures that the procurement progress runs as smoothly as possible by providing advance warning to managers of potential delays. A procurement progress report should be prepared to this effect, showing completed PP activities, those in progress and the challenges met. The bidding procedures for the procurement items from invitation/advertisement to award of contract were overall handled efficiently and effectively.

63. **Contract management.** It was observed that the contract monitoring form is updated by the finance staff, and not by the contract manager in charge of each contract. Since contract management is more than payment monitoring, the contract management function should be transferred to the relevant contract managers. Contract managers assigned to respective contracts should be clearly specified in the contract documents.

64. **Audit.** The audited financial statements for the year ended 30th June 2014 received an unqualified opinion and issues highlighted in the management letter thereof were not of financial management nature. The audit report was acceptable to IFAD and was submitted on time. The audit for the FY 2014/15 is ongoing and expected to be completed on time.

Agreed action	Responsibility	Agreed date
Consider streamlining of procedures for approval of payments.	MAAIF	Continuous

F. Conclusion

The Aide Memoire was discussed and agreed upon in a wrap up meeting on 6 November 2015, chaired by Mr Sunday Mutabazi, Commissioner for Agriculture, Infrastructure and Water for Agricultural Production, MAAIF. The mission members, as well as the PMU, KOPGT staff and relevant officers from MAAIF also participated in the meeting.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Uganda	Project ID	1468 [1100001468]	Loan/DSF/Grant/ASAP FI No.	
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	17-Nov-2015				
Supervising Inst.					
No. of Supervisions	No. of Implementation Support/Follow-up missions	3			
Last Supervision	Last Implementation Support/Follow-up mission	20-Mar-2015			

USD million Disb. rate %

Approval				Total financing		
Agreement		Effectiveness lag		IFAD Total	0.00	
Entry into force		PAR value	-----	IFAD loan		
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant		
Original completion		Last audit	31-Dec-2014	ASAP grant		
Current completion				Domestic Total		
Current closing				Beneficiaries	3.89	112
No. of extensions				National Govern	14.14	83
				Other Domestic	5.48	0
				Local private	70.38	0
				External Cofinancing Total		
				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	5	4	1. Quality of project management	3	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	4	3
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	6	6	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Oil palm development	3	3	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	3	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 PMU financial management remains overall satisfactory, although some important delays are observed in flow of funds to service providers and challenges in liquidity management persist, hence the downgrading of the rating. KOPGT is ready for external audit for FY 2014/15. Government counterpart funding for land acquisition timely disbursed. Some challenges persist in the appropriate use of procurement tools (in particular the updating of Procurement Plan) and proper contract management. External audit highly satisfactory. Some improvement in proactiveness of project management to address key issues, although stronger focus on key priorities (Buvuma investment framework; strengthening of KOPGT/KOPGA; availability of quality seeds for oilseeds) and better coordination with (and support from) MAAIF top management are necessary to further improve project performance. MTR was finalized after almost 12 months. Some vacancies need to be filled urgently, especially at KOPGT. M&E systems overall in place, although there is urgency to finalize the baseline reports, update the results framework, with particular focus on outcome indicators, and procure the MIS. AWPB is very low after the first quarter (7.6%) although it is expected to improve to 33.1% once commitments are executed. The rating for oil palm component remains moderately unsatisfactory, an average between the moderately satisfactory progress in Kalangala (satisfactory in terms of planting targets while less than satisfactory in terms of infrastructure - roads and ferry services) and the unsatisfactory progress in Buvuma. Outputs in oilseeds development have improved with the recruitment of the service providers and the promising dynamism of the hub coordinators in promoting linkages of farmers with other value-chain players (FIs, millers and seed companies/dealers). 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	3
C.2 Food security	3	3
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	3	4

Rationale for implementation progress rating

Implementation progress has slightly improved as a result of a combination of factors. First, the continued, steady progress in Kalangala, with plantings completed in Bugala and one of the two outlying islands. Second, the progress in the oilseeds component where concrete outputs are finally visible on the ground after the service providers became fully operational. Third, the review of the targets for Buvuma as well as the adjustments to the implementation strategy introduced at MTR have made the output targets more realistic and achievable, although still quite ambitious, given the remaining time and resources till end of the project. Key agreements in this respect 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).

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

While the implementation progress has slightly improved and justifies some moderate optimism in terms of the increased capacity of the project to catch up with its ambitious targets, the likelihood of the project to achieve its development objectives remains at stake, as most of the changes and adjustments proposed by the MTR still need to be translated in concrete actions. The next few months will be crucial to quickly create the conditions for delivering according to the new strategic approach envisaged by the MTR and thus lift VODP2 from its current 'problem project' situation. In particular, the following key actions shall 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.

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 procurement process for new SPs (moderate, given the accumulated experience from previous processes); (b) Government delaying new counterpart funds for Buvuma smallholders' investment (medium, given excellent performance on counterpart funding so far, but these are additional funds not foreseen at design and elections are approaching); (c) slow disbursement of funds to oilseeds service providers due to heavy and cumbersome control procedures within MAAIF.
Project implementation progress	(a) very slow progress of Ministry of Works to complete the study on water transport for Kalangala outlying islands might jeopardize investment; (b) delays in reaching agreement with KDLG on use of road equipment would further delay road works; (c) delays in finalizing the contractual agreement with the Uganda Cooperative Alliance (UCA) for support to HLFOs and KOPGA.
Outputs and outcomes	(a) Uncertainty about investment framework for Buvuma risks jeopardizing the whole investment plan (processing capacity, nucleus estate and smallholders' plantations);

Sustainability	(a) Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis (need of clear business plan); (b) Limited capacity of KOPGA to play a positive and constructive role in future development of KOPGT towards sustainability (need for institutional strengthening); (c) Lack of viable long-term solution for access to seeds for soyabean and sunflower: limited interest of seed companies to important hybrid seed varieties for maize; slowness of national institutions to develop and commercialize local breeds.
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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	Delayed to 31 Dec 2015
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	Delayed to 28 Feb 2016
KOPGT	External auditors appointed	31 May 2015	Delayed to 30 Nov 2015
Buvuma	Final decision on investment framework (nucleus estate vs pure smallholders)	31 June 2015	Delayed, not expected before June 2016
Oilseeds	5 new SPs to be recruited	30 Sep 2015	Delayed to 30 Mar 2016
Infrastructure - Ferry services	Complete the procurement process and begin design	31 Dec 2015	
Buvuma	Establish minimum capacity (staff and equipment) to operate on island (financed by GoU)	30 Apr 2016	
Buvuma	Commit GoU funds (USD 800,000) for Buvuma investment in FY 2016/17	30 Mar 2016	
Infrastructure - Roads	Agree with KDLG on use of road equipment and start road works in Kalangala	31 Dec 2015	
Project management	Advertise for vacant positions both at PMU and KOPGT	31 Dec 2016	
Fiduciary	Streamline and simplify procedures for approval of payments to reduce delays in flow of funds to service providers	31 Dec 2016	

Additional observations

Appendix 2: Logical framework: Progress against objectives, outcomes and outputs

RESULTS FRAME WORK FOR THE VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 WITH RIMS 1ST AND 2ND LEVEL INDICATORS

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015 (Projected)</i>	<i>2016 (Projected)</i>	<i>2017 (Projected)</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
Goal:												
1.0 Contribute to sustainable poverty reduction in the project area	1.1 50% of households with improvements in assets ownership index at project completion.	%									50%	RIMS Baseline, and Completion Surveys.
	1.2 20% reduction in the prevalence of child malnutrition, by gender (height/age, weight/age, weight/height)	%										Uganda Bureau of Statistics.
Purpose/Objectives:												
2.0 Increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets	2.1 Level of vegetable oil self-sufficiency increased from 30% (2008 baseline) to over 60% by project completion (2018).	%	30				33				60%	UBOS statistics on Ugandan vegetable oil production. database.
	2.2 Increased per capita vegetable oil consumption from 5.6 Kg/capita in 2008 year to 7.0 kg by 2018.	Kg/capita		4.3							7.8	FAO food balance sheet The figure is the DES: Dietary energy supply.

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015 (Projected)</i>	<i>2016 (Projected)</i>	<i>2017 (Projected)</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
												indicator used by IFAD.
	2.3 Households receiving project services	No of HHs	1,115	1,118	1,353	6,801	46,617	52,659	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 standards and providing equitable returns to smallholder producers.	3.1 Crude palm oil annual production increases from 0 tonnes in 2009 to 35 000 tonnes by 2018.	Tons	4,692	10,475	13,552	19,209	18,652	21,000	23,000	26,000	30,000	OPUL and KOPGT databases, reports BOPGT reports Project M&E database
	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			1,500	
	3.3 Operational self-sufficiency of KOPGT in 2018	Yes/ No	No	No	No	No	No	No	No	Yes	Yes	
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	17,640	18,940	20,140	Project progress reports and M&E database
Kalangala Oil Palm Scheme completed and producing	4.1 6,500 ha of nucleus estate planted in Kalangala by 2016	Ha	5,939	5,939	5,939	6,440	6,440	6440	6440	6440	6,500	OPUL and KOPGT databases KOPGT reports
	4.2 4 700 ha planted by smallholders in	Ha	2,258	2,366	3,498	3,863	3,863	4277	4,700	4,700	4,700	BOPGT progress reports

Narrative Summary	Verifiable Indicators	Unit	Baseline 2010		2011	2012	2013	MTR 2014	2015 (Projected)	2016 (Projected)	2017 (Projected)	EOP 2018 (Projected)	Means of Verification
	Kalangala by 31 Dec 2017												Special studies District Local Government reports
	4.3 1 800 smallholders served by KOPGT	No.	1,115		1,118	1,353	1,610	1,610	1,700	1,800	1,800	1,800	
	4.4 KOPGT re-structuring 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	210	240	250	270	295	310	310	
		Bunyama	Kms	0	0	0	0	0	40	40	40	40	
		Bubembe	Kms	0	0	0	0	0	0	40	40	40	
	4.6 Fertilizer store constructed	Bugala	Kms	0	0	0	0	1	1	1	1	1	
		Bunyama	Kms	0	0	0	0	0	0	1	1	1	
		Bubembe	Kms	0	0	0	0	0	0	1	1	1	
Sustainable Oil Palm Development	4.6 Three island environmental monitoring plans for smallholder oil palm completed and being implemented.	Number	1		1	1	1	1	2	2	3	3	
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	%	100		90%	90%	90%	90%	90%	100%	100%	100%	

Narrative Summary	Verifiable Indicators	Unit	Baseline 2010	2011	2012	2013	MTR 2014	2015 (Projected)	2016 (Projected)	2017 (Projected)	EOP 2018 (Projected)	Means of Verification
	in compliance with NEMA regulations.											
	4.10Kms 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	-			51%				85%	Millers study Baseline study, Completion report Farm models Production statistics from MAAIF M&E system UOSPA/UNFFE/OSSUP statistics Mid-term/project completion reports
	5.2 Farmers growing oilseeds with net cash earning per ha per season of US\$350 increased by 10% each year in each hub	Eastern Hub	-	-	-		16,055	18,178	19,962	23,529	27,096	
		West Nile					4,305	4,874	5,353	6,309	7,266	
		Northern Hub					13,104	14,837	16,293	19,204	22,116	
		Lira Hub					11,543	13,070	14,352	16,917	19,481	
	5.3 Oilseeds production of sun flower and soya bean increased by 10% each year	Sunflower ³	70,000	161,000	197,000	167,000	183,700	202,070	222,277	244,505	268,955	
		Soybean ¹	19,000	22,000	16,000	16,000	17,600	19,360	21,296	23,426	25,768	
	5.4 Number of secondary farmer organisations operational/functional	Number						10	20	30	40	
	5.5 Number of farmers using	Sunflower										

³ Estimated at 70% of national production.

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015 (Projected)</i>	<i>2016 (Projected)</i>	<i>2017 (Projected)</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	purchased quality controlled seed											
OUTPUTS 6.0 Production of certified good quality seed and oil Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers	6.1 20 MT each of foundation/ breeder seed of hybrid parental lines of sunflower, ground nuts and soybean produced annually by NARO	Soybean					15	24	20	20	20	OSSUP reports NaSARRI/ NaCRRRI/ 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
		Sesame					2	10	10	10	10	
		Ground nuts					3	12	10	10	10	
		Sunflower						20	20	20	20	
	6.2 90% of oilseed growers buying quality controlled seed by 2017	Soybean										
		Ha	80,000			93,856 ⁴						
	6.3 10% annual increase in the hectares under oil seeds cultivation in each regional hub	Sunflow										
	6.4 Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1.1t/ha for soybean	Soybean										
		Farmer groups % women				737						

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

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015 (Projected)</i>	<i>2016 (Projected)</i>	<i>2017 (Projected)</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
	6.5 5 900 farmer groups (with 30% participation of women) receiving extension services from the project by 2018	Farmer groups % women					2,394	2,548	2,798	3,298	3,798	reports using Info. from millers, UBOS and UNBS reports, and mobile service provider
	6.6 1000 Farmer groups bulk selling by 2017							200	500	800	1,000	
	6.7 90% of the medium/large-scale millers attain UNBS quality certification by 2018.	Ushs.	0	0	0	0		20%	40%	60%	90%	
	6.8 Amount of credit facility disbursed to value chain actors by participating financial institutions (Billions)	HHs	0	0	0	0	2.1	3	3.3	3.6	4	
	6.9 Number of beneficiaries of the credit facility.	% per financial year	0	0	0	0	1,385	2,159	2,375	2,613	2,874	
7.0 Project Management helping farmers to provide	7.1 IFAD loan 55% disbursed by	Number	0%	11%	13.5%	19.7%	32.3% ⁵	47.6			100	VODP2 progress

⁵ September 2014

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Unit</i>	<i>Baseline 2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>MTR 2014</i>	<i>2015 (Projected)</i>	<i>2016 (Projected)</i>	<i>2017 (Projected)</i>	<i>EOP 2018 (Projected)</i>	<i>Means of Verification</i>
growing amounts of crushing material for processing in edible oil & earning better incomes	30 June 2015 and 100% by 31 June 2019											reports. IFAD loan disbursement report Audit reports in line with IAS.
8.0OUTPUTS	8.1 Full staff of qualified professionals	%	2	2	12	13	13	11	13	13	13	Audit reports PMU financial reports VODP2 project progress and M&E reports
8.1 Project Management fully operational												
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	
	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 submission of mandatory reports		Y	Y	Y	Y	Y	Y	Y	Y	Y	
	8.4 Timely submission of withdrawal requests		Y	Y	Y	Y	Y	Y	Y	Y	Y	

BOLD: RIMS INDICATORS

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

Area	Action Agreed	Whom	Date
Oil Palm Kalangala	Finalise and disseminate the GPS data	PMU	30 Jan 2016
	Roll-out PM&E trainings for farmers	PMU	30 Jan 2016
	Finalize the agreement with UDB for fertilizers' loan scheme	KOPGT	31 Dec 2015
	Conduct trainings on harvesting standards	KOPGT	30 Nov 2015
	Identify and support farmers who are unable to harvest on time	KOPGT/Unit lead.	30 Nov 2015
	Analyse District Land Board report and farmer lists for Bunyama	PMU	30 Mar 2016
	Finalize the procurement for repair of road equipment	PMU	31 Dec 2015
	Enter MoU with KDLG for road equipment management	PMU	31 Dec 2015
	Start participatory road demarcation on Bubembe	PMU/KOPGT	31 Dec 2015
	Complete road construction on Bugala	PMU	30 Jun 2016
	Start road construction on Bunyama	PMU	31 Aug 2016
	Develop participatory road maintenance plan	PMU/KOPGT	31 Mar 2016
	Ensure commencement of ferry services design study	MAAIF/MoW	31 Dec 2015
	Launch procurement process for KOPGT boats	PMU	31 Dec 2015
	Take decision on fertiliser store construction methods	PMU	31 Dec 2015
	Single-source UCA for support to KOPGA	PMU	28 Feb 2016
	Appoint the KOPGT external auditor	KOPGT	30 Nov 2015
	Establish technical sub-committee on prices	KOPGT	15 Nov 2015
	Conduct training on price formula for unit and block leaders	KOPGT	30 Nov 2015
	Pricing committee to meet every 6 months	KOPGT	Continuous
	Post minutes of sub-committee meetings on notice board	KOPGT	Continuous
	Undertake exit interviews for outgoing staff	KOPGT	30 Nov 2015
	Advert for field officers and store keeper	KOPGT	30 Nov 2015
	Submit to IFAD ToRs for HR consultancy	KOPGT	20 Nov 2015
	Mobilize HR consultancy support to KOPGT	IFAD	10 Dec 2015
Buv.	Order seedlings for 500 ha planting	PMU	31 Dec 2015
	Establish minimum capacity in Buvuma	PMU	30 Apr 2016
	Commit budget for Buvuma (USD 800,000) in FY 2016/17	MFPEP/MAAIF	30 Mar 2016
Rese arch.	Submit work plan and budget for oil palm research to PMU	NaCCRI	15 Nov 2015
	Plant trial plots in Namulonge	NaCCRI	31 Dec 2015
	Plan for short-term training abroad	NaCCRI	31 Mar 2016
Oil seeds	Submit to IFAD shortlist of PSPs	PMU	15 Nov 2015
	Issue RFP for PSPs	PMU	30 Nov 2015
	Submit to CC proposed modifications for contract review of PSPs	PMU	31 Dec 2015
	Single-source UCA for support to HLFOs	PMU	28 Feb 2016
	Produce hub-specific action plans for seed demand forecasting	PMU	31 Dec 2015

	Agree on 2-years WPB for local hybrid seeds	PMU/NaCCRI	31 Dec 2015
	Produce a seed forecasting/production plan for soybean seeds	PMU/NaCCRI	31 Dec 2015
	Prepare viable seasonal investment plans for consideration by FIs	PMU/PSPs	31 Jan 2016
	Replicate VSLA training where appropriate	PSPs	Continuous
	Set up a governance mechanism for 4P grant	SNV	31 Dec 2015
	Establish ToRs for PSPs' functions under 4P	PMU/SNV	31 Dec 2015
	Complete list of 4P business cases	SNV	31 Dec 2015
	Prepare a bi-annual WPB for 4P	SNV	31 Jan 2016
	Train PSPs on 4P brokering concepts and tools	SNV	28 Feb 2016
	Advertise for COM/KM, Procurement and M&E Assist. positions	PMU	31 Dec 2015
	Submit final draft of the MTR report to IFAD	PMU	15 Nov 2015
	Provide final comments on MTR to GoU	IFAD	30 Nov 2015
	Submit request for amendment of the FA	PMU	31 Dec 2015
	Finalize baseline studies	PMU	31 Dec 2015
	Submit updated version of the RMF to IFAD	PMU	30 Nov 2015
	Organize a technical workshop on oil palm farm model	IFAD	30 Nov 2015
	Complete oil palm impact study	PMU	30 Jun 2016
	Complete oilseeds outcome study	PMU	30 Jun 2016
	Finalize procurement of MIS	PMU	31 Jan 2016
	Hold sensitisation meetings on NEMA recommendations	PMU/KOPGT	28 Feb 2016
PMU	Recruit a firm to establish the extent of encroachment in Kalangala	PMU	30 Nov 2015
	Consider streamlining of procedures for approval of payments.	MAAIF	Continuous

Appendix 4: 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					
	- Oil palm pricing meeting	Meetings	12					
	- Finance and administration committee	Meetings	4					
	- Arbitration committee	Meetings	4					
	- KOPGT board meeting	Meetings	4					
	- KOPGA AGM	Meetings	1					
	- Conduct external audit	Report	1					
	- Increase number of visitors on web-site	Hits	?					
Kalangala oil palm scheme completed and producing	4700 ha planted by smallholders in Kalangala by December 2017							
	Bugala new		37	37				
	Bugala gap filling		13	13				
	Bunyama		400	400				
	Bubembe survey and registration		0					
	Total	Ha	450	450		4300	4700	
	1800 smallholders served by KOPGT							
	- Provide extension services	Farmers	1710			1710	1800	
	- Provide fertilizer	Tonnes	1910			N/A	N/A	
	- Order seedlings from OPUL	Seedlings	100,000	Ordered		N/A	N/A	
	Fertiliser store constructed:							
	Bugala completion		1					
	Bunyama design and construction		1					
	Bubembe design and construction	stores	1					
	Roads constructed in Kalangala:							
Bugala CAR construct		15						
Bugala Farm roads construct		25						
Buyama design and construction		40						
TOTAL		80						
Bugala maintenance	kms	60				xxx	xxx	
	Additional milestones:							
	- Measure soil fertility (district)	# samples						

	<ul style="list-style-type: none"> - Undertake folia analysis (KOPGT) - Procure boat - Ensure maintenance of district equipment - Procure company for transport of equipment - Complete transport study for outlying islands 	# samples Boats Equipment Contract Study						
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							
	<ul style="list-style-type: none"> - Establish nursery - Map 500 ha of land - Register farmers - Purchase 1,150 ha of land 	Ha Ha Number Ha	? 500 ? 1500			0 0 0 4700	? 2500 1250 6500	
	1250 farmers served by BOPGT							
	<ul style="list-style-type: none"> - Start setting up trust - Establish the Buvuma field office 							
	Kms farm roads constructed / rehabilitated							
	<ul style="list-style-type: none"> - Demarcation of land 							
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							
	<ul style="list-style-type: none"> - Develop Environmental management plan 	Trainings						
	All oil palm activities (plantation, mill, refinery) are in compliance with NEMA regulations							
	<ul style="list-style-type: none"> - Complete mapping of the lakeshore in Kalangala - Undertake replacement planting - Conduct training on chemical usage in Kalangala - Completion of ESIA Buvuma 	Ha Ha Number Studies						
<i>Research</i>	Research, pest and disease surveillance							
	<ul style="list-style-type: none"> - Recruitment of scientists - Establishment of 1 acre trails - Maintain trials - Establish trial in Buvuma 	Number Number Number Ha	3 6 9 10					
Component & objective	Indicator and Activity	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%

Oil seeds: 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								
Production of certified good quality seed and oil	20MT each of foundation/breeder seed of hybrid parental lines of sunflower, ground nuts and soyabean 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					
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								
Farmer groups and extension	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					
	- Seed inspection of local seed business farmer groups	Visits	160					
	- Work with millers in each hub	Millers	8					
	- Do yield and cake comparisons	Millers	4					
	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					
	- Recruit 5 additional service providers	PSPs	5					
	- Contract negotiation meetings	Number	2					
	Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1/1 t/ha for soybean	Farmers	10%					
	- 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	Groups	351					
	- Support groups in Northern Uganda	Groups	400					
	- Support groups in Lira	Groups	600					
	- Support groups in Eastern	Groups	780					
	Total	Total	2711					
	- Roll-out to new districts	Districts	13					
	- Establish farmer learning platforms	FLPs	1464					
	- Distribute seed	Tons	20					

	<ul style="list-style-type: none"> - Distribute fertilizer - Distribute agro-chemicals - Distribute row-markers - Distribute plot labels - Conduct exposure visits with NARO Farmer field days Eastern - Farmer field days Northern - Farmer field days Lira - Farmer field days West Nile 	Bags Litres Markers Labels Visits Days Days Days Days	400 180 1464 664 8 10 10 10 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 <ul style="list-style-type: none"> - Support 1000 farmer groups to bulk sell - Partner with UCA - Provide training material to farmers organisations - Map aggregation centres - Conduct situation analysis - Select HLFOs - Mobilise farmers - Mentor and backstop HLFOs 	FGs Contract Material Centres Reports HLFOs FOs HLFOs	1000 1 ? 16 4 40 2 40					
<i>Millers</i>	90% of the medium/large-scale millers attain UNBS quality certification by 2018 <ul style="list-style-type: none"> - Sensitise millers - Mentoring on certification 	Millers Millers	90% 10%					
<i>Credit activities</i>	Amount of credit facility disbursed to value chain actors by participating financial institutions							
	Number of beneficiaries of the credit facility <ul style="list-style-type: none"> - Monitor field activities of FOs - Assess smallholders - Assess HLFOs - Backstop HLFOs - Negotiation meetings with 2 insurance companies - Train farmer groups 	FOs ? Groups HLFOs HLFOs Meetings FOs	10% 24 12 12 8 13					
<i>Cross-cutting</i>	<ul style="list-style-type: none"> - ToT on HH mentoring - Identify farmer associations - Mentor households - Mainstream HIV/AIDS - Ensure environmental sustainability - Promote good climate change practices 	Number FOs HHs	? 38 168					

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

Table 5A: Financial performance by financier as at 30/09/2015

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Percent disbursed
IFAD loan	52 000	20 260	39%
IFAD Grant	1 000	644	64%
Government of Uganda	15 000	11	79%
		782	
Oil Palm Uganda Ltd (OPUL)	70 380	0	0%
Trust	4 440	0	0%
KOPGT	1 040	0	0%
Farmers	3 900	4 355	112%
SNV cofinancing	340	255	75%
Total	148 100	37 296	25%

Note: IFAD loan disbursement amount includes USD 5,000,000 initial deposit

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Vegetable Oil Development Project – Phase 2
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Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5B: Financial performance by financier by component (USD) 30/09/2015

Table 5B: Financial performance by financier by component (03/30/09/2015)																												
Component	IFAD Loan			IFAD grant			Government			OPUL			Trust			KOPGT			Farmers			SNV cofinancing			Total			
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	
Oil Palm Development																												
Consolidation and Expansion- Kalangala	8 608 100	10 107 803	117%				3 250 000	-	0%								0			933 000	4 355 127	467%				12 791 100	14 462 930	113%
Support to KOPGT	4 482 801	1 385 564	31%																							4 482 801	1 385 564	31%
Mobilisation- Buvuma	4 028 000	162 661	4%																							4 028 000	162 661	4%
Development- Buvuma	9 217 299	142 368	2%				10 490 000	11 015 208	58%	70 380 000	0	0	4 440 000	0	0	1 040 000	0	0	2 967 000	0	0%				98 534 299	11 157 576	11%	
Identification of new areas	673 000	76 546	11%					1954												673 000					78 500	78 500	12%	
Sub total Oil Palm Development	27 009 200	11 874 942	44%	-	-	-	13 740 000	11 017 162	80%	70 380 000	-	-	4 440 000	-	0%	1 040 000	-	0%	3 900 000	4 355 127	112%	-	-	-	120 509 200	27 247 231	23%	
Oil Seeds Development																												
Seed Production	2 019 600	401 431	24%																							2 019 600	401 431	20%
Extension for Farmer Groups	12 830 200	943 605	13%																							12 830 200	943 605	7%
Other Value chain Activities	1 849 200	2 179	0%	1 000 000	644 000	64%																340 000	255 000		3 189 200	901 179	28%	
Sub total Oil Seeds Development	16 699 000	1 347 215	8%	1 000 000	644 000	64%	-	-		-	-	-	-	-	-	-	-	-	-		0%	340 000	255 000	75%	18 039 000	2 246 215	12%	
Project Management																												
Project Management	8 291 800	2 037 808	40%				1 260 000	764 595	61%																	9 551 800	2 802 403	43%
Sub total Project Management	8 291 800	2 037 808	40%	0	0		1 260 000	764 595	61%	0	0		0	0		0	0		0	0		0	0		9 551 800	2 802 403	43%	
Total	52 000 000	15 259 965	29%	1 000 000	644 000	64%	15 000 000	11 781 757	79%	70 380 000	-	0%	4 440 000	-	0%	1 040 000	-	0%	3 900 000	4 355 127	112%	340 000	255 000	75%	148 100 000	37 295 849	25%	
Initial Deposit		5 000 000																										
TOTAL	52 000 000	20 259 965	39%																									

Table 5C: IFAD loan disbursements as at 31/10/2015 (SDR)

Category description	Original Allocation	Disbursements (up to WA 37)		Pending WAs (38, 39 & 40)	Loan utilization (expenditures)		Loan Balance
		Amount	%		Amount	%	
Vehicles and equipments	4 400 000	702 827	16.0%	81 510	784 338	17.8%	3 615 662
Materials	1 430 000	126 253	8.8%	140 279	266 532	18.6%	1 163 468
Pontoon landing sites	820 000		0.0%	-	-	0.0%	820 000
Other Civil works	1 310 000	182 725	13.9%	220 242	402 967	30.8%	907 033
Smallholder oil palm development	8 030 000	6 049 806	75.3%	1 086 468	7 136 274	88.9%	893 726
Oil seed Guarantee Fund	920 000		0.0%	-	-	0.0%	920 000
Consultancies, Workshops and Training	2 070 000	551 317	26.6%	283 489	834 805	40.3%	1 235 195
Extension services	6 200 000	330 423	5.3%	654 956	985 380	15.9%	5 214 620
Salaries and allowances	3 270 000	1 265 010	38.7%	467 012	1 732 022	53.0%	1 537 978
Operating costs	1 980 000	869 579	43.9%	233 504	1 103 083	55.7%	876 917
Unallocated	3 070 000		0.0%				3 070 000
Total	33 500 000	10 077 940	30.1%	3 167 461	13 245 400	39.5%	20 254 600
<i>Initial Deposit</i>		3 284 377					
TOTAL	33 500 000	13 362 317	39.9%				

Appendix 6: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section E.1	The Project Manager for the Project Management Unit (PMU) and the Financial Controller, both acceptable to the Fund, shall have been appointed;	Withdrawal condition	Complied, May 2012	
	MAAIF shall have constituted a Contracts Committee and shall have delegated authority to it to undertake procurement review and selection;	Withdrawal condition	Complied, April 2012	
	Draft guidelines for oilseeds and oil palm development and a Project operations and financial management manual shall have been submitted to the Fund.	Withdrawal condition	Complied, May 2012	
Schedule 1, II.A.2	A Project Steering Committee will be established, chaired by MAAIF and composed of NARO, MFPED, OPUL, representatives of large scale oilseeds millers, OSSUP, UNFFE and UOSPA, with the PMU as the Secretariat. The PSC will meet quarterly.		Complied, Sep 2012	
Schedule 1, II.B.2	Conclude a framework MoU with NARO for the research on oil palm and oilseeds as well as operational MoUs with monitorable outputs with NaCRRi, NaSARRI and COREC		Complied, Dec 2014	MoUs finalised with NaCRRi 18/12/2014 and NaSARRI 28/02/2014 (no longer COREC for oil palm but NaCRRi)
Schedule 1, II.B.2	Conclude MoUs with NCSC and UNBS		Complied, Dec 2014	MoU with UNBS signed 18/12/2014. 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
Schedule 1, II.B.4	IFAD will provide a grant to SNV for the continuation of OSSUP		Complied, Dec 2011	IFAD approved 5 year grant.
Schedule 1, II.C.2	KOPGT shall ensure that 20% of its staff are women and special measures are put in place to encourage women to plant oil palm.		On-going	
Schedule 1, II.C.3	KOPGT to submit plans for self-sustainability by 30 Dec 2012	30 Dec 2012	Not complied	Draft finalized Mar 2015. Due date as per FA postponed a few times during supervision mission
Schedule 1, II.C.3	KOPGT to become self-sustaining in operational costs by 30 December 2012	31 Dec 2018	Not yet due	OSS end FY14/15 at 56%.
Schedule 1, II.C.4	GoU to ensure regular ferry barge service on the outlying islands	Within 5 years from	Not yet due	First planting done by 30 June

		first planting	
			2015. Ministry of Works undertaking design,
Schedule 1, II.C.5	GoU to up-grade ferry service between Buvuma and the mainland	Not applicable	Not within scope of VODP2 post MTR
Schedule 1, II.C.6(a)	NaSARRI and NaCRRRI will produce foundation seeds and hybrid parent lines for sale to seed companies for multiplication (to be certified by NSCS).	Not complied	MoUs with NaSARRI and NaCRRRI not yet signed.
Schedule 1, II.C.6(c)	Put in place a loan guarantee fund to cover the weather-related risks for FIs lending to oilseeds production	Not applicable	Funds re-allocated as weather guarantee schemes were not considered feasible.
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 as per agreement with IFAD. No IFAD funds will be spent for farmer development 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
Schedule 3, par. 2	No new oil palm development shall be undertaken on the outlying islands or Buvuma until EIAs have been conducted and NEMA has issued its compliance certificate	Not yet due	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 palm 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	Agreement has been reached for establishment of fertilizer stores with office space integrated.
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.	Not applicable	No disbursements for smallholders development in Buvuma yet (no commitment by OPUL for nucleus estate)
Schedule 3, par. 7	BOPGT to be registered	Within 6 months of OPUL's commitment to nucleus estate	Not likely within project period
Schedule 3, par. 8	No loan funds for smallholders to be disbursed to BOPGT until it has a	Not yet due	Loans likely to be disbursed

	computerised accounting system in place		through different mechanisms (but not any IFAD funds)
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	Oil seeds guarantee fund will not be implemented
Schedule 3, par. 11	GoU to exempt the proceeds of the Loan from all taxes, to the fullest extent possible. Any taxes/duties paid, to be reimbursed.	Complied	

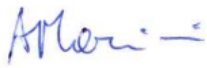
Appendix 7: Summary of status of implementation of previous mission

Area	Action Agreed	Whom	Date	Status of implementation
Oil Palm Kalangala	Pay for costs of repairing road machinery	PMU	30 Apr 2015	Procurement of repair services in advanced stages. Original estimates were affected by the depreciation of the shilling. To be submitted to IFAD for NO.
	Release machinery to the project to complete road works in the oil palm plantations	DLG	30 Apr 2015	Kalangala DLG has agreed to release the road machinery with the modalities still to be identified.
	Start works in Bugala	PMU	1 May 2015	Awaiting repair. Works expected finalised by 30 June 2016
	Start works in Bunyama	PMU	1 Mar 2016	Expected to commence August 2016
	Issue certificate of approval (EIAs) for Bunyama and Bubembe	NEMA	30 Mar 2015	Issued.
	Sign MoU with UCA for support to KOPGT/KOPGA	PMU	31 May 2015	Draft MoU submitted to PS for approval, but procurement (sole sourcing seems to be preferred.
	Finalize draft KOPGT financial sustainability model	KOPGT	30 Jun 2015	Draft in place with support from Backhouse.
	Explore possibility of establishment of a land legal centre	PMU	30 Jun 2015	Not explored as Buganda Kingdom is expected to establish similar.
	Support DLG with capacity (intern) for establishing a data base for records on land tenure	PMU	30 Jul 2015	Combined with GIS exercise. Expected finalised by June 2016.
	Facilitate discussions and develop action plan to address encroachment on Buffer zone	PMU	30 Jun 2015	Awaiting encroachment analysis.
	Support farmers to replant trees in areas where encroachment has taken place	PMU/KOPGT	30 Sep 2015	Awaiting encroachment analysis.
	Recruit external auditors for KOPGT acceptable to IFAD	PMU	31 May 2015	Auditors expected to be appointed by 30 November 2015
	Prepare financial statements for 2014/15	PMU	15 Aug 2015	Prepared.
	Carry out audit for 2013/14 and 2014/15	PMU	30 Sept 2015	Awaiting appointment.
OP B.	Government to commit additional UGX 200m in FY 2015/16 as counterpart funding	MoFPED/MAAIF	30 Jun 2015	UGX 111 billion secured for FY 15/16.
	Decision on development model to be adopted for Buvuma	GOU	30 Jun 2015	Not yet, will not be taken before land purchase targets are reached.
Oil seeds	Revise existing/future work plans with PSPs to mainstream change of approach agreed at MTR	Hub coordinators	30 Apr 2015	Shared, discussed and revised.
	Recruit 5 new PSPs	PMU	30 Sep 2015	Procurement on-going.
	Model and forecast seed demand (soybeans and sunflower) and circulate through the VC	PMU	30 Jun 2015 – cont.	Working with farmer groups and linking them to seed companies for purchase of improved seed.
	Secure trial exclusivity deal NaSARRI/company and agree	PMU	30 Aug 2015	Also working with groups to produce quality declared seed with MAAIF seed Certification unit Have held discussions with NaSARRI researchers who have

	on targets for seed delivery			taken up the issue with NARO management. Decision expected before end of December.
	Continue to link millers, banks and FG/FOs and seed importers to predict seed demand and secure financing of sunflower hybrid imports	PMU		Continuing to partner with UDBL, Opportunity Bank. A total of Ush 2.5 billion has been released to 1,864 farmers for seed, land opening and maintenance of their oil seeds gardens.
	Undertake quick inventory and classification of existing mid-tier FOs	HCS	30 Jul 2015	
	Sign MoU with UCA for institutional development activities to mid-tier FOs	PMU	30 Aug 2015	Not yet in place; see above (KOPGT)
	Purchase all rights to the farmer IMS	KOPGT	30 Apr 2015	System refining has been done, decision for purchase awaiting running of interest.
	Finalize baseline reports (oilseeds and oil palm)	PMU	30 Apr 2015	Not yet final as anthropometry calculations caused problems.
	Finalize impact assessment report Kalangala	PMU	30 Sep 2015	Not yet commenced. Agreed March 2016
	Finalise maps for Kalangala and Buvuma based on available satellite images	PMU	30 Apr 2015	Imagery in place, procuring firm for interpretation
	Finalize MTR	PMU	15 Apr 2015	Not yet final. Expected 30 Nov 2015
	Revamp website and ensure coherence of information	PMU	30 Apr 2015	Material reviewed, re-wamp expected by 31 March 2016
	Review and reinstate farmer-focused communications eg radio programs	KOPGT/PMU	30 June 2015	KOPGT runs programmes on Radio Ssesse, to be upscaled.
	Further training and implementation of HHM	PMU	30 Sep 2015	Training of trainers in Districts done.
	Continue to prepare and submit WAs as soon as the 30% threshold is achieved	PMU	cont	On-going.
Fiduciary	Finalise proposal for necessary amendments to FA as per MTR	PMU	30 Apr 2015	Pending.

Appendix 8: Mission Terms of Reference

TO: Billy Ghansah, Oil Palm Specialist
Frederick Kagaba, Financial Management Specialist
Richard Morgan, Extension Specialist
Line Kaspersen, IFAD Programme Analyst
David Jasi, IFAD Administrative Assistant
Marco Camagni, IFAD Senior Technical Specialist in rural markets/enterprises


FROM: Alessandro Marini
Country Representative, Kampala
Uganda

DATE: 20 October 2015

SUBJECT: Uganda – Vegetable Oil Development Project 2 (VODP2): Supervision and Implementation Support Mission 26 October – 6 November 2014

1. **Mission objectives.** The Vegetable Oil Development Project – Phase 2 underwent a Mid-Term review in November 2014, providing an assessment of the implementation so far, as well as recommendations for the way forward. The draft MTR was subject of an implementation support mission in March 2015, while the MTR was only finalised in October 2015. The AWPB 2015/16 follows the recommendations of the MTR. The main recommendations of the MTR as well as the progress since then, include:

- **Oil palm consolidation and expansion on Kalangala.** The funding in the project is sufficient to finalise the development investment; support KOPGT till project closure and to support the development of the 2015-16 plantings on outlying islands, using re-flows after project closure. The EIA has been approved for the outlying islands, and the first tranche of 400 ha planted. Remaining expansion activities include planting of the last 400 ha on Bubembe and construction of roads and fertiliser stores on the two islands. Remaining project activities in the area will focus on consolidation and sustainability.
- **Institutional strengthening for sustainable oil palm development** involves the gradual evolution towards sustainable farmer representation and sustainable oil palm service organisations. UCA is being contracted by the project to support KOPGA to strengthen its vision, objectives and responsibilities. Preliminary work has been done on ground, with the thrust of the work expected to commence after the KOPGA AGM in October/November 2015. KOPGT has gone far in the professionalization of its operations, including reconciliation of the farmers loan statements and the first independent, external audit to be undertaken in 2015/6.
- **Oil palm expansion to Buvuma.** After several months of un-clarity, the MAAIF management have finalised a paper to be presented to Cabinet, proposing a smallholder model on Buvuma. However, a final decision was not taken in time for IFAD to re-allocate ATAAS funds for the project, leaving a financing gap in the roll-out plan. Initial activities such as registration of smallholder farmers (on their own land) and establishing an implementing agency are expected to commence in the FY15/16, with GoU finding. Similarly, a written agreement with BIDCO regarding setting up a mill and providing a market for smallholders should be reached, as a preparation for a possible VODP3 to be designed by GoU and IFAD.
- **Oil seeds development.** Critical factors of market failure, physical project coverage and market transparency affect likelihood of success in achieving development objectives.

Furthermore, the reorganisation of the agricultural extension delivery (from NAADS to MAAIF) and the late engagement of PSPs by the project, showed an urgent need to change the methodology of advisory service and capacity building delivery towards more sustainable approaches. Implementation of the component is being re-focused on:

- i. **Promoting farmer institutional development.** UCA will be contracted by the project to conduct an initial needs assessment of 40 identified higher-level farmers organisations in the project area. The PSPs will deliver programs of training activities, investments in post-harvest handling, bulking and financial instruments to strengthen the farmers organisations for efficient mobilization, message delivery and marketing activities.
- ii. **Access to seed.** A multi-pronged approach is being adopted by the project to increase access to seed including, consolidating farmer demand for seed (with OSSUP), seed multiplication by farmer groups, and to work closely with research to produce adequate quantities of foundation seed and hybrid parental lines, as well as promote the new varieties with millers and farmers.
- iii. **Extension services.** 5 additional service providers are being procured, bringing the overall target to work with about 2711 farmer groups in 2015/16, as well as continuing with farmer learning platforms and farmer field days.
- iv. **Access to production credit for farmer organisations and small-scale millers.** A continuation and expansion of collaboration with financial institutions lending to DFAs/FOs through tripartite agreements with millers, as well as with the higher level farmers institutions.

2. **Mission organisation.** For the first week of field work, the mission will split into three groups, with the mission leader covering both the oil seeds and oil palm components. No travel to Buvuma is expected. A detailed draft programme is outlined below:

	Mon 26 Oct	27-30 Oct	Sat 1 Nov	Sun 2 Nov	3-5 Nov	Fri 6 Nov
Alessandro (mission leader)	MTR presentation by PMU. Travel to project areas	Field visits oil seeds (Lira and Gulu hubs)	Travel to Kalagala	Report writing Kalangala	Project management issues	Wrap-up meeting
Marco (oil seeds and 4P grant)			Travel to Kalangala	Report writing Kalangala	Interact with SNV and stakeholders	
Richard (oil seeds)			Travel to Kampala	Report writing Kampala	Interact with stakeholders, incl OSSUP	
Billy (oil palm)		Kalangala	Report writing Kalangala	Report writing Kalangala	Visit to research; Buvuma planning	
Line (oil palm)				Travel to Kampala	Project management issues	
Fred and David (financial mgt)						

Mission composition and responsibilities

3. **Mr Alessandro Marini, IFAD country representative:** will lead the mission and 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. Additionally, it will include meeting with key GoU staff and other partners. Specifically he will:

- Travel to the oil seeds component areas and review the work of the service providers in practice, interact with millers, and identify possible strategic activities and partners for the project as a whole, and for hub-coordinators in particular.
- Review the Buvuma section of the MTR and provide recommendations on the way forward, including the realism of the targets presented and availability of funds;
- Interact with the PS MFPED and the private sector partners as needed to agree on a way forward for Buvuma.
- Assess the “at risk” status of the project, following the finalisation of the MTR.

4. He will prepare and present the mission Aide Memoire at a wrap-up meeting at the Ministry of Agriculture, Animal Industry and Fisheries on 6 November, 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 send a Management Letter to Government, highlighting the main issues and recommendations of the mission.

5. **Mr Billy Ghansah, Oil Palm Specialist.** He will review the implementation of agronomic practises by smallholders, interact with the private sector and review the overall management and implementation of the oil palm component on Kalangala. He will also review the planning and initial activities under the Buvuma component. Specifically he will:

- Review the overall status of the plantations including identification of any pests and disease;
- Provide agronomic support to farmers and KOPGT staff;
- Review fertilizer application per individual farmer; outcomes of the changes in the fertilizer regime and the implementation of the fertilizer savings scheme;
- Provide recommendations on management of the fertilizer store, including an assessment of the available stock and any orders needed;
- Review the environmental compliance of the new plantings, as well as the buffer zone mapping exercise by the PMU;
- Review the status of roads and other infrastructure activities and support the development of a detailed plan to finalizing the activities in Kalangala;
- Identify progress made by Ministry of Works in undertaking a ferry study.

6. **Mr Richard Morgan, Extension Specialist,** will support the implementation of the oil seeds component, particularly in light of MTR recommendations and AWPB priorities. He will meet key partners such as financial service providers, seed companies, millers, SNV, UCA, OSSUP etc., both in Kampala and in the field, to explore areas of cooperation. He will work with the hub-coordinators to position themselves as a key stakeholder along the value chain and as an entry point for private sector actors with Government. Specifically, he will:

- Review the AWPBs of PSPs to ensure that MTR recommendations are reflected and adequately addressed;
- Work with the project to verify the updated number of targeted beneficiaries, giving consideration to the magnitude of impact and the type of interaction each has had with the project;
- Review progress of recruitment of additional service providers and the work of those already on ground;
- Interact with OSSUP and provide recommendations for concrete interactions between them and the project, to make the two more linked;
- Interact with UCA and PSPs to fine-tune support to be given to higher-level farmer organisations.

7. **Mr Marco Camagni, IFAD Senior Technical Specialist in rural markets and enterprises,** will support the implementation of the oil seeds component with particular attention to how the IFAD-grant funded and SNV-managed programme “*Partnering for Value: promoting Public-Private*

*Producers Partnerships (4Ps) in IFAD-funded value chain projects*⁶ is operating in coordination with the VODP project. Specifically, he will:

- Travel to the oil seeds component areas and review the work of the service providers, interact with millers and possible partners, and discuss opportunities and challenges to implement the 4P approach in the context of the VODP oil seed component;
- Review progress made so far by SNV in the implementation of the 4P programme, the coordination arrangements established with VODP staff both in the field and at national level and joint work plan agreed;
- Provide any technical advice, as necessary, on the implementation of the VODP particularly on issues related to market access, value chains development and engagement with private sector.

He will provide inputs to the overall mission Aide Memoire in the areas indicated above.

8. **Mr Fred Kagaba, Financial Management Expert**, will review the financial management implementation of the Project Management Unit (PMU) in Kampala and of Kalangala Oil Palm Growers Trust (KOPGT), as well as the envisaged disbursement mechanisms related to Buvuma. He will work closely with Mr David Jasi from the IFAD country office. Specifically, he will:

- Compile the standard tables of expenditures related to disbursements and AWPB, in line with the loan amendments suggested by the MTR;
- Update and review the table of loan covenants in line with proposals for review of the loan agreement;
- Undertake a random check of the statements of expenditure and document the checks undertaken;
- Undertake a formal capacity assessment as per Annex II of the Project Audit Guidelines, keeping in mind that the auditor-general risk rating is “low”;
- Assess the “low risk” rating by internal audit;
- Undertake the FMAQ risk rating;
- Assess the effectiveness of the Tally accounting system;
- Review the status of arrears to farmers and other service providers and provide recommendations towards ensuring a smooth flow of funds (including provision of accountabilities of all parties);
- Review disbursement mechanisms towards Buvuma and of the Oil Palm loan repayments, including safeguarding of funds;
- Review the procurement plan to ensure that it follows an IFAD template; has all steps needed for realistic planning; and has a clear distinction between procurements (responsibility of the procurement officer) and contract management (responsibility of the technical heads);

9. With KOPGT he will:

- Review the adequacy of the financial system including the flow of funds to farmers and preparedness for audit;
- Review the draft business plan;
- Review implementation of the fertilizer savings scheme and the status of the transport recovery account;
- Review implementation of agreed actions from the previous mission(s);
- Review the minutes of the service cost panel and provide recommendations as needed.

10. He will travel to Kalangala for 4-5 days as needed. He will develop the standard IFAD tables and provide inputs to the Aide Memoire, as well as technical annex on main findings related to the PMU and to KOPGT.

⁶ This 3-year programme operates in five selected countries across the world (Uganda is one of those) and aims at promoting mutually beneficial (win-win) partnerships between smallholders and private companies with the support of the public sector in the context of IFAD-funded investment projects.

11. **Mr David Jasi**, IFAD Administrative Assistant, will work with Mr Fred Kabaga to acquaint himself with the financial management systems of the project, and provide support as needed. Specifically, he will:

- Review the 18 month AWPB and provide comments for improvement according to IFAD template;
- Identify any pending non-objections and identify a way forward;
- With KOPGT, review the functioning of the service cost panel and provide any recommendations on planning and efficiency of the work, as needed.

12. He will travel to Kalangala for 4-5 days as needed and support the overall mission on logistical arrangements.

13. **Line Kaspersen, IFAD Programme Analyst**. She will support the implementation of the oil palm component, with emphasis on Kalangala and in light of MTR recommendations to assess progress and planning to complete the developments and work on sustainability. She will also review the monitoring and evaluation, knowledge management and communication efforts of the project. Specifically she will:

- Review the project results management framework, including the targets and recommend annual milestone targets for inclusion following MTR adjustments;
- Review the project communication strategy and web-page development and provide suggestions for updating;
- Review the M&E system and propose ideas for inclusion of modern technology and for cooperation with other parties;
- Support the environmental mapping exercises undertaken by the project;
- Work with KOPGT to improve participatory planning, data collection and analysis
- Review the governance and institutional situation on the island, including ensuring that all bodies are fully fledged; the work of UCA; the proceedings of the AGM and the linkages between different farmers levels.
- Ensure that there is a common understanding amongst all parties on the way forward towards sustainability, in line with MTR recommendations and following a two-pronged approach on KOPGT professionalization and KOPGA strengthening.

14. She will travel to Kalangala for approx. 7 days and prepare the mission note to be shared with stakeholders on the island. She will also provide input to the overall aide memoire in the areas indicated above, and finalise the supervision report, including all appendixes within 10 days of the mission.

Appendix 9: Programme and list of people met

Overall mission

26/10/2015 Start-up meeting PMU Kampala		
Morgan Richard	IFAD	Consultant
Billy Ghansah	IFAD	Consultant
Kagaba Frederic	IFAD	Consultant
Alessandro Marini	IFAD	COUNTRY DIRECTOR
Marco Camagni	IFAD	SEMON TECHNICS SPECIALIST
Line Kaspersen	IFAD	COUNTRY OFFICE
Kabuye Kyofa	VODP2	OPC
Sembatya Charles	VODP2 MBALE HUB	HUB COORDINATOR
Ddamulira Gabriel	NACRRI	(PI)OIL PALM
Lakwonyero A.Susan	VODP2	C&FO
Amuza Waigo	VODP2	PROCUREMENT ASSISTANT
Basaalidde Nelson	KOPGT	GENERAL MANAGER
Bwire Jackson	VODP2	FC
Jasi David	IFAD	ADMIN ASSISTANT
Andike Charles	NACRRI	PSYCHOLOGIST
Mwebaze Martin	NACRRI	PATHOLOGIST
Alex Asimwe	NACRRI	AGRONOMIST
Lule Martin	VODP2	PROJECT ENGINEER
Richard Kabuleta	VODP2	M&E OFFICER
C.M.Masaba	VODP2	PM
3/11/2015 Meeting with PS, Kampala		
VICENT R. RUBAREMA	PS MAAIF	0414320004
BYARUGABA B.	MAAIF	0772592050
BEATRICE		
R. KHAUKA	MAAIF	0772523654
Z. MUYAKA	MAAIF	0752966955
PETE ABONG	MAAIF	0772484071

Oil palm component

29/11/2015 Kalangala District Meetings			
David Balironda	DAO	0772641284	
Lugolobi Willy	LC (V)		
Alex ashaba	CAO	0772521697 / 0751405247	allanashaba@yahoo.com
Norbert mukajanga	District Engineer		
Caleb Tukayikirize	RDC	0772499711 / 0781712889	tucaleb@yahoo.com
Mrs. Mpungu	Deputy RDC		
SP Richard Musisi	DPC Kalangala		
29/11/2015 Outlying islands: Bunyama and Bubembe Block, Mbarara Village			
Richard Gere	Katayi Aron	Kaggwa Charles	Mubiru John Bosco
Kirangwa Robert	Banda Godfrey	Ssempana Jackson	Kagwa Elias
Kazungu Lazirous	Ssempijja Sadam	Muzira Charles	Walakira Salongo
Muyinza Isaac	Mutakirwa Yekon	Muhamood Mutazindwa	Ssempa Paulo
Ssengendo Peter	Kigundu Joel		Kagezi Deo

Oil seeds component

26/10/2015 Meeting with SNV Kampala		
COLLINDEBEYSSEC B.	SNV	bcomith@snvworld.org
ROWENA NAMATOVU	MATTIA	rowenamatovu@gmail.com
RUWS NYZ	SNV	CONSULTANT
EELCO RAAC	SNV	ebcan@snvworld.org
27/10/2015 MEETING WITH GULU DISTRICT LOCAL GOVERNMENT OFFICIALS		
LATIM DAVID APIA	FOR DAO - GULU	0774008040
JACKSON LAKOR	DFPO VODP2/AG DPO	0772614164
OBINA GODFREY	DAO/DFPO - AMURU	0789815595
OKUMU BERNARD	DISTRICT	0772666713
OBINA	COMMERCIAL OFFICER - GULU	
SANTA ODUUAR	ASSISTANT CHIEF ADMINISTRATIVE OFFICER - GULU	077600204

27/10/15 MEETING AT IIRR-GULU			
OKOT PETER BYRON	IIRR	petersokotiirr.org	
PAMELA NYAMUTOKA	IIRR Country Director		
KATOORO			
EVELYN AMONE	IIRR	evelynamone@iirr.org	
KILAMA ALFRED	IIRR Project officer	Alfred.kilama@iirr.org	
FRARWS ENVAL	IIRR Program Director		
RICHARD ONEDI	0758773202	Richard.onechi@gmail.com	
NABIGUNDA RICHARD	0782914532	richardnabigunda@iirr.org	
OKWANA EMMANUEL	0782285183	Okwana.emmanuel@iirr.org	
ELLEN TWIZERE	0701055009	Ellen.twizere@iirr.org	
OKELOKOKO NOBERT	0779705878	okelokokonobert@gmail.com	
28/10/15 VISIT TO GLOBAL TRADER			
CHRISTINE LUTARA	077243161	Christine@yahoo.com	Managing Director
PAMERA NYANYTORA	0772479039	Pamela.nyamutoka@iirr.org	
ROBERT KILAMA	077248368		
28/10/2015 GULU FARMERS NYEKORACH FG LALOGIS/COUNTRY			
OCENG DAVID	0775828711	TIC-RYEMOCAN group	
ODONGPINY JAMES	0774757352		
NYEKO FRANCIS	0772023084	NYEKORACH group (chair)	
OPIYO DENIS PETER	078826668	TIC-RYEMOCAN group	
OYANG JAMES		NYEKORACH group	
OJOK RICHARD	0789809497		
OJOR ISAAC		OGAB PIDANO group	
OKOT FRED	0781237744	Fipuaup group	
OJOK JOHN	0751112150		
ALIRE THOM		TIC-RYEMOCAN group	
OWERA ROBERT		TIC-RYEMOCAN group	
ONGWECH GEOFFREY	0774558942	TIC-RYEMOCAN group	
OKELLO FRANCIS	0771997927	TIC-RYEMOCAN group	
28/10 Meeting with OSSUP facilitators Gulu			
28/10/2015 GULU FARMERS NYEKORACH FG LALOGIS/COUNTRY			
LAGOT WIRE FARMER	LAGOT WIRE group	0785866151	
GP			
OMII TAM FG	OMII TAM group	0777365520	
ONEK GIOU SIMON	OMII TAM group	0777365136	
OJOK KENNETH	LAGOT WIRE group	0774355505	
ODOCH ZACKED	ORATIDO.F group	0779750140	
OJOK ISAAC	LAGOT WIRE group	0772184255	
OKOYO JIMMY	PUR-BER ACET	0789815501	
	CENTRAL group		
29/10/2015 Meeting Equator Seeds			
MANASSEH RICHARD	OSSUP	0772658696	
SEMBATYA CHARLES	VODP2	0772431665	
OCOAN MICHEAL	PM ESL	0772357471	
MARCO CAMAGNI	IFAD		
AKUMU JULIET	ESL QUALITY	0772357471	
	CONTROLLER		
OKEWO JONNY	ESL M.D	0782620830	
OPIK ANDREW	SNV	0754563240	
29/10/15 VISIT TO LIRA-PSP-AFSRT			
OCEN ANDREW	TEAM LEADER	078182662	
OBOT NICK	PROG.COORDINATOR	0782429083	
EMMANUEL OGWANG	VODP2	0772514374	
OGWANG JOHNSON	AFSRT	0782505699	
OGWANG PATRICK	AFSRT	0772499982	
29/10/15 VISIT TO FARMERS GROUPS			
OGO FELIX	YELE EN TERU group	0775349228	
ODYEK TONNY	YELE EN TERU group	0773978123	
OKWIR GEOFFREY	ADONG NYEKO group	0783417111	
MEI MARTIN	ADONG NYEKO group	0784843822	
SIZIA AKULLO	MITI TIPU group	0776986011	
AMONG GRACE	MITI TIPU group	0788105513	
OPIO ALEX	UDFMD group	0775487783	
OCEN FRED	YAA MALU YOUTH group		
OPIO INNOCENT	YAA MALO group	0794223729	
ONGOM SAM	OGENE FFS group	0778699757	
OCEN AUGUSTINE	OGENE FFS group	0789131168	
ABEJA ESTER	ACANPE KUN group		
ODONG JASPER	ACANPE KUN group	0774574224	
HARRIET KAL	BED AGEN group		
EKIA TOM			

30/10/15 MEETING WITH UOSPPA-LIRA			
KENYATTA MOSES	MARKETING OFFICER	0782670740	
AGONG RAY BRUNO	CEO		
OLUM GEOFREY	LAB TECHNICIAN	0775968806	
SOLOMON OKINO	EXTENSION OFFICER	0774046595	
AKELLO STELLA	GENDER OFFICER	0776677842	
OKENG MILTON	DRIVER	0775885385	
OGWALI SYDNEY	M&E OFFICER	0782572065	VODP2 focal person
AGANG RAY		0772677262	
30/10/15 VISIT TO NGETTA TROPICAL HOLDINGS			
ALONG SAM	AGRIC OFFICER	0779474646	
30/10/15 VISIT TO KAKURE FARMERS IN KABERAMAIDO			
OKOSA DAVID	TIMI DIRU group	0782668054	
OPOT EDIMOW	OSUDO CENRTAL group	0780877973	
EKIRU DONATO	AUWA group	0774777336	
ETENU SILVER	C/MAN ELDER GROUP	0757153859	
EDOU DAVID	APARI FADMAS group	0778008211	
EPILU MOSES	ABAR TIYE ILOBO group	0774469338	
OGABO EMMANUEL	ADWONG OYEI group	0786471366	
OBUYA WILLIAM	PWODI EBOT group	0774693893	
AMALU STEPHEN	KAKISIM YOUTH group	0787009150	
EGONYA BENJAMIN	BAR TIE KOBO group	0773701725	
OWENA CHARLES	TIMI IDIRU group	0701154325	
ENYANGU MOSES	TIMI IDIRU group	0773712734	
EKWEU SIMON	ANOT OYOYOLO group	0773487699	
OTAI JOHN MICHEAL	MIADYI group	0754846649	
ABYERU JOHN	RITER group	0713271486	
AMAYO ALICE EYOYU	RIBERE BER group	07746993599	
30/10/15 KYERE FARMERS COOPERATION			
ADIIM A ALEX	KYERE CO-OP UNOIN		
OOMYU JOHN	KYERE CO-OP UNOIN	0775063842	
AISU G.MARTIN	KYERE CO-OPERATIVE	0779303949	
ASAYO MARY	KYERE CO-OPERATIVE	0771458414	
MARGRET			
ASIO JANNIFER	KYERE CO-OPERATIVE	0777417004	
TINO CHRISTINE	KYERE CO-OPERATIVES	0788181483	
OTM JOHN MICHEAL	KYERE CO-OPERATIVES	0751588539	
OKULLO	KYERE CO-OPERATIVES	0773411666	
CHRISTOPHER			
OULE ALEX MACKAY	KYERE CO-OPERATIVES	0785735055	
OLUPOT CHARLES	KYERE CO-OPS	0758163972	
OBANG	KYERE CO-OPS	0775635777	
CHRISTOPHER			
OKWII LAWRENCE	KYERE	0782924403	
OLIR WILLIAM	KYERE CO-SOCIETY	0773221316	
OPIMA MICHEAL	KYERE CO-SOCIETY	0777181073	
OGWANG JOHN	KYERE CO-SOCIETY	0757547349	
MICHEAL			
OTAI JOHN MICHEAL	KYERE CO-SOCIETY	07731734338	
Meeting with researchers			
TONNY OBILA	MAK/NACRRI	BREEDER	0779615960
MICHAEL A. UGEN	MAK/NACRRI	SOYBEAN BREEDER	0772498691
PAUL ANGURA	NARO/ NASARRI	RESEARCH OFFICER	0782234317
ELOBU DIVIS	NASARRI	RESEARCH OFFICER	0772666851
WALTER O. ANYANGA	NASSARRI	RESEARCH OFFICER	0772567616
31/10/2015 FAD MISSION VISIT TO THE IN-PUT DEALERS IN SOROTI ACILA			
BEN AKABWAI	ACILA ENTERPRISES LTD.	0772827081	
JOHN OMUGWA	ACILA ENTERPRISES LTD	0774073751	
GAETENO JOHN AMOS	OPPORTUNITY BANK	075888041	
AKELLO STELLA	CREDIT SUPERVISOR OPPORTUNITY BANK	075220841	

Technical Annex 1

Oil palm development in Kalangala

Technical Annex 1: Oil palm development in Kalangala

Introduction⁷.

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, as well as 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 in their various farms and in some of the blocks and units including the blocks in the outlying Islands. The mission was accompanied by staff of the Project Management Unit (PMU) including newly recruited research staff who were very supportive to the mission.

Findings

Table 1: Area planted with oil palm for small holders in Kalangala as at September 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. Oil palm development in Kalangala has seen a relatively satisfactory outcome, a total of 4300 ha planted on Kalangala by 1,770 farmers by September 2015 compared to the targeted area of 4700 ha for the smallholder in Kalangala. The planted area is around 91% of the target to date including the outlying Islands. 596 farmers were harvesting as at the end of September 2015 and more areas will be coming into production by next year. There are enough seedlings to complete the planting of the balance of 400 ha to achieve the project target of 4700 ha by the end of 2016.

3. Generally, the field maintenance has improved markedly in the older areas especially in fields where the farmers are in the commercial phase following the trend observed in 2014. Pruning especially has been well done in terms of the cutting and stacking. Paths and circles have been well done in a majority of the fields. However, a few farmers (about 15%), have poor upkeep standards especially in some of the 2010 fields. This has resulted in partial implementation of agronomic recommendations especially in normal upkeep operations. Fertilizer application, as well as maintaining farm roads in some of the older fields is a challenge.

⁷ The report is prepared by Billy Ghansah, oil palm expert

Recommendations. The unit and blocks leaders with the help of KOPGT assist those particular farmers with contracted labour to bring their fields up to standard

Fertilizer application

4. **Low fertiliser use 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. In the 2014 mission report it was noted that some commercial farmers about 89% weaned off the loans were not applying fertiliser. The table 2 below shows the level of uptake of fertilizer by farmers who are in the commercial phase as at September 2015. In 2013/14 11% of the farmers who are in the commercial phase collected fertilizer and compared to 11% in 2014/15 so far. The fertiliser uptake analysis does not take into consideration the types and quantities of fertiliser being picked. This shows that farmers have not been applying fertilizer in the commercial phase as the percentage using fertiliser has been static. It also implies that some farmers are not applying fertiliser leading to the vicious cycle of low yields and inability to pay for fertiliser. The low yields could also be attributed to the fertilizer diversion in the immature phase and to the short time for fertiliser cost recovery of 3 months.

BLOCK	No. Of Commercial farmers	2013/2014 uptake	% uptake	2014/2015 uptake	% uptake
Bbeta East	122	28	23%	0	0%
Bbeta West	158	19	12%	0	0%
Bujumba	54	0	0%	1	1%
Kagulube	81	5	6%	17	21%
Kalangala	62	0	0%	22	35%
Kayunga	119	15	13%	28	24%
Total	596	67	11%	68	11%

COMPARISON BETWEEN FY 2013/14 AND FY 2014/15.

Source: KOPGT credit office

5. An analysis of the data above shows that Bbeta East, Bbeta West and Bujumba have not performed well and their fertiliser uptake has been very low at 0% to 1% in 2014/2015 so far due to lack of rains among other reasons.

6. The results of the foliar samples collected for nutrient analysis were not available during the mission. The previous results of 2014 showed low levels of potassium which will have an impact on the bunch formation and therefore yield.

7. The previous recommendation to identify a financing system for fertiliser purchase and application by commercial farmers has been done. A fertiliser and farm maintenance financing agreement has been signed between KOPGT and the Uganda Development Bank to extend a 350 million UGX facility for the purchase of fertiliser and another 150 million UGX for farm maintenance all payable within 12 months which is better than the original fertiliser repayment period of 3 months.

Recommendations.

- In the absence of the foliar analysis results, farmers in the mature phase that is above 4 years should apply NPK super at 2kg per tree per year. (NPK super is formulated as N:P:K:Mg:B in the following proportions of 13:8:27:8+.5B). This should be supplemented with Muriate of Potash (MOP) at 0.5kg 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. Secondly farmers should be trained to do split fertiliser application in smaller doses to avoid leaching and runoff losses.
- KOPGT together with the PMU should complete the negotiation for fertiliser loan with the Uganda development bank to enable fertiliser uptake to increase.
- To ensure uniform fertilisers application by the farmers, the farmers leadership along with the affected farmers and KOPGT should form a labour gang to apply the fertiliser for the farmers at a cost and a mark up to ensure uniform application for all farmers. This idea should be discussed and agreed by KOPGT board and KOPGA and farmers.
- Ensure fertiliser application starts immediately and complete it by the end of December 2015 to take advantage of the rains which have started while the finalising the loan agreement and its modalities this November.

Field Maintenance

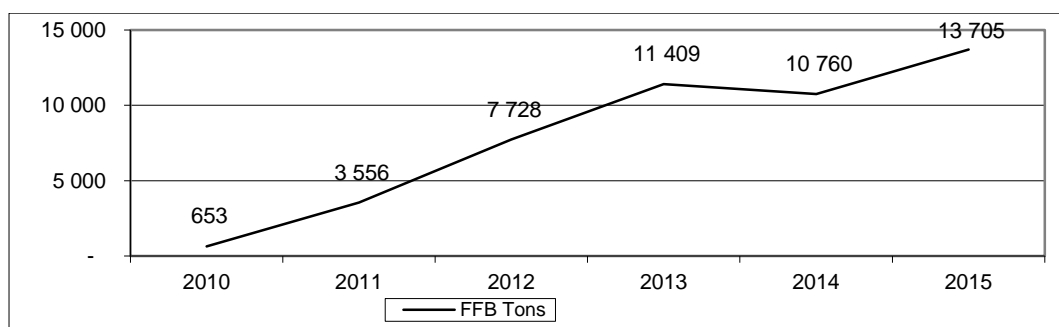
8. Observations of the field maintenance in the smallholder areas visited were up to standards especially with pruning, though some of the stacking needs some improvement while some fields showed high pruning. The aim of pruning is to make the bunch visible to the harvester and also to remove dead or rotten bunches to avoid diseases from the rotten material. Some of the trees showed relatively severe pruning.

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 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 bearing **sanitary pruning should be practiced by removing all dried fronds and rotten bunches before harvesting commences and KOPGT should advance loans specifically for this operation. It should not be carried over into the harvesting phase.**

Harvesting

9. The total area being harvested has risen to 2210 ha including all the 2010 plantings which were delayed in production as at last year. KOPGT had delivered to OPUL 13,705 tons by the end of October 2015 and is likely to end the year with 15000 tons of FFB. See Figure 1 below. The projection for 2016 is estimated at 24000 tons which is over 60% more. Transport, labour availability, as well as quality issues will be paramount. On farm yield prediction will become more and more important for KOPGT in its forecasting and logistics planning. The PMU in conjunction with KOPGT is preparing a database of all farmer fields with GPS data collection.

Figure 1: KOPGT FFB production in tons from 2010-2015 October



Source: KOPGT Note that figure for 2015 is up to end October

Agreed actions. (i) KOPGT will plan for the needed FFB transport by recruiting more private transporters from mid-November 2015. (ii) The PMU will finalise the GPS exercise, which will be reviewed during the next mission to see how to improve a database for crop projections on a quarterly basis by farmers and KOPGT. (iii) Participatory monitoring and evaluation trainings for farmers will be rolled out by the PMU to support the monitoring of yields and profits at farmer level, in conjunction with the sharing of the GPS data collected. This will entail the identification of more foliar analysis rows (already shown to KOPGT in field) which can also be used to do bunch counts for yield forecasting and better planning by the farmers and KOPGT.

10. **FFB yields.** Analysis of farmer yields over the period 2013 to 2015 shows that yields from 2013 have started going down from 12.3t/ha to 11.2 t/ha in 2014 and as at October 2015 it is 10.6 tons per ha. There are several reasons for this situation including inadequate data on farmers 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. There is also poor fertiliser application methods, fertiliser diversion by farmers in the immature phase and now and inadequate information on fertiliser application rates. Also there have been instances of poor crop harvesting by farmers resulting in crop losses.

Agreed Action. (i) The block and the farmers leaders at the unit level with the support and supervision of KOPGT will start a new fertiliser application system using contract labour gangs applying the fertiliser in a systematic and regular basis. (ii) identify all farmers especially the older ones/absent ones who are not able to harvest and maintain their fields regularly at the unit level and a contract for maintenance and harvesting of those fields should be agreed with the farmers and their leaders to ensure regular crop recovery to be supervised by the unit

11. **FFB Quality** .With the increasing crop production in addition to the increasing level of new plantings coming into production the level of poor quality crop will rise. This is more pronounced in Uganda when the trees are young. See the table below. This is exacerbated by some 15% 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

Table 3 showing FFB lost from 2011 to 2015

Year	2011	2012	2013	2014	2015 Oct
Production(tons)	3556	7728	11409	10760	13705
Total loss(tons)	56.89	77.28	114.09	195.83	396.07
% loss	1.60%	1.00%	1.00%	1.82%	3%

Source KOPGT

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

12. **New planting methods.** The mission visited the new planting areas on both Bugala and outlying Islands. An inspection of the new plantings shows good growth and appearance. There are however some areas showing marked magnesium deficiencies and some lining and pegging problems especially on Bugala. **Agreed actions.** (i) All new plantings will be planted with 0.5kg of Rock phosphate and 1 kg of dolomite in the planting hole. If either case was omitted it should be rectified immediately with top dressing of the particular fertiliser. (ii) The lining team should always be

provided with a baseline for lining by an experienced lining person to avoid the problem of wrong pegging.

13. **Roll-out plan for new plantings on Bubembe.** The total target of 400 ha on Bunyama Island was planted within 12 weeks between May and July 2015 by about 160 farmers. Lining, holing and planting was done using work groups (bubondo). This worked very well, in addition to the other logistics like transport and labour recruitment to carry the seedlings to the fields. The seedlings presently in the nursery will be ready for planting on Bubembe Island starting from October 2016, which is on track with the current plan. There is need to keep proper documentation about the land allocation in Bunyama and Bubembe, especially with reference to the identity of the benefiting farmers, the size of land holdings per farmer and the criteria applied in land distribution.

Agreed actions: the PMU will request the land allocation report from the District Land Board and analyse it to document to ensure adherence with agreed principles and criteria. 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 December 2015.

14. **Road development/maintenance.** Limited progress has been made in road construction and maintenance. 31 km of roads been upgraded to community access roads on Bugala, out of a target 50 km. Identification and demarcation of 65 km of new roads on Bugala was done with the participation of the farmers. 40km of roads were demarcated on Bunyama before planting. No other physical work has been done, mainly due to the delays in repairing the road equipment and in agreeing with KDLG on the arrangements for its management. The district road equipment fleet is down, with an estimated repair time of 2 months and the procurement for repairing services not yet finalized. Over the next two years a total 145 km of roads is planned to be constructed, of which 65 km on Bugala and 40 km each in Bunyama and Bubembe. It is therefore very important that an agreement with KDLG for the management of the road equipment be reached at the earliest. KDLG has in principle agreed to release the road equipment for external management. Two options should be explored in this respect: (i) the PMU to assume direct responsibility for managing and operating the equipment, recruiting the necessary capacity under the supervision of the Project Engineer; or (ii) the PMU to contract a company for the management and operation of the equipment over a period of two years to achieve the agreed road construction targets. **Agreed actions:** (i) the PMU will finalize the procurement of repair services for road equipment by 31 December 2015; (ii) the PMU will identify the preferred option for management of road equipment and enter into an MoU with KDLG by 31 December 2015; (iii) demarcation of roads in Bubembe will start in December 2015; (iv) road works in Bugala will be finalised by 30 June 2016; (v) road works in Bunyama will start in August 2016; and (vi) PMU to finalize the draft farm roads maintenance plan by 31 March 2016 including . a participatory road maintenance plan should be organised with the farmers through their units and blocks, to know their level of responsibility and the roads they will maintain (vii) The PMU along with KDLG should identify and agree the location and names of the CARs to be submitted to the Uganda roads fund for their maintenance (viii) Ensure that the higher cost of roads in Bugala due to the increased road lengths is captured in the AWP and budget.

15. **Ferry services to outlying islands.** By harvesting time (FY19/20) from Bunyama and Bubembe, landing sites and ferry services are expected to be in place for evacuation of FFBs to the mill. Ministry of Works is at contract award stage to recruit a consulting firm to study, recommend and design suitable ferry services and landing sites.

Agreed action: MAAIF senior management should follow up with Ministry of Works to ensure the study begins in December 2015.

16. **Other infrastructure on outlying islands.** The specifications for two boats for KOPGT are being prepared in consultation with the Ministry of Works. The boats will be used to deliver fertilizers to the smallholders and transport ffb to the mill while the landing sites (and ferries) are being constructed. Appropriate land on each island has been identified by the District for construction of the

fertilizer stores. Opportunities are being explored for reducing the cost of construction of the stores, using the district 'hydro form' machine for brick construction. **Agreed actions:** (i) the procurement process for the KOPGT boats will be launched by 31 December 2015; (ii) a final decision on the construction method for the fertilizer store will be taken by 31 December 2015. The final design of the 2 boats will be completed by November ending in consultation with the farmers on the outlying islands especially for the boat that will ferry inputs and FFB.

17. **Environmental monitoring.** EIAs have been undertaken for oil palm developments on the outlying islands and Buvuma. The certificate for Buvuma is in its final stages. The certificate for the outlying islands has been received, with the main recommendation being the observation of the 200 metre lake buffer zone. 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. 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 by 28 February 2015; (ii) the PMU will complete the recruitment of a firm to establish the extent of encroachment using the procured satellite imagery and ground verification by 30 November 2015. (iii) The identified farms planted will then be subject to a different management system including a no fertiliser and no chemical weeding policy.

18. 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 so far as they do not pass through the buffer zones.

19. The PMU with KOPGT and the district will initiate sensitisation activities on the conditions for the EIA certificate as to the roles and responsibilities of all stake holders starting February 2016.

Oil palm research

20. **Oil Palm Research Component.** The importance of national oil palm research cannot be understated as seen by past cases of half-ripening and rotting bunches, fluctuations in yield patterns based on variety, fertilizer regimes for various soil types, designated labs for foliar analysis, cooperation with the private sector for seed import etc. Oil palm is considered a key crop for attracting private sector partnerships. Based on the expected growth in the area to be planted to oil palm and the relatively short period of its introduction and the fact that the climatic and ecological conditions are different in Uganda compared to West Africa and Asia, the objectives for oil palm research was broadly agreed as follows:

- To develop improved agronomic management practices for oil palm production in different ecological zones suitable for oil palm production;
- To continue with planting of trial plots in areas expected to be suitable for oil palm growth
- To understand and develop management options for non-uniform ripening;
- 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

21. The mission notes that one of the key actions agreed in 2014 was the recruitment of scientists and they have all been recruited. They include a pathologist, an agronomist and a plant physiologist. The Research focal person is both an agronomist and a breeder.

Agreed actions. (i) The PMU will agree with OPUL for on an initial exposure of the research team to understand oil palm in the commercial setting on Bugala Island by the end of November 2015. (ii) The draft work plan and budget should be finalised and submitted to the PMU by 15 November 2015, with priority given to rehabilitation of farmer trial plots. (iii) Training abroad will be arranged in 2016 on a government to government basis and the PMU should start the sensitisation process with NARO and MAAIF

Buvuma progress

22. The Government's preferred option for investment in Buvuma remains through a nucleus estate/smallholders model. While BIDCO has reiterated that it does not intend to invest in a nucleus estate, Government has decided to continue purchasing land in Buvuma to reach the target of 6,500 ha of plantable land. Once the target is reached, GoU intends to re-engage BIDCO in the negotiations around the establishment of a nucleus estate. While the option of a pure smallholder model is not entirely discarded, it is considered as a last resort alternative in case BIDCO confirms its intention not to invest in the nucleus estate. BIDCO has however confirmed its commitment to support the pure smallholder model by investing in the required processing capacity as well as by facilitating the access to inputs and technical advice.

23. So far, about 7,330 ha of land have been identified, of which 4,830 ha are available and free of encumbrances (tenants compensated and vacated), and another 2,500 ha have been committed by their owners (about 1,610 from mailo owners and 890 ha from the Buganda Land Board) and are awaiting for compensation of tenants. It is expected that the final target of 6500 ha plantable area will be achieved by end 2016.

Financing of Investments in Buvuma Islands

24. While VODP2 financing of the oil palm component in Kalangala and the oil seed component is expected to be sufficient up to 2018, Buvuma plantings will need to be supported under additional financing (see MTR report).

25. Based on the legal impediments in using IFAD funds for any investments in Buvuma due to no commitment from BIDCO, the GOU has decided to continue the project albeit with a reduced target of 2500 ha to be planted from 2017(see Table 4 below) with financing from GOU including the loan reflows.

Table 4 showing the planned target for planting in Buvuma under VODP 2

Year	ha	Comments
2017	500	Seedlings transported to Buvuma
2018	1000	Nursery likely to be in Buvuma from 2017
2019	1000	
Total	2500	

26. 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.

27. The following plan is to assist VODP to start the preparatory activities for the implementation of the 2500 ha planting on Buvuma (i) order seedlings for the planting of 500 ha during FY 2016/17; (ii) establish minimum capacity (staff and equipment) to coordinate activities in Buvuma by 30 April

2016; (iii) commit an estimated amount of USD 800,000 of counterpart funding in FY 2016/17, besides the contribution from loan reflows, to achieve the target of planting 500 ha.

28. Complete the ESIA process with all mitigation and monitoring of environmental impacts as well as startup activities on RSPO compliance included in all activities and acquire the ESIA certificate by the end of June 2016.

29. Do a participatory mapping with identified farmers 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 25 degree 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.

30. OPUL is expected to provide the seedlings from its present nursery in Kalangala and has expressed its readiness to do so. These seeds should be ordered and developed into seedlings within 2016 through to 2017.

31. The PMU should order seedlings for first 500 ha plantings in Buvuma by December 2015.

32. 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.

33. 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 25° would not be planted and undergo protection planting. Starting march 2017.

34. The PMU will prepare the planting plan of all activities towards the planting before April 2016.

35. Recruit the staff that will be running the farmer services secretariat or the nucleus of farmer organisation by the end of Q1 2016 . The staff will be made of the following:

- Manager
- Credit officer
- 2 field officers
- Driver

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

Proposed strategy for Buvuma

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;

Visit to Kiriadongo oil Palm trials on farm belonging to Mukwano Industries

Introduction

36. 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 VODP 2 **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 Kiriadongo 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 Kiryandongo.

37. **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

38. 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 conditions

Rainfall

39. 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 Februar. According to anecdotal evidence the area experiences higher humidity than Kalangala.

Temperature

40. The area has a minimum temperature of 17.5° C and maximum of 30°C though most nights are cold.

41. These conditions are sub optimal for oil palm growth and yield.

Soils

42. 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).

43. 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.

Area Statement

YOP	HA	Planting Partern	Distance	Planting Materials DxP source
2011	20	Square	8 meters	Del x Ghana
2013	105	Triangular	8.5 meters	Bamenda x Ekona
2014	122	Triangular	8.5 meters	Amazon
2016*	153			Amazon

*There are 38000 seedlings which are 8 months old of both Deli x Ghana and Amazon to be planted in 2016. All the planting materials have been sourced from ASD of Costa Rica

Nursery

44. 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.

45. **Main Nursery:** There were estimated 38,000 seedlings at 8 months old in the main nursery. The poly bag size used is 40cm by 50cm. The nursery did not have any obvious weed problems, the place is clean and should be sustained the same way. The nursery site is maintained well.

46. 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

47. 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.

48. **Disease prevalence:** A few fungal problems like *cercospora* were observed which can be controlled with the use of macozeb or dithane M45 when the disease is observed.

Fertilizer usage

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

Main plantation

50. 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

- 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
- The 2011 planting is 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 being done
- The 2013 plantings on the uplands are undergoing ablation.(removal of flowers)
- There were signs of the presence of pollinating insects like the *eleadobious kamerunicus* pollinating weevil which needs to be investigated by the research team

Recommendations

The following recommendations are based on the first observations and interview with the managers of the farm and are both operational and strategic

Operational Recommendations

Nursery

- In the pre-nursery; the recommended size of the bags should be 25cm by 15cm.
- The main nursery: Top weeding of the nursery 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.

- Contact fungicides like Mancozeb 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.

Main Plantation

- Weed control options. Weeding with chemicals is good for agronomic and economic reasons but precautions should be taken for operator safety and crop safety.
- 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.
- In areas with other broad leaves methsulfuron methyl can also be used for the same reasons.
- 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
- 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
- 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
- The equipment to be used will be a tractor drawn boom sprayer or the manual knapsack sprayer
- 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
- Plant mucuna bracteata 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
- 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)
- **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

Suggested Fertilizer application

YOP	Months	Type of fertilizer	Rate per Tree
Y1	0-6	Rock Phosphates in the hole and NPK Blue (12:12:17:2)	0.5 kg RP + 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	MOP	1.5kg
Y5	42 and above	NPK super and MOP	0.5kg NPK Super and 2kg MOP

Time for fertilizer application

51. 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.
52. 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

53. 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

54. 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.

55. 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

56. Mukwano should explore temporarily selling the FFb 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

- 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.
- 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.
- 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.
- 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.
- 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.
- Based on the cost benefit analysis plan to upscale to farmers in the area but that needs a proper study to be done by VODP to supplement the efforts of the company.
- The company should explore the construction of a 1-5 ton/ hour FFB processing mill to be sited on its farms as crop is now ripening. This should be completed by December 2016 and the decision should be made before December 2015 as it takes time to complete the construction.

Technical Annex 2

Oil Seeds Development

List of acronyms

AM	Aide Memoire
AWPB	Annual Work Plan & Budget
DLG	District Local Government
FG	Farmer group
FLP	Farmer learning platform
FO	Farmers' organisation
HC	Hub Coordinator
HH	House Hold
HLFO	High level farmers organisation
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MTR	Mid term review
NAADS	National Agricultural Advisory Service
NaCRRRI	National Crop Research Institute
NARO	National Agricultural Research Organisation
NaSARRI	National Semi-Arid Resources Research Institute
OWC	Operation Wealth Creation
PMU	Project Management Unit
PSP	Pay-for-service provider
UCA	Uganda Cooperative Alliance
UGX	Ugandan Schilling
VODP	Vegetable Oil Development Project
VSLA	Village Savings and Loans Association

Technical Annex 2: Oil seeds development

1. **Extension Delivery:** The Midterm Review made a number of initial recommendations regarding revisions to the total number beneficiaries targeted by the oil seeds component and the methods by which services were delivered. These revisions were felt necessary because of initial delays in implementation of the oil seeds component. These were primarily due to late establishment of the Project Management Unit (PMU), institutional changes to extension delivery nationally and a protracted procurement process delaying the engagement of PSPs to provide extension services to the four OS hubs. The original project design was to target 136,000 HH through 5,900 farmer's groups in 51 Districts across four OS value chains (sun flower, soya bean, sesame and ground nuts.) The MTR initially recommended a reduction in the total number of beneficiary HH to around 100,000 and changes to the structure of extension delivery. District Local Government (DLG) was to maintain its regulatory and supervisory role through Focal Point Persons (FPPs), the total number of target Districts (51) was to be reviewed with aim of strategically focusing on value chain clusters around markets and processors, the number of PSPs was to be increased from 6 to 11 across the 4 hubs and significantly, there was to be investment in 40 apex HLFOs targeting 800 lower level groups, each with around 25 members. These recommendations were noted at MTR presentation in November 2014 but met with resistance when re-presented in the AM following an ISSM in March 2015. The Project Steering Committee requested that the PMU maintain original target beneficiary numbers at 136,000 and devise strategies to achieve these in the reduced time available. The November 2014 MTR report has been modified to reflect these changes although has yet to be formally adopted.

2. The PMU OS management team has developed a strategy that modifies the MTR approach in two main areas while retaining the expansion of PSPs from 6 to 11. The main change is an expanded role for DLG from the proposed regulatory function to one of extension delivery. It is proposed that DLG form and deliver services to 640 FGs over four hubs in the years 2015/16-2016/17-2018. The DLG MTR budget has been increased from \$1.06m to \$1.233m to cover this changed role and assumes **around** 14,400 beneficiaries at an average cost of \$85 per capita. The OS PMU has modified the proposed institutional approach targeting 40 apex institutions by reducing the target beneficiaries from 20,000 to 13,500 (600 FG) over the same implementation period above. Funding for the sub-component appears to have been reduced from \$1.08m to \$257,000 or a per capita funding figure of \$19. The MTR identified Uganda Cooperative Alliance (UCA) as the specialised service provider to deliver capacity building in the maintained target of 40 apex HLFOs. The engagement MoU is currently awaiting signature by VODP PMU. The OS PMU team is pursuing the MTR recommendation to expand the number of PSPs from 6 to 11 with one new provider in each of Lira, West Nile and Gulu hubs and a further two providers in Eastern Uganda hub. The expanded PSP program aims to target a total of 108,765 beneficiaries (4,834 FGs) with funding increased from an MTR estimate of \$6.7m to \$8.89m or an average of \$81 per beneficiary. The overall plan is to target 6,074 FGs with an average membership of 22.5 each to deliver a targeted total of 136,665 OS beneficiaries.

3. The mission visited two regional hubs – Gulu and Lira – over a five-day period and held detailed discussions with current PSPs (IIRR in Gulu and AFSRT/UOSPA in Lira) and DLR in Gulu. No field contact was possible with UCA at either location. The mission team, hub coordinators and PSPs visited a total of seven FGs, FG clusters and Cooperatives in the two regions. Discussions with PSPs confirmed that **recommended** changes to AWPBs have been adapted to include recommended areas such as financial literacy, agronomy, post harvest handling, etc. Work programs have focused on establishing a new set of FLPs over both A and B seasons increasing the cumulative total of 6,733 FLPs at MTR to a current 8,147, an increase of 1,414. The majority of FGs expresses genuine enthusiasm for the work of PSPs in terms of practical learning opportunity gained from access to FLPs and Farmer Field Days and the proceeds from the sale of grain from the platforms themselves. The PMU estimates that each FG has on average around 2.46 FLPs with a unit area of around 5,000 M² or 1.2 acres per FLP. Simple aggregation therefore estimates a total cumulative planted FLP area to date of around 9,800 acres (4,050Ha) since the start of activities. If we assume that FLPs are planted with 85% and 15% for sunflower and soybean, yields are 525Kg acre and 728 Kg acre and prices are 1,000Ugx and 2,000Ugx per Kg respectively, cumulative revenues from produce sales to date are estimated to be around 6.5Bn Ugx. Anecdotal evidence suggests these

revenues have been recycled by participating groups for the purchase of seed, draught animals and cultivation implements. On the basis of hub coordinator reports, FG interviews and discussions with PSPs, it appears that extension delivery by this methodology is an effective channel to drive productivity and raise incomes provided there is access to improved seed for sunflower and soybean cropping systems.

4. The main strategic decision that needs to be taken by the OS PMU is whether the combined PSP/DLG/UCA combined model as currently proposed can be set up, managed and deliver required RF outcomes by project close. The PMU needs to utilise the best aspects of current PSP performance and **assess** the potential for expanding current operations within the same catchment areas. This needs to be done in combination with recruitment of new PSPs to deliver anticipated beneficiary numbers and verifiable performance indicators. Previous recruitment and procurement performance suggests that additional PSP resources would not be in a position to contribute meaningfully until crop B, 2016 realistically only making a contribution for the last two years of the project. All three PSPs engaged by the mission stated that there had been delay in the disbursement of funds in retrospective payment of approved services delivered. Delays were reported to be over 90 days and were having a negative impact on service delivery. The proposal to utilise DLG to mobilise and deliver 640 FG/FLPs needs careful consideration and selection. Experience to date suggests low levels of staffing, low physical mobility and complex funds disbursement channels lead to conservative rates of progress. The PMU will need to select Districts where the resources and capacity combine to deliver expected outcomes. The MTR recommendation to refocus extension delivery through apex HLFOs is a methodology endorsed by the revised MTR document. However, progress to date in initiating preliminary activity appears limited. The MoU that officially endorses the relationship with UCA remains unsigned by the PMU due to delays at the Solicitor General's Office. Preliminary screening of existing FOs has been undertaken in advance of an official agreement in to hubs but amounts to very early stage activity. It also appears that the initial budget estimated in the MTR of just over \$1m for the proposed sub-component has been reduced to \$257,000 which will be insufficient to implement any meaningful capacity development. The original budget was based on an average funding requirement of around 30m Ugx per HLFO per year over a three-year period.

5. At the time of AM presentation to the Project Steering Committee, numbers of project beneficiaries were still to be finalised and precise budget numbers agreed. The reduction of operational extension Districts from 51 to 42 needs to be agreed through close cooperation between the PMU, DLG, existing PSPs and newly appointed PSPs in the next phase. The reduction in number of Districts need not reflect a *pro rata* reduction in beneficiaries. Rather, it will be a reflection of clustering FGs and FOs around processing and trading actors. To reiterate, the original target beneficiary number was based on 5,900 FGs with total membership of 136,000 HH. The PMU proposal⁸ modelled a similar total number (136,000HH) contacted through 6,074 FGs. Following discussions throughout the mission, these numbers were further modified to reflect the lower number of contact Districts (42), total beneficiaries of 108,765HH through 4,834 FGs and a further 18,000 HH through 40 apex FOs. This estimates a total delivery to around 127,000HH under revised budgets. If the latter estimate of 127,000 beneficiaries contacted through a combination of existing and new PSPs, DLG and apex FOs is accepted then this represents a reduction of around 9,000HH beneficiaries against original estimates. Given the significant delays in implementation, this looks an acceptable compromise. Clarity on these beneficiary numbers and the agents for delivery is vital in accepting the central tenet of the MTR. With a reduced time-frame for delivery, the crucial trade-off centres on the number of extension (linkage) contacts and the sustainability and quality of services delivered by the project.

6. The analysis presented in Tables 1 -5 below attempts to summarise the managerial challenge posed to the PMU over the next three years. The numbers are based on the higher PMU report estimates based on 6,074 FGs. Significantly, the number of *total contacts* is based on the appointment of new PSPs, DLGs **and** apex FOs establishing additional FGs and maintain extension activities through FLPs over two years (4 seasons) for each FG. Because of the staged establishment of new FGs, the total number of extension contacts in the time frame is 10,149 rather than double the 6,074 FGs. The staffing requirements are based on the assumption that each PSP/DLG field extension officer will manage around 20HH heads around the FLP extension model.

⁸ Report for the Mission March-Sept 2015, PMU Oct 2015, pp52

The analysis below highlights the practical challenge ahead of managing at peak over 400 field staff and potentially over 1,000 FLPs in 2017-18 A&B seasons.

7. Experience gained during this mission suggests that the FLP approach is effective in transmitting clear extension **messages** related to increased productivity directly related to improved seeds, agronomy and collective marketing. Structured M&E activities need to quantify these benefits outside the confines of FLPs on participant's farms. This will need to capture amongst other things, rates of adoption, areas planted and post harvest losses.

Summary of Projected Extension Activities:

Table 1. Regional Estimates of FGs per PSP 2015-18

Hub	Service Provider	2014-15	2015-16	2016-17	2017-18	Total Actual Beneficiaries	
Lira	Total Group Contacts		282	845	1,022	459	2,607
	Total Staff Requirements		14	54	72	32	171
West Nile	Total Group Contacts		189	650	791	330	1,960
	Total Staff Requirements		9	33	40	17	98
Gulu	Total Group Contacts		175	685	1,005	495	2,360
	Total Staff Requirements		9	34	245	220	508
Eastern Hub	Total Group Contacts		231	1,061	1,380	550	3,222
	Total Staff Requirements		12	53	69	28	161
			2015-15	2015-16	2016-17	2017-2018	
Total Group Contacts			877	3,241	4,198	1,834	10,149
Total Staff Requirements			44	174	425	295	938

8. Fundamental to the success of the proposed strategy outlined above will be the PMU's ability to manage the contractual logistics involved. The proposed program requires the appointment of six additional PSPs. Previous procurement performance in this area has been problematic and lessons learned from **earlier** activities need to be adopted as a matter of urgency. Optimistic estimates suggest that procurement will take up to six months from initiation to implementation. This time-line will need to be adhered to closely if additional PSPs are in place and ready to operate for season B 2016. Failure to meet this KPI (Key Performance Indicator) will automatically reduce any estimate of fulfilling the RF. The MTR emphasis on apex FO development needs greater managerial control as any delay in implementation will greatly reduce any impact within the project time frame. UCA estimate that meaningful investment in apex FOs need a three-year time-frame to have efficacy.

9. The focus of DLG activity needs to be on regulation and coordination of regional development efforts. Where there is capacity at sub-county level, hub -coordinators need to be able to engage and leverage DLG **capacity**. Realistically the PMU cannot rely on future recruitments by NADS or Operation Wealth Creation (OWC) to provide organisation and service delivery within the project's timeframe.

10. The PMU will need to manage the procurement process for the additional PSPs and UCA very carefully between now and the first quarter 2016. Recommendations made in the Financial Management component of this mission regarding procurement and contract management will be particularly **pertinent** to successful implementation of this component. In addition to the recruitment to new PSPs, the contracts of the existing six PSPs will need to be reviewed and where possible expanded through the procurement process. With UCA, these 11 contracts once completed will need to be supervised with close management and control. Payment processes to PSPs (currently in five tranches per annum) must be timely if momentum of field operations is to be maintained. PSP Field staff numbers estimated at over 400 in 2018 will make significant cash demands on their employers that will not be met from internal funds if invoices are not processed in a timely manner – i.e. within 30 days. This is not happening with existing PSPs and must be corrected if the program is to succeed. Similarly, AWPBs and physical delivery of PSP activities needs to be closely monitored by hub coordinators and M&E systems that are currently only in the early stages of implementation.



Gulu PSP team and FG members



Table 2. Proposed Number of FGs per PSP for Lira Hub 2015-18

Hub	Service Provider	2014-15	2015-16	2016-17	2017-18	Total Actual Beneficiaries
Lira	AFSRT	220	220			
			200	200		
				100	100	520
	Total Extension Contacts	220	420	300	100	
	Field Staff Requirement	11	21	15	5	
	UOSPA	62	62			
			150	150		
				150	150	362
	Total Extension Contacts	62	212	300	150	
	Staff Requirements	3	11	15	8	
	New PSP	0	250	250		
				180	180	430
	Total Extension Contacts	0	250	430	180	
	Staff Requirements		13	22	9	
	DLG	0	100	100		200
				100	100	
	Total Extension Contacts		100	200	100	
	Staff Requirements		5	10	5	
	HLFOs-UCA	0				
			100	100		
				100	100	200
	Total Extension Contacts		100	200	100	
	Staff		5	10	5	
Total Contacts		282	845	1,022	459	
Total Staff Requirements		14	54	72	32	

Table 3. Proposed Number of FGs per PSP West Nile Hub 2015-18

Hub	Service Provider	2014-15	2015-16	2016-17	2017-18	Total Actual Beneficiaries
West Nile						
	WENIPS	189	189			
			151	151		
				120	120	460
Total Extension Contacts		189	340	271	120	
Staff		9	17	14	6	
	New PSP	0	200	200		
				100	100	300
Total Extension Contacts		0	200	300	100	
Staff		0	10	15	5	
	DLG	0	60	60		
				60	60	120
Total Extension Contacts		0	60	120	60	
Staff		0	3	6	3	
	HLFO	0	50	50		
				50	50	100
Total Extension Contacts		0	50	100	50	
Staff		0	3	5	3	
Total Contacts		189	650	791	330	
Total Staff Requirements		9	33	40	17	

Table 4. Proposed Number of FGs per PSP Gulu Hub 2015-18

Hub	Service Provider	2014-15	2015-16	2016-17	2017-18	Total Actual Beneficiaries
Gulu	IIRR	175	175			
			200	200		
				195	195	570
Total Extension Contacts		175	375	395	195	
Staff		9	19	20	10	
	New PSP	0	200	200		
				190	190	390
Total Extension Contacts		0	200	390	190	
Staff		0	10	20	10	
	DLG	0	60	60		
				60	60	120
Total Extension Contacts		0	60	120	60	
Staff		0	3	6	3	
	HLFO	0	50	50		
				50	50	100
Total Extension Contacts		0	50	100	50	
Staff		0	3	5	3	
Total Contacts		175	685	1,005	495	
Total Staff Requirements		9	34	245	220	

Table 5. Proposed Number of FGs per PSP Eastern Hub 2015-18

Hub	Service Provider	2014-15	2015-16	2016-17	2017-18	Total Actual Beneficiaries
Eastern Hub	CRDI	341	341			
			150	150		
				100	100	591
Total Extension Contacts		341	491	250	100	
Staff		17	25	13	5	
	EPSEDEC	231	231			
			200	200		
				120	120	551
Total Extension Contacts		231	431	320	120	
Staff		12	22	16	6	
	New PSP 1	0	215	215		
				130	130	345
Total Extension Contacts		0	215	345	130	
Staff		0	11	17	7	
	New PSP 2	0	215	215		
				100	100	315
Total Extension Contacts		0	215	315	100	
Staff		0	11	16	5	
	DLG	0	100	100		
				100	100	200
Total Extension Contacts		0	100	200	100	
Staff		0	5	10	5	
	HLFO	0	100	100		
				100	100	200
Total Extension Contacts		0	100	200	100	
Staff		0	5	10	5	
Total Contacts		0	415	715	300	
Total Staff Requirements		0	21	36	15	
Total Contacts		231	1,061	1,380	550	
Total Staff Requirements		12	53	69	28	

11. **Availability of Improved Seed:** Timely availability of improved seed for all value chain crops remains a critical bottleneck to progress across all other project interventions. The mission estimates that around 550Mt of improved sunflower seed was available over A and B seasons. Using PMU yield and seed planting estimates this might translate to around 273,000 planted acres (112,000 Ha) yielding around **153,000** Mt nationally. The picture for soybean is more limited with an estimated total of 172 Mt of foundation seed over seasons A and B which should plant 5,000 acres (2,000Ha) delivering around 3,700Mt. Importation of hybrid sunflower seed continues to be dominated by Mukwano Industries (260Mt) and Ngetta Tropical Holdings (91Mt). Mukwano continues to direct the majority of their seed to contracted FG delivering seed to their mill in Lira. Some of this seed has found its way to VODP FGs through links established by hub coordinators and PSPs and some enters the “secondary” market where it trades at three times the official price. This high premium indicates growers understanding of benefit/cost ratios of using improved seed and the chronic short-fall in supply. The fundamental reasons for this national shortfall in availability of all improved oil seeds improved seed remains the same. Importers remain risk averse to importing quantities of seed they know they can’t sell. Weather and price volatility in competing cash crops has previously left them holding excess quantities of seed which has lost viability. Local seed companies remain reluctant to enter the domestic multiplication of OPV and hybrid seed due to the unavailability of parent lines, perceived superiority of imported hybrids and a lack of “exclusivity” to protect brand identity and longer-term added value. Soybean foundation seed multiplication is more straight forward but is still operating at a very low base. The mission notes the significant efforts of hub coordinators to directly link FGs with around 15 Mt of soya foundation seed and 7.5Mt of improved sunflower seed in addition to FLP activities. In the light of this missions finding,

Table 6. Estimated Volume of Improved Oilseed available in Uganda Nov. 2015

Seed Summary							
Sources	Crop	Season		Total Mt	Potential Area Planted Acres	Yield Acre	Total Production Mt
		A Mt	B Mt				
Mkwano	SF Hybrid	70	190	260	130,000	650	84,500
Ngetta	SF Hybrid	50	41	91	45,500	650	29,575
UOSPA	OPV	8	12	20	10,000	400	4,000
FG	OPV			87	43,500	400	17,400
FG	OPV			88	44,000	400	17,600
Total		128	243	546	273,000	112,810	153,075
EPSEDEC	Soybean			16	457	753	344
CRDI	Soybean			17	486	753	366
FG	Soybean			58	1,657	753	1,248
FG	Soybean			57	1,629	753	1,226
NaCRRI	Soybean			24	686	753	516
Total				172	4,914	2,031	3,700

12. The following strategies are recommended:

- a. **Sunflower:** The PMU needs to continue the good results achieved over the period in building links between FG, PSPs, agro-input dealers, processors and seed importers. Anecdotal evidence from field trip meetings suggests that as PSP become fully operational and work closely with the hub coordinators, local networks are emerging between the actors. These network need to continue close cooperation and model group seed demand for each approaching season. Local networks have been able to mobilise group funds in excess of 29m Ugx for the cash purchase of hybrid sunflower seed directly from importers at “official” prices of around 35,000 Ugx per Kg. This work need to continue across all hubs as the most likely strategy to succeed in delivering improved seed to FGs working with the project. The national picture remains problematic until critical mass is achieved in terms of varietal acceptance by farmers of “brands” other than Pannar 7033. VODP2’s adopted strategy is to

support the production of domestic hybrid and OPV sunflower varieties through support to NARO/NaSSARI. At the time of this mission, the relationship between the PMU and NARO has reached a new low. None of the activities or targets agreed at the last ISSM in March has been achieved. The reasons for this were many but do not explain the failure to either communicate or deliver agreed outputs. This state of affairs needs urgent attention if any progress is to be made over the remaining life of the project. PMU, HCs and PSPs to expand activities with FGs to plan seed demand, mobilise funds and build linkages between seed suppliers, processors and financial institutions. HCs continue to plan variety trials and milling quality tests for new hybrid varieties with the stated aim of raising farmer acceptance and diversifying dependence of Pannar 7033. PMU needs to convene a meeting with NARO to discuss future funding of activities under VODP2. This meeting need to urgently resolve issues such as delayed transfer of funds and no progress on establishing any exclusivity rights to hybrid multiplication.

- b. **Soybean:** The mission notes progress made in accessing foundation seed from the unit at Makerere University and the PMU/HC's activities to multiply this through selected specialised FGs. This work needs to continue with emphasis placed on quality control, certification and clear price premiums the seed generated. Three specialised FGs in the Eastern Hub were able to produce 57Mt of improved seed which generated revenues of 67m Ugx when sold to other FGs in the hub. This model needs to be replicated in as many FGs as the availability of foundation seed will allow. The focus of these activities will initially be around the Eastern and Mbale hubs where high volume processors offer opportunities to link financial institutions to producing FGs. Broadening the distribution of soybean seed is also vital to the introduction of crop rotations with sunflower to maintain soil fertility and conservation. It was disappointing to note that the seed multiplication unit had generated foundation seed in excess of the immediate needs of the project but was unable to sell this. The fact that 12Mt of good quality seed remains in poor quality storage while there are still opportunities to plant is disappointing. The PMU and the seed unit need to work closer together in predicting seed demand, expanding certification and ensuring that all seed is distributed and sold. The PMU/HCs and NARO need to produce a AWPB for production and distribution over the remaining three years (six seasons) of the project. If there is no resolution to difficulties preventing domestic hybrid sunflower multiplication, consideration should be given to focusing funds purely on expanding soybean foundation seed production and distribution.



New entrants to the seed importation business are making a positive impact on availability to farmers. Hub coordinators are playing an active role in linking seed importers to FGs who have participated in training sessions conducted on FLPs

13. **Access to Financial Services:** The project continues to work with financial institutions to expand lending to oilseeds FGs across Eastern, Lira and Gulu hubs. The PMU has developed linkages with five major banks and 12 groups consisting of 1,864 members. Total lending to date is just over 2.5Bn Ugx which has been deployed mainly as working capital to fund land preparation and seed cost. Loan repayment performance has been variable being negatively affected by climate and poor quality of seed. Recovery of principal loans excluding interest is currently at an un-weighted average of 58% although this estimate includes values as low as 4% and up to 100% across the range. The focus of PMU activities continues to be around de-risking transactions between banks and small scale agricultural borrowers. The model developed in the Eastern Hub between UDBL, Nile Agro Ltd and District Farmers Associations (DFAs) is being replicated with other institutions, small scale processors and FGs. The PMU aims to link FGs who have direct access to improved seed,

financial literacy training and brokered agreements with millers to Banks actively seeking to expand loan portfolios in the agricultural sector. The aim is to speed up the screening and selection process of potential customers and capitalise on financial training offered by the banks. In addition to working with commercial banks, the PMU has piloted capacity building and training with VSLA groups in Gulu. Five groups have mobilised saving of over 400M Ugx over the 2015 season and loaned over 265m Ugx of this to members as working capital. PMU to closely monitor portfolio performance and work closely with hub-coordinators to ensure input availability, particularly seed, to FGs who have needed to restructure loan and interest payments. PMU to work closely with Hub coordinators and PSPs to plan FG loan needs based on crop models and anticipated profitability. Each FG with loan liabilities will have an action plan that clearly sets out costs, benefits and loan repayment schedules and where possible, links to processors or off-takers. PMU to replicate VSLA training and operation model in other hubs where conditions are appropriate.

Table 7. Current Credit/Lending to Participating FGs

Hub	Financial Institution	District	No. farmers	Amount disbursed (Ush million)	Amount repaid (Ush million)	% repayment	Remarks	Crop	Production	Gross incomes (Ush million)
Eastern Uganda Hub	UDBL	Mayuge	150	201,996,000	27,096,150	13.4	Loan rescheduled due to 'poor' performance of the crop. 'yield was low', farmers were linked and to access 6' MT of seed from the multiplication site for planting to recover the loan	Soya	40 M/T	60
		Jinja	232	329,400,000	74,926,300	22.7		Soya	32 M/T	48
		Iganga	226	180,000,000	64,000,000	35.6		Soya	20330	30.5
Lira Hub	UDBL	Oyam	221	497,500,000	269,689,902	54.2	Payment ongoing	S/flower Soya	600MT, 300 MT	1,109.00
		Kole	453	738,000,000	369,000,000	50	completed first loan, and servicing the second loan of same amount	S/flower Soya	110.5 MT	151.2
		Alebtong	273	500,000,000	234,493,700	46.9	payment ongoing, crop was affected by hailstorm, farmers bought Agsun and planted this season	S/flower Soya	326 MT	249.75
	FINCA	Oyam	120	25,000,000	0	0	Loan due in December 2015	S/flower Soya	32 M/T, 28.5 M/T	72.9
		Alebtong	71	34,550,000	0	0	Loan due in December 2015	S/flower		
	OBUL	Dokolo	22	10,100,000	348,000	3.45	Loan is on time, farmers have started paying, interest payment for 1 month made.	S/flower	180 acres season B	0
		Serere	18	8,000,000	8,000,000	100	Farmer completed payment, new loan of 12,000,000 was disbursed	G.nuts, Simism, S/flower		
		Kaberamado	17	8,100,000	454,400	5.6	Loan is on time, farmers have started paying, interest payment for 2 months made.	S/flower, Soya	5 M/T, 3 M/T	6.9
	PBU	Lamwo	61	11,000,000	0	0	Loan due in December 2015	Simism		
Total			1864	2,543,600,000	1,048,008,452					1,638.2**

Oilseed Processing: Mission visits to Gulu and Seroti Districts:

14. Oilseed processing outside the three main solvent based mills is by enlarge done by small mills. These tend to be screw presses with a processing capacity of around 10 Mt per working day of 10 hours. Millers tend to operate with limited working capital and operate at peak seed harvest times and with limited **storage** capacity. Seed is bought for cash with a premium being paid for "identified" hybrid seed of higher oil content. In reality, many mills buy a mixture of OPV and semi-wild hybrids with low oil content of below 20%. The short comparison between two millers below is indicative of changes underway in growing areas economic distances away from large-scale processors.

15. Global Millers Ltd is based in Gulu and is a new entrant to the sector. The site has been developed from an existing business and modified extensively modified. Capacity is estimated at around 10 Mt per day with equipment imported from India. The process includes seed cleaning and conditioning, heat pre-treatment, a screw press and oil filtration (below right). Total investment is estimated at around \$150,000 with further plans to build storage for seed and finished products. Planned annual processing capacity is set at around 2,000 Mt. Oil is sold in 20 Litre jerry-cans in the

“crude” form to local traders who in turn sell to consumers for domestic use. There is a secondary market in crude oil which is either bought by the large processors or a few local “refiners”. This process de-odorises crude oil through heat and treatment with an alkali and improves cooking quality. The Gulu hub-coordinator is working closely with the mill operator to establish links with participating FGs who have access to improved hybrid seed. Simple supply contracts will be developed agreeing volumes, minimum prices and quality parameters such as moisture content and foreign matter.

Global Millers installation and cloth filter press



TOFA Oil Ltd, Seroti

16. This is an example of another small scale miller operating well below capacity. Milling equipment is again from India and has been funded by a matching grant of \$80,000 from the DFID funded BUDS program. The mill claimed to have an installed capacity of 12Mt per day but was only processing around 50Mt so far this season. Working capital was a serious constraint as was the known location of quality seed.

External View of TOFA Mill



Internal view of elevator (not working) and press



17. The hub coordinator is working with the mill operator, PSP, FGs and financial institutions to build linkages between participants to utilise installed capacity to a much greater degree. The TOFA mill provides further evidence that installed milling capacity in the project area is often not the main limiting factor. This mill was unaware of VODP's existence and also unaware of oilseeds FGs visited by the mission. The hub coordinator could use this as a case study to demonstrate the huge potential of the project to facilitate linkages in the project areas.

Technical Annex 3

Monitoring and Evaluation

Technical Annex 3: Monitoring and Evaluation

18. This technical annex proposes methodologies for analytical work to be done by KOPGT and for outcome level reporting by the PMU. It thus focuses on the oil palm component. A small section on the oil seeds component is presented at the end.

19. To date, estimation of cash flow, farmer income and overall profitability has been based on farm models, developed at design and reviewed during supervision missions, and anecdotal evidence from farmers. This has been substantiated by visible developments on ground such as improved houses of oil palm farmers and increased services available, indicating cash circulating in the economy. However, issues of cash flow, for example saving cash for fertilizer purchase, and when prices fall, are continuously raised by farmers. Oil palm harvesting has been on-going since 2010, and about 300 farmers have currently reached the commercial phase, with about 15 having completed loan repayment. 2200 ha are currently under harvest. This provides a basis for verification of the farm model, and updating based on actual process, yields etc. As harvests increase, there is also a need for more detailed crop forecasting analysis, for transport planning and for ensuring as high yields as possible are realised, including that fertilizers are applied and the pests and diseases are managed.

Outcome reporting Kalangala

20. KOPGT currently reports on an output basis where emphasis for a number of years has been to report consistently and accurately. This has been achieved to date, with structuring of data, updating the farmer loan statements and in having standard reporting templates. The standard templates include, amongst others: number of farmers (m/f) per block, HA of planting per year per block, cash and in-kind loan disbursed per year, FFB production per month and FFB price.

21. While these indicators should continue to be tracked there is a need for accurate yield and income projections, and thus overall viability of the project for the farmers involved. This includes establishing outcomes at average and individual levels (as opposed to aggregate), including for example per ha, per year, per household and/or farmer. Overall, there is a need for:

- a) KOPGT to be able to forecast yield accurately for logistical planning
- b) KOPGT to be able to monitor yield of smallholder plantations against projections and nucleus estate production to identify possible decreases in yield and the causes
- c) KOPGT to monitor performance of individual farmers, e.g. those who start harvesting late; those to take longer than projected to repay their loan and thus risk being less profitable; monitor the in-pocket cash of farmers
- d) PMU to report annually on outcome indicators
- e) PMU to monitor profitability of the investments

Situation analysis

22. There are a number of challenges in the data structures of KOPGT which complicates achieving the above objectives and explain why the analysis has not been possible to date. As reflected in the reporting, KOPGT activities have been focused on achieving planting targets, closely linked to disbursement of development loans. Although planting is still taking place, the last few years have focused on reconciling data, and now have in place:

- Farmer loan statements, listing the loans disbursed to individual farmers (distinguishing between cash and in-kind loans of fertilizer and seedlings)
- Palm dales summary report containing details of the harvest of each farmer, including kilos harvested, value of sales, transport costs deducted, loan repayments and payments made to farmers.
- The PEARL database containing farmer information, from which the above statements are extracted from.
- Excel-based lists of years of planting, price developments and other detailed information.

23. There are some challenges faced, however:

- KOPGT database is for credit management, but dubs as an MIS. However, it means that data is structured in a way that does not make it possible to track PER HA or PER YEAR OF PLANTING, but rather tracks PER FARMER. Similarly, blocks define the main level of aggregation, analysis across them is not feasible within the system itself. The system is also characterised by standardised reports which are not easy to amend or to produce other templates. The system has successfully tracked farmer loans and sales/payments/repayments, but a majority of the data analysis remains to be done manually.
- Each farmer has a different story making automatisisation a challenge – defining the year of planting, for example requires a manual interpretation of the farmer loan statements, as farmers generally planted over a period of 6 months; sometimes prepared the gardens but did not get seedlings or missed a year of maintenance loans as KOPGT was having cash-flow problems with the PMU.
- Establishment of area under cultivation remains a challenge. Some farmers are not aware of the actual size of their gardens, while others might have seen an incentive to report a larger size and thereby get a higher maintenance loan. The number of seedlings collected by each farmer should provide an estimate (58 seedlings per acre), however, this method is prone to fluctuations as: 1) farmers have not planted in straight lines / the recommended patterns, meaning the cropping density could vary, 2) some farmers have collected seedlings on behalf of relatives, or received from others and 3) the mortality rate of seedlings (estimated 10%) varies from farmer to farmer. From a sample of farmers it has been noted that in some cases maintenance loan corresponding to a larger acreage than on ground has been given. GPS measurements should be used for establishment of farmer acreages.
- Each farmer has received development support under various “regimes”, i.e. sizes of maintenance loan and fertilizer application recommendations. It is therefore not possible to compare directly to farm models. It should also be noted that the loan disbursements only fall in some of the categories specified in the models, and thus a full comparison and validation cannot be done of the farm model. Particularly the cash disbursements are not disaggregated by type, and sometimes merge land preparation and maintenance, for example.
- The model applied, i.e. loans disbursed does not follow the model strictly, for example some received fertilizer on loan for a longer period of time; some received more or less for land preparation, and the uptake of fertilizer was not uniform.

Way forward

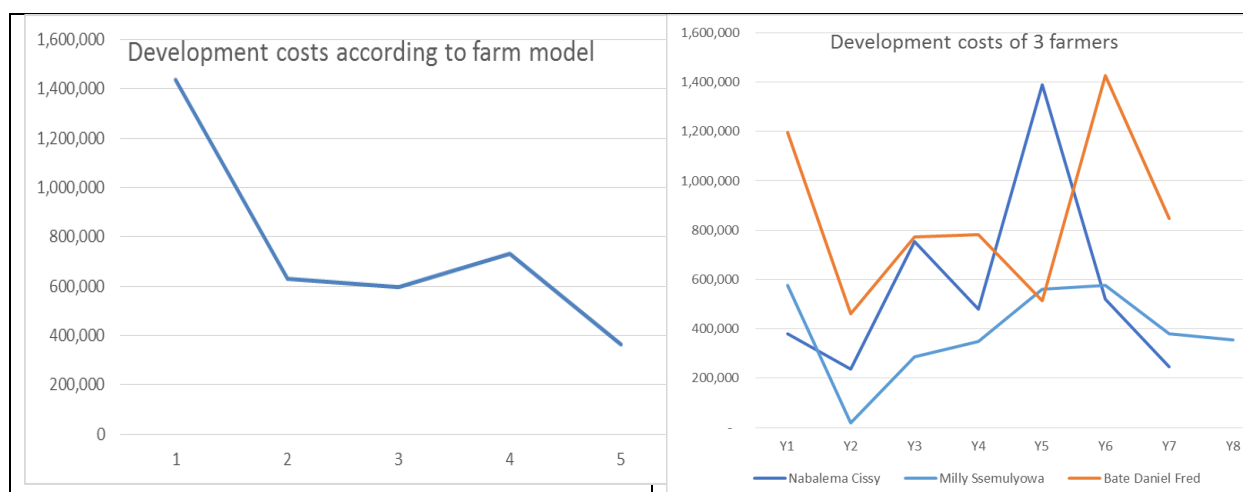
- The PMU have been undertaking a GPS mapping exercise using the Social Tenure Domain Model and with support from GLTN/UN-Habitat. The team has collected data on all farmers including the size of each garden (which ensures disaggregation by year of planting). The KOGPT database has a farmer key, but the number is not known to the farmer and thus cannot be collected in the field. A challenge will be linking the information to the KOPGT database, as names are not always easily traceable and comparable.
- Based on the outcome of the GPS exercise, a total of area planted per year (and total for the project area), per farmer, should be established and used as the basis for yield forecasting and profitability monitoring, replacing ad hoc spread sheets. The data sources will be the number of seedlings received per farmer, the maintenance loans paid, GPS measurements and dialogue with the farmer.
- The basic unit of interest is per plot defined as a contiguous area planted with oil palm in the same year (within a 12 month period) by one farmer. This means a GIS system is optimal for tracking; KOPGT will assess options of using this data for on-going monitoring and management, as well as for yield forecasting.

- The PMU should ensure more diverse and comprehensive outcome level reporting is captured in the Results Framework and in annual reporting.
- While data is available for annual outcome reporting, this cannot be done in an automated way (and can thus not be included in the project MIS). At this point in time of the project, it is not considered necessary to transform the KOPGT database. A case study approach will be adopted for outcome level reporting.
- The PMU will incorporate outcome level reporting (the systematic review of approx. 300 farmer loan studies) in the planned Oil Palm Impact Study.
- KOPGT should put in place a longer term yield projection plan including transport needs (KOPGT fleet and the use of private transporters).
- The PMU and KOPGT need to agree on standard definitions:
 - Income, distinguishing between value of sales, gross, net and profit
 - Methodology for yield projections, comparable to OPUL (including methodology for accounting for age of trees)
 - Definition of year of planting linked to the farmer loan statement (e.g. plantings are usually done over a 6 month placement, with replacement planting being difficult to distinguish between new plantings and replacement planting)
 - Current farm models are to be used for comparison, and continuously updated.
- IFAD will organise a technical working group meeting to popularize the farm model and further develop templates for analysis.

Initial findings

24. The mission, and previous missions, have run through the farm model and updated assumptions through for example interviews with farmers to estimate labour costs. Farmer loan statements have also been analysed, and templates provided to the PMU for further analysis.

25. **Cash flow.** The cash flow is in this case defined as the cash a farmer receives in his pocket as a consequence of the project. In the development phase, this is land preparation and maintenance loan, noting that in-kind contributions are made in addition (so that the farmer will have to cover labour costs from the money, but not, for example, fertilizer costs. This is different from the commercial phase. However, it is an element that is very important for the farmer. The actual cash flow is very different from the actual cashflows observed, meaning that the money the farmer sees in his pocket changes from year to year (and month to month), and provides basis for complaints especially when not harmonized with savings cultures. Fertilizer application seems to take off around initial harvests, where cash flows are already constrained, making the farmer feel a pinch in the pocket. There can thus be a need to review the model to ensure a more smooth curve. The below graphs show the costs of development per year, comparing the model to 3 actual cases.



26. **Composition of development loan.** The mission analysed extensively a sample of 3 farmers who planted only once (2006), and have finalised repayment of the development loan. It should be stated that this cannot be considered a representative sample, but can provide an example of analysis to be undertaken, and a hint of the findings that might emerge. If analysing the actual loan received by the farmers, the composition of the loan is slightly skewed towards a higher cash component and a slightly lower expenditure on seedlings, given the overall increase (in the farm model) in the cost of seedlings. Overall, however, the development loan disbursed more or less corresponds to the model. However, if analysing only the first 5 years, which effectively are the development phase (4 years plus 1 year of fertilizer loan), the loans disbursed are skewed towards a greater proportion of loan being in cash and a smaller proportion being spent on fertilizer. This shows that the general uptake of fertilizer is too low, especially in the first years of development. However, maintenance loan has been disbursed regularly. The details can be seen in the table below.

Table 1: Comparison of actual development loan of 3 farmers to the 2014 farm model

Farm model (2014) loan categories (% of total)	Total average of farmers investigated (% of total)	Total average of farmers only during deve phase (% of total)
18%	7%	11%
43%	42%	30%
2%	1%	2%
37%	50%	53%
100%	100%	100%

27. **Analysis of farmers – comparable to farm model.** Two farmer loan statements and corresponding palm sales sheets have been used to replicate farm models, which can be used to update the assumptions as well as continually monitor that oil palm is a profitable venture, at the current implementation modalities, prices and yields. The below figures are summarized (added) from the two mentioned farmer statements, which covers the full loan. The size of the garden is estimated by the number of seedlings received by the farmer, minus 10% to cater for mortality and loss, and divided by 58 seedlings per acre, according to best practice. The overall size of the loan is thus divided. An additional step would be to interview the farmer and record their story, as well as capture labour costs.

Bujumba

Nabalema Cissy

Number of seedlings 282

Minus 10% loss 254

Estimated acreage 4.38

Farmer loan statement	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Seedlings	1,269,000								2014	2015
Fertilizer		602,700	927,900	956,000	4,081,250	1,673,000	1,084,200			
Other		265,500	10,000							
Cash	390,000	169,000	2,360,000	1,140,000	2,000,000	600,000				
Total	1,659,000	1,037,200	3,297,900	2,096,000	6,081,250	2,273,000	1,084,200			
Palm Sales summary report										
Tonnes sold					6,401	18,229	26,382	29,461	20,195	13,333
Value of sales					1,873,637	7,370,704	9,865,249	11,740,317	7,766,834	4,941,049
Transport charge					46,400	680,258	852,465	883,830	605,040	399,990
Loan recovery					603,783	2,236,240	3,161,051	3,317,778	2,360,432	1,589,539
Net income					1,223,454	4,454,206	5,851,733	7,538,709	4,801,362	2,951,520
Estimated cost per acre	Y1	Y2	Y3	Y4	Y5	Y6	Y7			
Seedlings	290,000	-	-	-	-	-	-	-	-	-
Fertilizer	-	137,733	212,050	218,471	932,673	382,325	247,768	-	-	-
Other	-	60,674	2,285	-	-	-	-	-	-	-
Cash	89,125	38,621	539,322	260,520	457,053	137,116	-	-	-	-
Total	379,125	237,028	753,657	478,991	1,389,726	519,441	247,768	-	-	-
Estimated income pr ha	-	-	-	-	-	-	-	-	-	-
Tonnes sold	-	-	-	-	1,463	4,166	6,029	6,733	4,615	3,047
Value of sales	-	-	-	-	428,176	1,684,400	2,254,470	2,682,972	1,774,927	1,129,160
Transport charge	-	-	-	-	10,604	155,457	194,811	201,978	138,268	91,408
Loan recovery	-	-	-	-	137,980	511,040	722,384	758,200	539,421	363,252
Net income	-	-	-	-	279,592	1,017,904	1,337,275	1,722,794	1,097,238	674,500
In-pocket cash (before inv)	89,125	38,621	539,322	260,520	736,644	1,155,019	1,337,275	1,722,794	1,097,238	674,500

Kayunga

Milly Ssemulyowa

Number of seedlings 365
Minus 10% loss 329
Estimated acreage 5.66

Farmer loan statement	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	2014	2015
Seedlings	1,642,500									
Fertilizer			442,800	375,000	1,250,000	372,000	2,159,000	2,013,400		
Other										
Cash	1,620,000	100,000	1,180,000	1,600,000	1,930,000	2,900,000				
Total	3,262,500	100,000	1,622,800	1,975,000	3,180,000	3,272,000	2,159,000	2,013,400		
Palm Sales summary report										
Tonnes sold					14,340	43,755	50,779	79,677	62,769	8375
Value of sales					4,238,815	18,336,685	21,219,931	29,538,668	25,053,255	3160737
Transport charge					98,400	1,512,569	2,054,520	2,747,952	2,323,910	293125
Loan recovery					1,699,337	5,552,057	6,424,779	9,410,612	7,217,280	946311
Net income					2,441,078	11,272,059	12,740,632	17,380,104	15,512,065	1,921,301
Estimated cost per acre										
Seedlings	290,000	-	-	-	-	-	-	-	-	-
Fertilizer	-	-	78,181	66,210	220,700	65,680	381,193	355,486		
Other	-	-	-	-	-	-	-	-		
Cash	286,027	17,656	208,341	282,496	340,761	512,024	-	-		
Total	576,027	17,656	286,522	348,706	561,461	577,705	381,193	355,486		
Palm Sales summary report										
Tonnes sold	-	-	-	-	2,532	7,725	8,966	14,068	11,083	1,479
Value of sales	-	-	-	-	748,406	3,237,527	3,746,594	5,215,351	4,423,406	558,060
Transport charge	-	-	-	-	17,374	267,059	362,746	485,179	410,310	51,754
Loan recovery	-	-	-	-	300,035	980,272	1,134,360	1,661,539	1,274,284	167,081
Net income	-	-	-	-	430,997	1,990,196	2,249,488	3,068,633	2,738,812	339,225
In-pocket cash (before inv)	286,027	17,656	208,341	282,496	771,758	2,502,220	2,249,488	3,068,633	2,738,812	339,225

Oil seeds outcome reporting.

28. The design report and the Mid-Term Review contain a number of small, simple models of potential yield given usage of technology, labour and input costs. These are the basis of intervention in the given area (for example support to the crop) and should be re-calculated at an annual level, to document the outcome levels achieved. As for oil palm, this cannot be done in a database/automised way, as this requires major data collection and input from service providers. However, overall prices and technologies can be reviewed and the farm model updated annually. In this way, the PMU will annually be able to report statements such as: 1000 soya bean farmers in Lira are applying fertilizer, using improved seed and having a profit margin of UGX 50,000 per ha. In Gulu, 500 farmers are, simply by using improved seeds, earning an estimated UGX 100,000 per season from sunflower.

Technical Annex 4

Financial management

Technical Annex 4: Financial management

G. Fiduciary aspects

57. **Financial management.** The project accounting system is capable of recording financial transactions in a timely and accurate manner and the aggregate set of procedures and practices that allow for proper management of public funds are in place and well documented. As a government requirement, the PMU is moving from use of the current accounting software, Tally, to the government recommended 'Integrated Financial Management System (IFMS)'. The PMU financial management team is still undergoing training before fully adopting the IFMS. Given the experience of other IFAD-funded projects in using the IFMS, however, it is expected that it will take some time before VODP2 can fully adopt IFMS. Meanwhile, the PMU will continue using both Tally and IFMS in parallel until it is demonstrated that the latter can handle project financial reporting requirements.

58. Funds disbursed by the PMU to the service providers and the districts were seen to be severely delayed. The PMU attributes these delays to the long approval procedure of payments. Efficient and timely funds flows to implementing partners are critical, as delays will lead to activity implementation being stalled. **Agreed action:** MAAIF should consider streamlining payment procedures to avoid delays.

59. The payment approval cycle was assessed by the mission, and it is as follows: a request for payment is delivered at the PMU, reviewed and approved. It is then submitted to MAAIF for further review and approval at three levels, that is; the Internal Audit (IA) department, the Principal Accountant (PA), and the Permanent Secretary (PS). The approved documents will then be transferred back to the PMU for preparation of payment orders. These will again go through the same process of approval both at the PMU and MAAIF (excluding IA). Internet banking then follows – this also has challenges depending on the availability of the Accounting officer (AO), and reliability of internet connection. The mission sampled four payment requests, to establish how much time this cycle usually takes, and, it was observed that a single payment process takes within the range of 48-67 days (See table below).

SAMPLE PAYMENT DURATION				
Request for payment	Invoice date	Loose minute raising date	Effective date of payment	No. of Days
ASRT	30th July, 2015	10th August, 2015	15th Sept, 2015	47 days
CRDI	30th July, 2015	10th August, 2015	15th Sept, 2015	47 days
Case International Consultants	05th June, 2015	12th June, 2015	13th August, 2015	68 days
Jevil Company Ltd	09th March, 2015	08th April, 2015	15th June, 2015	69 days

60. As noted above, this payment process, much as it is an effective control tool, delays involved may hinder project implementation. In other IFAD funded projects, e.g PROFIRA, the project manager has been given full authority to be the project AO, and further discussions with PMU demonstrated that where powers of AO have been delegated, payment processes have been a little faster. To reduce process cycles then, MAAIF may consider two options;

- Give full authority to the PMU to effect payments, and MAAIF undertakes internal audits on a quarterly basis.
- Delegate the authority of 'accounting officer' to a dedicated MAAIF official who is readily available.

61. **Internal controls.** A comprehensive system of financial internal controls to safeguard project assets from misuse or fraud is maintained. An internal control structure is in place and well documented. While the project does not have an independent internal audit system, the ministry's internal audit department reviews all expenditure requisitions before they are approved for payment by the permanent secretary. MAAIF internal audit department should however widen their scope of audit to include checks on compliance with the loan covenants, undertake procurement audits and test check whether the system of internal controls ensures compliance with established policies and procedures.

62. **Disbursement of IFAD Loan (802-UG).** Actual disbursement as per IFAD status of funds report, is 39.9% (SDR 13.3 M out of 33.5 M). This includes an initial deposit of SDR 3.2 million. Actual utilization of funds - made of pending WAs 38 and 39 and expenditures from the special account not yet claimed (approx. SDR 3.2 M) would take the percentage to 49.34%.

63. Disbursements by other funding partners against project design targets is as follows: IFAD grant - 64%; GOU - 45.8%; OPUL - 0% (as no investment for Buvuma took place); Trust - 0% (as loan reflows have not yet been used to finance oil palm development, but a total of UGX 5.3 billion has been accumulated so far as loan reflows); KOPGT – 0% (as no KOPGT revenue has been used so far to cover its operational costs, still covered 100% by the project); Farmers - 111.7%; and SNV - 75%.

64. **2014/15 Annual Work Plan and Budget (AWPB).** The 2014/15 AWPB was submitted to IFAD in July 2015. IFAD guidelines require that AWPBs are submitted for No objection two months before the beginning of the relevant financial year. Noncompliance is a breach of loan covenants. Actual expenditure against the 2014/2015 AWPB was as below:

Financial performance by Component against budget for the Period July 2015 to Sept 2015

Component	Budget (Ushs)	Actual	%age	Commitment	Total (Actual& Committed)	%age
Oil palm Development Component						
Kalangala Oil palm Development	6,980,138,000	536,434,913	7.69%	7,292,727,927	7,829,162,840	112.16%
KOPGT support	2,040,183,680	404,584,390	19.83%		404,584,390	19.83%
Buvuma Mobilisation	111,445,697		0.00%		0	0.00%
Buvuma Oil palm development	11,104,671,750	22,515,930	0.20%		22,515,930	0.20%
New oil palm area identification	345,200,000	2,400,000	0.70%		2,400,000	0.70%
Subtotal Oil palm Dev't Component	20,581,639,127	965,935,233	4.69%	7,292,727,927	8,258,663,160	40.13%
Oil seeds Component						
Farmer groups extension	6,443,444,000	788,341,935	12.23%	691,317,700	1,479,659,635	22.96%
Seed production	1,586,099,333	239,684,277	15.11%		239,684,277	15.11%
Value chain	254,585,667		0.00%		0	0.00%
Subtotal Oil Seeds Development	8,284,129,000	1,028,026,212	12.41%	691,317,700	1,719,343,912	20.75%
PMU Component						
Project Management	4,267,504,400	521,980,169	12.23%	437,278,007	959,258,176	22.48%
Subtotal Project Mgt component	4,267,504,400	521,980,169	12.23%	437,278,007	959,258,176	22.48%
Grand Total	33,133,272,527	2,515,941,614	7.59%	8,421,323,634	10,937,265,248	33.01%

65. **Designated accounts (DAs).** The project operates two designated accounts; one for PMU expenditures (USD 3 Million) and another for pre-financing cash payments to farmers for Oil Palm development (USD 2 million). During the time of the mission, two WAs amounting to USD 2.26 million (45% of the initial allocation) were still under approval processes at ministerial level, and USD 2.2 million had been spent from the DAs but not yet claimed. The implication is that, in total, 90% of the DAs has been utilized and not yet replenished. This situation, if not mitigated, will result in liquidity problems that may affect project implementation. It is thus important that the approval processes at

ministerial level (which takes approximately 45 days) are reviewed to avoid delays, and that the PMU prepares replenishment WAs as soon as 30% of the DA has been spent.

66. It was further observed that the number of oil palm farmers being supported to access loans/advances has significantly reduced, and on the other hand the Oil seeds component has increased the number of service providers. This will entail disbursement of advances to service providers from the DA for PMU expenses. To provide for these advances, therefore, and taking into account the fact that the DA allocation for payments to oil palm farmers has almost served its purpose (with approximately 75% of loans disbursed so far), it was agreed that USD 1 million (out of the 2 million), be re-allocated from the DA for farmers' loans to the DA for PMU expenses.

67. **SoEs review.** A review was done for sample expenditure items in WA 36, and documentation supporting payments was found to be generally sufficient. Presentation of information in the SOEs also allows for ready access to the files for review and audit purposes. (See Appendix IV sample vouchers checked).

68. **Counterpart funds.** Out of USD 15 million envisaged in the Financing Agreement, GoU has disbursed USD 11.78 million, equivalent to 79%. Counterpart funds are generally received on time as per allocations in the AWPB.

COUNTERPART FUNDS					
FINANCIAL YEAR - ACTUAL FUNDS PLANNED, APPROVED AND REMITTED TO THE PROJECT					
Years	Amount Requested	Amount Approved by Govt	Amount Received	Amount Received	% of Approved Amount
			UGX	USD Equiv	%
2011/12	2,446,122,999	2,440,000,000	1,262,712,889	549,006	51.75%
2012/13	2,441,879,694	2,441,879,694	5,501,317,575	2,081,793	225.29%
2013/14	7,372,297,708	7,372,297,708	7,372,297,708	2,891,097	100.00%
2014/15	16,579,718,684	16,579,718,684	16,009,009,744	5,717,503	96.56%
2015/16	10,967,416,791	10,967,416,791	1,979,608,190	542,358	18.05%
TOT.	39,807,435,876	39,801,312,877	32,124,946,106	11,781,757	80.71%

69. **Compliance with loan covenants.** 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.

70. **Procurement.** The 18 month procurement plan (PP) implementation progress is estimated at 44.2%. This reflects low performance on handling procurement processes and it is in turn reflected in low achievements in implementation of the AWPB. As procurement progresses, it is imperative that actual dates are indicated on the PP and that the subsequent forecast dates for each milestone are updated to allow monitoring of actual versus planned. This ensures that the procurement progress runs as smoothly as possible by providing advance warning to managers of potential delays. A procurement progress report should be prepared to this effect, showing completed PP activities, those in progress and the challenges met. The bidding procedures for the procurement items from invitation/advertisement to award of contract were overall handled efficiently and effectively.

71. **Contract management.** It was observed that the contract monitoring form is updated by the finance staff, and not by the contract manager in charge of each contract. Since contract management is more than payment monitoring, the contract management function should be transferred to the relevant contract managers. Contract managers assigned to respective contracts should be clearly specified in the contract documents.

72. **Audit.** The audited financial statements for the year ended 30th June 2014 received an unqualified opinion and issues highlighted in the management letter thereof were not of financial management nature. The audit report was acceptable to IFAD and was submitted on time. The audit for the FY 2014/15 is ongoing and expected to be completed on time.

Agreed action	Responsibility	Agreed date
Consider streamlining of procedures for approval of payments.	MAAIF	Continuous

Appendix I

Financial Management Assessment at Supervision – Guidance Questionnaire^{9/10}

Country: Uganda	Loan /Grant ID: 806 - UG
Project Name: VODP	
Executing Agency: MAAIF	CPM: Alessandro MARANI
Reviewing Finance Officer/FMS: Kagaba Frederick	Date of this review: 30/10/2015

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 are 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 are 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 assistant 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 contracts for staff are renewed. It involves the immediate supervisor, functional supervisor under the ministry and the PS or Under Secretary.

⁹ This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

¹⁰ Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

f.	Adequacy of health insurance coverage for all staff (where applicable).	H	The is no health insurance scheme for project staff.
g.	Timely payment of social security fees (where applicable).	L	Okay, 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.	M	Mainly the senior staff are informed. Field officers in say Kalangala need to be sensitised.
2. Budgeting			
a.	Timely preparation and approval of AWPB.	H	First draft sent in June, 2015 after beginning of current financial year and No Objection was received in July.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	okay
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Okay – each 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	An 18 month AWPB is prepared.
3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	H	This year payment done for three Withdraw applications worth USD. Delays experienced in the authorisation of withdraw applications. (On average authorisation of a WA takes over a month – number of signatures collected are MAAIF -3, MoFPED – 2)
b.	Timeliness of counterpart funds disbursed.	L	18% of AWPB allocation has been received this year (1.8M out of 10M USD). Overall GOU contribution is at 82% out of the appraisal target.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	M	The project can only request for a status update from the IFAD office on status of W.As. GOU funds are disbursed in quarters.
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.		There are amounts drawn from the SA and not yet claimed appearing on line 7 of the SA reconciliation. WA 36 had a figure of USD 6,330.66 whose breakdown could not be explained. Furthermore, the figure for explanation for any difference (Line 11) USD 565,228.46 needs to be supported by a schedule indicating inflows, outflows and the balance.

			Example amounts received from GOU is USD 542,358 but amount on SAR is more than that.
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	M	In the beginning Initial allocation was USD 2.5, now increased to 5 million. 2 million is allocated for loans to farmers and 3 million for PMU expenses. Since 75% of farmers' loans has now been issued, USD 1 million of the USD 2 million allocated for farmers' loans can be re-allocated to the PMU special account. This will facilitate issuance of advances to newly recruited service providers.
	ii) Appropriateness of disbursement methods used	L	Apparently using direct payment and replenishment disbursement methods
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	M	Cases noted where mission allowances are not supported by back to office reports.
	iv) Timely preparation and accuracy of Withdrawal Applications	H	At time of the mission, 90% of initial allocation had been utilised and not replenished.
	v) Authorization of WA preparation.	H	Authorisation takes more than 45 days.
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	H	95% of initial deposit was unclaimed as at 30/09/2015.
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	H	Monthly reconciliation not done.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	M	8% of AWPB has been spent (USD 0.731M 9.6M). Inclusive of commitments budget execution is estimated at 33%.
	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, then taken to the MAAIF, reviewed by the internal audit department, approved under secretary, passed on to 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, the principal accountant and finally the 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).		When MAAIF is reviewing and approving project transactions, reference is not only made to the PMU manuals, but also GOU FM guidelines.
c.	Adherence to Financial Manual.	L	okay
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	M	In accounts there's a ledger for a specific supplier. At receipt of invoice, DR. Expense Acc and Cr. Supplier. At payment DR. Supplier and CR. Bank. Contract register is regularly updated, and the CMF is run by the finance department instead of the relevant contract managers.
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	okay
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	
i.	Adequacy of physical management of cash.	L	Managed by the assistant accountant, safe available,
j.	Timely payment to suppliers and consultants.	H	Due to the many approval levels involved, a payment takes an average of two weeks.
k.	Eligibility of expenditures with respect to Financing Agreements.	L	
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	M	For KOPGT, partial accountability is accepted, for other sub accounts, 90% of the advanced funds should be accounted for before further transfers are made. Districts take long to justify
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	M	e.g short-term and long-term medium plan for KOPGT not yet completed long after the due date
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	M	
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	

p.	Adequacy of vehicles and assets insurance.	L	
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.		okay
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	M	At KOPGT for example, bank reconciliations for some months were missing
t.	Existence of a proper IT support unit in place.		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'd 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	Apparently efficiently using Tally FMS, but government has recommended use of IFMS. FM staff are being trained on its use.
b.	Recordkeeping (including documentation and filing/archiving)	L	
c.	Fixed assets register maintained and reconciled (sample and physical check).	L	
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	L	
e.	Adequacy of chart of accounts for project accounting purposes	L	
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	L	
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	Other implementation partners do not report regularly.
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	L	Only annual reports are prepared.
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.		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.	L	
7. Internal Audit			

a.	Existence of Internal Audit arrangements.	M	It's mainly pre-audit by the internal audit department in MAAIF. There have been partial internal audits for KOPGT, but the PMU as a whole is yet to be audited.
b.	Adequacy of internal audit arrangements (organization - staff capacity).	L	
c.	Adequacy of internal audit scope of work and quality of reports.	H	It ends at pre-audit done against payments.
d.	Assessment of matters raised in audit reports.	H	Not done
8. External Audit¹¹			
a.	Adequacy of scope and ToR.	L	
b.	Adherence to ToR.	L	
b.	Timeliness of audit report.	L	
c.	Quality of audit.	L	
d.	Implementation of audit recommendations/agreed action plan in place to address these.	M	

¹¹ Refer to IFAD audit review.

Appendix II

Summary of Project Fiduciary Risk Assessment at Supervision¹²

Project # VODP

Implementing Agency : MAAIF

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk		N/A
Control Risks	L	
1. Organization and Staffing	L	
2. Budgeting	M	Budget submitted late for No objection – 1 month after start of financial year.
3. Funds flow & Disbursement Arrangements	H	Delays experienced in transfer of funds to service providers. This can be mitigated by reviewing the long payment procedures. 90% of initial allocation had not been claimed by the time of the mission.
4. Internal Controls	L	
5. Accounting	L	Currently using Tally efficiently, but government has recommended use of IFMS. FM staff is being trained in its use, and in the meantime, the two will be used concurrently to ensure a smooth transition to full adoption of IFMS.
6. Financial Reporting and Monitoring	M	
7. Internal Audit	H	Pre-audit is done for payments. Internal auditor to widen scope and test check other internal control arrangements e.g fleet/fuel/inventory management, and compliance with financing agreement convenats
8. External Audit	L	
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

¹² This is a summary of the findings documented in the 'Project Supervision Financial Management Assessment – Guidance Questionnaire – see Appendix I. It is to be completed by the Finance Officer.

Appendix III

Checklist

	SOE Element	Comments
1.	Are the expenditures properly accounted for in the books and financial reports of the project, and can they be cross-referenced in the SOE to relevant documentation (e.g. vouchers)? Does presentation of information in the SOEs allow for ready access to the files for review and audit purposes?	Yes, in the SOEs a reference code generated by the system is indicated and the filing system also follows this structure hence allowing for easy access to the support documents in the files. However, since SOEs come from different cost centers, it is important that it is the SOE expenses are allocated as such.
2.	Are all the invoices stamped Paid?	Yes, and the date of payment indicated.
3.	<p>(i) Review documentation supporting payments and for all cases described in (ii) through (iv) below, ensure existence of:</p> <ul style="list-style-type: none"> ✓ a signed contract or confirmed purchase order – showing the specified amount that is due to be paid ✓ evidence of receipt, invoice or performance ✓ a bank guarantee for advance payment, as specified in the contract documents ✓ a bank guarantee for performance, as specified in the contract documents ✓ copies of communications sent by the IFAD country programme manager to the lead project agency providing the 'no objection' (whether post or prior) to the contract award; and ✓ evidence of payment/bank statements ✓ accounting records of approvals, disbursements, and balances available ✓ procurement documents (bid documents, invitation, evaluation, award, add in a newspaper), if applicable. ✓ for recurrent costs (operation cost and PIU staff salaries), ensure existence of recurrent costs records <p>(ii) For payment of goods, in addition to (i) above, ensure existence of:</p>	<p>Samples taken and reviewed indicate that support documents are fully attached, and all imprests are properly accounted for. One observation that is common to both the PMU and KOPGT, while a substantial amount of money goes to DSA, there is no back to office report prepared by the beneficiaries to confirm that purposes for which this DSA was issued were achieved.</p>

	SOE Element	Comments
	<ul style="list-style-type: none"> ✓ a supplier's invoice, duly certified for payment by the project director – specifying the goods, their quantities, and prices ✓ bills of lading or similar documents; and shipping or import documents and inspection certificates , if applicable ✓ a certificate of delivery, as appropriate, to include condition of goods on delivery. <p>(iii) For payment of consultants' services and other services, in addition to (i) above, ensure the existence of:</p> <ul style="list-style-type: none"> ✓ the supplier's or consultant's claim, duly certified for payment by the project director and showing sufficient detail. If such services relate to the importation of goods (for example, freight and insurance payments), adequate reference should be given to enable the Fund to relate each of these items to specific goods whose cost has been or is to be financed by the financing closing date; and ✓ a certificate of delivery, as appropriate, of satisfactory services. <p>(iv) For progress and retention payments of civil works, in addition to (i) above, ensure existence of :</p> <ul style="list-style-type: none"> ✓ a claim by the contractor, including a financial progress report, stating the work performed and the amount due; ✓ a certificate – signed by the project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer assigned to the project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract; and ✓ a copy of the contract payment monitoring form (Form C-11) signed in original by the certifying officer. <p>(v) Credit lines/equity:</p> <ul style="list-style-type: none"> ✓ review Subsidiary Agreement with the Project Party (i.e. Micro Finance Institutions, banks, equity companies etc.) ✓ review documentation evidencing proof of activities as described within the Subsidiary Agreement and/or any sub-agreement <p>review bank statement(s) recording funds flow</p>	

	SOE Element	Comments
4.	Question to address in review are:	
4.1	Is the documentation readily available?	YES
4.2	Does it indicate that the expenditure was approved by an authorized official?	Approval is on two levels; the project management and the parent ministry.
4.3	Is it in original form?	YES
4.4	Does it relate to the project concerned?	YES, for example, it will indicate the financing agency and at how much.
4.5	Are the computations correct and are there any errors or alterations?	NO
4.6	Are the type of costs charged appropriate for the category and have the disbursement percentages been used correctly?	Yes
4.7	Are there any duplicate invoices?	NO
5.	Verify eligibility of expenditures. The review determines whether the expenditures are properly supported and are eligible for IFAD disbursement in accordance with legal agreements.	Except for a few payments, e.g purchases from supermarkets of office items like sugar, soap etc, where receipts are inclusive of VAT, the other payments the project has been charging VAT to GoK.
6.	Determine whether any payments were made in advance of receipt of good or delivery of services, and if so, is this consistent with contract provisions?	Apart from imprest given to employees when they go to the field, other advances are given to contractors but after the provision of an advance guarantee.
7.	Payments exceeding defined SOE limits should be fully supported with related documentation.	DONE
8.	Check for payments for items that are not procured in accordance with the legal agreements or signed contracts, such as: <ul style="list-style-type: none"> ✓ Payments for items not specified in the Financing Agreement and the AWPB, including the procurement plan approved by IFAD; ✓ Payments made prior to credit signing or before the eligible date specified for retroactive financing; ✓ Commitments made before completion date (excluding winding up expenditures) and payments made for the expenditures incurred after closing date; 	NONE

Republic of Uganda
Vegetable Oil Development Project – Phase 2 (VODP2)
Supervision report - Mission dates: 26 Oct – 6 Nov 2015
Technical Annex 4: Financial management
Appendix III: Checklist

S/N	Description	WA No.	Category	UGX	USD	%ge of financing applied	Contract	Delivery note	Planned in AWPB	Invoice	Report	No Objection	Adherence to proc't procedures
1	Supply and delivery of 50,000kg of sunflower seeds	36	2	45,000,000	17,855.94	C	C	C	C	C	N/A	C	C
2	Supply of sunflower seeds	36	2	60,200,000	23,887.28	C	C	C	C	C	N/A	C	C
3	Supply of 10,420kg of soyabeans	36	2	28,655,000	11,370.26	C	C	C	C	C	N/A		C
4	Demarcation and mapping of oil palm roads on Bunyama	36	4	73,625,000	28,189.05	C	C	N	C	C	NC		C
5	Oil seeds baseline survey	36	7	121,732,000	48,303.09	C	C	N	C	C	C		C
6	Framer driven enumeration tool in kalangala	36	7	50,660,000	19,396.36	C	N/A	C	C	C	N/A		C
7	Support to oil seeds activities in eastern hub	36	8	22,501,000	8,928.37	C	N/A	N/A	C	C	NC		C
8	Hub activities in Gulu hab	36	8	26,466,000	10,501.67	C	N/A	N/A	C	C	NC		C
9	Activities for october-dec 14	36	8	33,897,000	13,450.28	C	N/A	N/A	C	C	NC		C
10	Lira hub hctivities for october-dec 15	36	8	30,905,000	11,832.70	C	N/A	N/A	C	C	NC		C
11	PMU net grauity for two years	36	9	178,494,424	70,826.34	C	N/A	N/A	C	C	N/A		C
12	PMU salary for the month of 07/14	36	9	72,366,541	28,714.94	C	N/A	N/A	C	C	N/A		C
13	PMU salary for the month of 08/15	36	9	67,617,647	26,830.59	C	N/A	N/A	C	C	N/A		C
14	Twelve tyres and 2 batteries	36	10	10,674,800	4,235.75	C	N/A	C	C	C	N/A		C
15	Asorted stationary for KOPGT	36	10	4,863,100	1,635.31	C	C	C	C	C	N/A		C
16	Internet service	36	10	1,560,000	619.01	C	C	N/A	C	C	N/A		C
17	6 tyres for KOPGT bus	36	10	4,920,000	1,654.43	C	N/A	C	C	C	N/A		C
18	Various project activities	36	10	18,000,000	7,142.38	C	N/A	N/A	C	C	NC		C
19	Travel allowance for GM & driver	36	10	700,000.00	277.76	C	N/A	N/A	C	C	NC		C
20	Travel for FAM & AC refill	36	10	640,000.00	253.95	C	N/A	N/A	C	C	NC		C
21	Travel for FAM & GM	36	10	1,025,000.00	406.72	C	N/A	N/A	C	C	NC		C

22	Stationary supplies	36	10	2,820,000.00	1,118.97	C	N/A	N/A	C	C	NC		C
23	KOPGT various operational activities	36	10	1,670,300.00	662.77	C	N/A	N/A	C	C	NC		C
24	Repair of UG 1630A	36	10	3,534,870.00	1,402.63	C	N/A	N/A	C	C	N/A		C
	C = Compliant N/A = Not Applicable NC = Non compliant												

Technical Annex 5

Coordination with IFAD grant-funded initiatives

Annex 5: VODP2 coordination with IFAD grant-funded initiatives (4P and OSSUP)¹³

1. In addition to its loan-funded project portfolio, IFAD is supporting other grant-funded innovative initiatives in Uganda. Two of them are specifically operating in the oil seed sector and are very complementary to the VODP2. In fact there is a great potential for synergies if the project is able to successfully coordinate its activities with the international NGO, SNV Netherlands Development Organisation (SNV), in charge of both grant-funded initiatives.

A. Partnering for Value: Promoting Public Private Producers Partnerships (4Ps) in Agricultural Value Chains (simply called “4P”)

2. **Background.** This is an IFAD global initiative operating in five countries (including Uganda) launched in February 2015 and to be completed in January 2018. The basic idea is to hire on a competitive basis the services of specialised service providers (*4P brokers*) with proven expertise in 4P facilitation to support the development of and monitoring mutually beneficial (win-win) Public Private Producers Partnerships (4Ps) in the context of IFAD-funded investment projects and different agricultural value chains. The initiative comprises two main components:

- (i) 4P Brokering: identification of value chains for 4P development, identification and selection of companies and producer organisations, identification of possible investors, selection and monitoring and evaluation of 4P business cases; and
- (ii) Knowledge and Learning: awareness and capacity building of country stakeholders; knowledge exchanges and cross learning within and among the five countries; development and dissemination of 4P knowledge products including guidelines, good practices, policy briefs which identify 4P enabling factors related to the policy and regulatory environment, and case studies.

3. Main outputs include: (i) *4Ps brokered and implemented*: 4P business deals brokered and implemented resulting in mutually beneficial relationships, funds for 4P business cases leveraged from the public, the private and financial sectors; (ii) *4P good practices*: the 4P approach implemented in selected countries and projects generated a coherent and systematic set of good practices in different countries and commodities to support 4Ps in the future; (iii) *Strengthened awareness and capacities*: all stakeholders involved have increased understanding and capacity to support 4Ps; (iv) *4P knowledge products*: 4P knowledge products to support the design, implementation, monitoring and evaluation of 4Ps developed and disseminated.

4. IFAD selected SNV as grant recipient through a competitive process (call for proposals). SNV operates as 4P implementing agency at global and country level through its staff and local service providers.

5. The ongoing 4P initiative has been underway for about eight months. Even though it is too early to assess any result, the process of setting up the 4P initiative in partnership with counterpart Government and IFAD-funded projects has generated lessons which are relevant for Uganda. First, the roles and responsibilities in every aspect of the initiative should be clearly defined for all key stakeholders from the outset. Second, preparing a joint work plan between IFAD-funded project(s) and SNV is very important to effectively coordinate actions on the ground. Third, aligning with governments and project budgetary processes is also key in order to leverage public funding for 4P purposes.

6. **4P in Uganda.** In Uganda the VODP2 project, specifically its oil seed component, has been identified as a suitable partner for the 4Ps initiative. This is mainly due to two reasons. First, the oil seed sub-sector (sunflower soya bean, sesame and ground nuts) has been developing quickly in Northern Uganda over the past decade, also thanks to an import substitution strategy promoted by the

¹³ Prepared by Marco Camagni, IFAD Senior Technical Specialist in rural markets and enterprises development.

government. As a result the domestic production (supply) of oilseeds have been steadily growing stimulating an equal increase in the demand represented by traders, exporters, several small-medium and few large processors. This scenario offers very good prospects for market-driven economic development as there is an increasing competition among buyers (particularly those who have invested in milling plants) to secure a reliable and consistent supply of raw material.

7. Second, the design of the VODP2, which already foresees the facilitation of linkages between small oil seed farmers and inputs/outputs markets, seems to be suitable to test the 4P approach. In fact VODP2 focuses mainly on the provision of public goods (e.g. know-how, knowledge, research etc.) with no provision for financing private or collective assets or directly addressing financial needs. This is a perfect testing ground for the 4P objective of leveraging private and financial sector investments and financing through the development of viable and bankable 4P business cases. This is also aligned with the latest international debate about “leveraging private sector financing for development”.

8. According to SNV the following activities have been undertaken during the past months: (i) preliminary meetings between SNV and VODP2 teams to begin exploring ways to work together; (ii) discussions with the private sector (agro dealers and oil seed millers in particular) and farmers to build awareness about the 4P approach; (iii) pre-identification of 18 potential 4P business cases; (iv) ongoing consultation with the financial sector to explore their possible financing viable and bankable 4P investment plans.

9. **Coordination VODP2-SNV.** The 4P initiative carries a specific methodology and a set of pre-defined activities which need to be strictly applied. Nevertheless one measure of its success is linked to the degree of integration with IFAD loan funded projects such as VODP2, which would represent the public “P” in any 4P partnership promoted by the initiative. It is the responsibility of SNV, as implementing agency, to plan and carry out these activities in close coordination with VODP2.

10. However, while the 4P initiative is already approaching the end of first year of implementation, key coordination mechanisms (“who is doing what”) between VODP2 and SNV are still not adequately defined. There is, therefore, a concrete risk of an actual disconnect between the implementation of 4P and VODP2, which will represent a missed opportunity for mainstreaming the 4P approach within the VODP2 in order to replicate and scale it up. More clarity is, particularly, needed at three levels: (i) governance structure; and (ii) operational coordination in business facilitation and 4P brokerage activities; (iii) allocations of specific responsibilities. The mission discussed these issues with both VODP2 and SNV and agreed on some actions to address them.

11. **4P Strategic oversight.** *It has been agreed to set up a simple governance structure to ensure that key partners are able to provide strategic oversight to the 4P initiative.* This will be called “4P Steering Committee (4PSC)” and will include a representative of IFAD (i.e. the Country Director), VODP2 and SNV. The 4PSC will meet (i) once/year to review the work plan and budget of the 4P initiative ensuring a good alignment with VODP2; and (ii) upon demand of any of the three partners (IFAD, SNV, VODP2). It is proposed that SNV prepares a bi-annual work plan and budget (both by activity and by expenditure category) until the completion of the 4P initiative. This should be discussed and approved by the 4PSC in January 2016 at latest, in order to ensure a very effective and complementary use of IFAD’s grant and loan resources in the period 2016-17. SNV should also share with the 4PSC the information prepared for SNV reporting to IFAD HQ.

12. **4P implementation arrangements.** *VODP2 and SNV need to agree on and establish a coordination mechanism at the field level for day to day implementation.* This issue was discussed in a meeting with SNV and VODP2 representatives and a *preliminary allocation of responsibilities, based on two 4P components and related activities, has been drafted* (see Appendix 1). However, this will require further detailed fine-tuning and agreements between SNV and VODP2.

13. One of the issues discussed during the mission is who is supposed to play the business linkage and brokerage function. To date this function has been performed up to certain extent by the VODP2 Hub Coordinators and the VODP2 Pay for Service Providers (PSPs) as well as by OSSUP facilitators (see section on OSSUP). For example, the project has brokered contacts with agro-dealers and seed importers and PSPs have played an intermediation role between farmers and seed suppliers

facilitating advance payments and seed delivery. Efforts to link farmers to buyers (particularly millers) have produced some promising results in terms of increasing volumes of crushing material marketed and improved prices obtained thanks to better quality of the produce and improved post-harvest handling and delivery. The project has also successfully established linkages with several financial institutions (DFCU, UDBL, FINCA, OBUL, PBU) to expand access to credit for its targeted farmers.

14. Notwithstanding, business facilitation and brokerage is a key feature of the approach that the 4P initiative aims at testing in the five pilot countries. To this end it is SNV responsibility to ensure that appropriate well-tested methodology, know-how and tools are applied to develop and monitor the four-five 4P business cases, which represent the main deliverables of the 4P initiative in Uganda, bearing in mind that an harmonised application of the 4P approach across countries is key for results comparability and knowledge management purposes.

15. **Selection of 4P brokers.** *It is agreed that SNV will select a sub-set of Pay for Service Providers (PSPs) in the four hubs as official “4P brokers” to develop and monitor selected 4P business cases (outputs of the 4P grant). Each 4P broker is expected to follow up on a business case. This selection, which will need to be endorsed by the 4PSC, should be based on clear selection criteria including:*

- (i) physical presence and experience in the hub;
- (ii) being under contract with VODP2 as PSPs to ensure the best coordination with the rest of VODP2-supported activities¹⁴;
- (iii) expertise in the particular value chain targeted by the business cases and with the potential 4P partners involved; and
- (iv) experience in business facilitation and brokering.

16. 4P brokers will work on the basis of a complementary TORs (to be developed by SNV) and with a result-based contract funded by the 4P grant. The additional contract will cover the 4P brokering specific tasks (preparation of business case according to a specific template, facilitation of win-win negotiations, monitoring through scorecards etc.) required for above-mentioned worldwide methodological harmonisation.

17. However, all VODP2 PSPs and OSSUP facilitators will be trained by SNV on 4P methodology and tools as they will be encouraged to apply them in facilitating business relationships between farmers and oil seed actors. Mainstreaming as much as possible the 4P into VODP2 will represent a great opportunity for testing the approach at much larger scale and scaling up results beyond the targets of the 4P initiative. To this end the role of VODP2 Hub Coordinators will also be critical as they will need to ensure coordination among all the different interventions taking place in their hub. For this reason it is proposed that Hub coordinators are also fully trained on 4P approach and methodology.

18. To this end a *SNV training on 4P brokerage concepts, methodology, M&E and related tools will take place in January 2016*. The training will be delivered by a specialised SNV staff dedicated to the 4P initiative who will also be available afterwards for technical backstopping and coaching of 4P brokers. Training target participants will mainly include relevant VODP2 field staff (Hub coordinators and PSPs).

19. **Consultation with oil seed actors.** The mission welcomes the consultation and awareness building exercise carried out by SNV with oil seed sub-sector players, which is well documented¹⁵. The proposed approach of mapping private sector challenges as a starting point for developing a business case seems to be adequate and complementary the traditional entry point at farmers level adopted by government-managed projects such as VODP2. The combination of both perspectives in a mutually satisfactory and sustainable business deal is indeed the expected outcome of the 4P brokerage. To this end, acknowledging the complex interactions which characterise the oil seed market in Northern Uganda well described in the IIED-SNV recent publication¹⁶, *it will be important to*

¹⁴ The application of this criterion, which is very important for IFAD, includes in the pool of potential 4P brokers the two OSSUP hub facilitators who are working within a VODP2 PSP but excludes self-standing OSSUP facilitators.

¹⁵ See Jesse Arnon and Rowena Namatovu “Developing 4P Arrangements in Uganda”, September 2015.

¹⁶ B. Vorley et al, “Growing inclusion? Insights from value chain development in Uganda oilseeds”, January 2015.

adopt a flexible approach looking for diversified arrangements depending on location, actors and crops involved.

20. In fact the mission field visits in Gulu and Lira confirmed that there is a clear opportunity of linking farmers to seed suppliers and emerging small-medium processing enterprises, which are eager to secure raw material for their recently-established mills. Developing a bankable business case which can effectively connect various actors at different stages of the value chain (i.e. input supply, production, trading, processing) looks like an interesting alternative to the fully integrated Mukwano model. However, in an increasingly dynamic and competitive environment such as the oil seed sub-sector in Northern Uganda, the main challenge would be effectively aligning the interests of these actors in order to create a strong incentive to stick to the deal as opposed to look for opportunistic and short-term gain strategies (e.g. side selling).

21. Based on experiences in other countries, to introduce, from the outset, *a certain degree of flexibility in the contractual agreements could be a possible way to minimise side-selling*. For example, if only a defined portion (e.g. 70-80%) of farmers' production is committed as part of a 4P business deal's negotiated terms and conditions (price, quality, delivery, payments etc.), farmers are left completely free to sell the remaining part (e.g. 20-30%) based on best market (price) opportunities emerging at that time. As a matter of fact, this is somehow already happening in the sub-sector: even farmers theoretically tied to an "exclusivity clause" with Mukwano often sell part of their production to traders who offer farm gate collection and cash payment at delivery (see IIED-SNV publication for details).

22. **Preliminary list of potential 4P business cases.** SNV has prepared a preliminary list of 18 potential business cases. These were mostly identified through the IFAD grant-funded OSSUP network (see next section) and are based on previous interactions with the potential lead firms in each regional hub where OSSUP operates. Some companies have received OSSUP services, while 11 out of 18 were supported by OSSUP in the CBI¹⁷ export coaching programme and have shown some level of interest in the "inclusive business" concept.

23. The plan is now to select, according to a set of pre-defined criteria, the most viable and bankable Business cases to be fully developed into 4P business deals and investment plans. To this end the mission discussed with both SNV and VODP2 the importance of maximizing the value added of the 4P initiative by avoiding too apparent "low hanging fruits" (e.g. business case with Mukwano) and ensuring a balance of 4P intervention across (i) the four hubs where VODP2 operates and (ii) oil seed crops. These two factors together with the actual interest and commitment of potential 4P partners (private sector and farmers) should be considered among selection criteria for the 4P business cases. The mission recommends SNV *to finalize during the coming weeks, in consultation with VODP2 hub coordinators, the process of business case pre-identification in order to get to a more balanced list in terms of geographic location and oil seed crops*. In addition, *clear selection criteria need to be agreed in order to guide the selection of the 4P business cases at the 4PSC in January 2016*.

24. **Consultation with the financial sector.** The bottom line criterion to make the business case viable and meet financing needs of 4P partners remains the bankability of these cases as assessed by financial institutions. In this respect it is important to note that while the focus of VODP2 has been so far on facilitating improved access of farmers to financial services, the application of the 4P approach will prompt the project to also look at the financing needs of other actors of the 4P deals and facilitate linkages to the financial sector for this purpose. That is why *it is also crucial to finalize the consultation process with all possible financing sources and involve them in the assessment of the business cases prior to the final selection by the 4PSC*.

25. **SNV staffing issues.** SNV Uganda has changed the composition of its team dedicated to the 4P initiative compared with the one included in the original proposal submitted to IFAD in 2014. The new team and organisational structure (see Appendix 2) has been presented to and discussed with the mission which mission also reviewed the CVs of the new SNV staff assigned to the 4P initiative. The proposed team include a young professional who has been working as OSSUP national facilitator

¹⁷ Center for the promotion of imports from developing countries.

since last year and a relatively more experienced BDS advisor with experience in business and value chain development.

26. This skill mix seems to respond to the twofold role that SNV is required to play as 4P implementing agency in terms of coordination, M&E and KM as well as technical backstopping, training and coaching. However, in order to minimise any learning curve and achieve the agreed targets the mission (i) *recommends a close oversight by SNV Headquarters on the new 4P SNV Uganda team* and (ii) *requests SNV Uganda to present in a very detailed and transparent way the actual time dedication to the 4P initiative and related cost of its staff in the work plan and budget 2016-17.*

27. **Need to speed up the preparatory phase.** The idea of the 4P initiative is not only to facilitate the setting up of win-win partnerships among the three “Ps” but also, and more importantly, support and monitor the 4P implementation to (i) verify whether 4P partners are actually able and willing to deliver against the commitments and truly benefit from the partnership and (ii) learn from how unforeseen circumstances can be dealt with without undermining the solidity of the deal. To this end it is expected that supporting and monitoring the implementation of the 4P business cases should absorb the majority of the 3-year allocation of the 4P initiative. So, as we are already approaching the end of the first year of implementation, *the mission strongly recommend to speed up as much as possible the process of identification and development of 4P business cases (a reasonable timeline should be included in the bi-annual work plan to be submitted to 4PSC in January 2016) in order to reserve enough time for implementation and learning.*

28. **M&E.** The mission has reiterated the importance of establishing a simple but truly effective M&E system for the overall initiative and for each individual 4P business case, something that has been already discussed several times with SNV HQ. Therefore, *it is expected that SNV Headquarters shortly circulate to all SNV country teams involved in the initiative the necessary framework, guidelines and tools* (e.g. business case scorecards) in order to ensure a consistent and harmonised monitoring of the initiative across the five countries.

29. **Knowledge products.** Finally, as it is too early to show any result, *the mission invited the SNV team to keep documenting the knowledge accumulated from the processes undertaken so far* (e.g. identification and selection of business cases, consultation with stakeholders). This will be used for knowledge management and learning events in the country and at global level (e.g. IFAD Governing Council in February 2016).

Agreed short-term actions

Action	Responsible	Deadline
Set-up a 4P Steering Committee (4PSC) including representatives from IFAD, SNV and VODP2	SNV and VODP2	1 st meeting to be held by end of 31 January 2016
VODP2 and SNV to finalise the preliminary allocation of responsibilities (Appendix 1) and establish coordination mechanisms at the local level	SNV and VODP2	15 December 2015
Prepare draft TORs and result-based contracts for 4P brokers	SNV	31 December 2015
List of 4P business cases to be completed covering all four hubs where VODP2 intervenes	SNV	31 December 2015
Consultation with Agribusiness Initiative (ABI) Trust and other FIs to be completed by December 2015	SNV	31 December 2015
Prepare a draft bi-annual (2016-17) Work Plan and Budget (WPB) by activity and expenditure category to be presented and discussed at first 4P Steering Committee in January 2016	SNV	31 December 2015
In coordination with SNV HQ finalise the M&E tools for 4P initiative overall and for individual 4P business cases (i.e. scorecards)	SNV HQ and SNV Uganda	31 December 2015
SNV training of PSPs on 4P brokerage concepts, methodology, M&E and related tools to take place in January 2016	SNV	31 January 2016
Approval of the 4P WPB for 2016-17 and selection of 4P business cases and 4P brokers (one 4P broker per case)	4PSC	31 January 2016

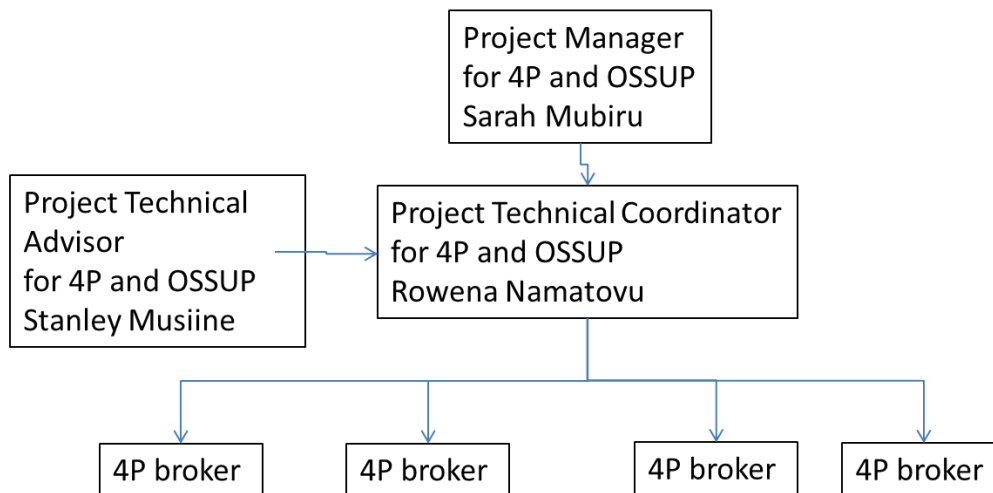
Appendix 1. Preliminary allocations of 4P-related responsibilities by activity

	Activity	IFAD	SNV staff	PSPs = 4P brokers	VODP2
Component 1. 4P Brokering					
1.1	Outcome. 4P business deals brokered and implemented between public, private and producers, resulting in mutually beneficial relationships, funds for 4P business plans leveraged				
1.1.1	Scoping of opportunities and matchmaking, pre-identification of long list of 4P business cases: <ul style="list-style-type: none"> identification of companies and farmers groups and organisations, quantification of benefits for farmers and for companies, screening and selection of companies and producer organisations and identification of possible financiers and investors for 4P business cases 		X Lead the process		X Hub Coord. Provide suggestions on potential business cases in their hub
	<i>Preparation of a list of potential business cases by SNV in consultation with VODP2</i>		X		X
	Selection of 4P cases by the 4P Steering Committee (with the participation of key FIs) based on agreed selection criteria.	X	X		X
	SNV delivers initial training on 4P concepts, methodology, M&E and related tools. Participants: VODP2 PSPs, Hub Coordinators, OSSUP facilitators		X as trainer	X as trainees	X Hub Coord as trainees
	Selection (based on criteria and endorsed by 4PSC) of four PSPs as “4P brokers” for selected 4P business cases to be specifically supported by 4P global initiative based on complimentary result-based contract (and related TORs) with SNV	X (endorsement as part of 4PSC)	X Lead (PSP selection criteria, TORs, contract)		X (endorsement as part of 4PSC)
1.1.2	Business case development based on 4P template: <ul style="list-style-type: none"> support to 4P plan design, supply chain strategy and risk analysis, development result chains (impact, outcome, indicators) 4P baseline & monitoring plan (scorecard) 		X (technical backstopping and mentoring)	X Lead detailed preparation of 4P business cases	X Hub Coord. Provide overall coordination in their hub
	Agree on an implementation plan and related timeline for each 4P business case to coordinate actions		X	X	X
1.1.3	Facilitate 4P implementation , identify capacity building and investment needs, facilitate commercial agreement between company and producers and investors, monitor implementation plan and budget		X mentoring and technical backstopping	X Lead	X Supervision to ensure good alignment with VODP2-supported activities at the production level

	Activity	IFAD	SNV staff	PSPs = 4P brokers	VODP2
1.1.4	4P Monitoring and evaluation , develop and maintain scorecard on key indicators of progress and impact, including suggestions to adapt, improve and/or scale the project		X mentoring and technical backstopping on M&E	X Lead	X ensure link to VODP M&E
1.2	Outcome. The 4P partnership approach implemented in IFAD countries and projects that have significant value chain activities; IFAD has a more coherent and systemic strategy to support 4Ps.				
1.2.1	Dedicated innovation and studies : deepening certain themes and issues tailored to the five countries specific needs and situation.	X IFAD Uganda provides suggestions	X SNV HQ provides guidance to SNV Uganda which leads		X VODP2 provides suggestions in terms of themes and issues to be studied
1.2.2	Policy/strategy analysis and advise : this will deliver key strategy and policy observations, issues and directions to IFAD and its core partners at both country and international level.	X IFAD Uganda provides suggestions	X Lead Build on OSSUP network for the identification of policy issues		X VODP2 provides suggestions
Component 2. Knowledge and Learning					
2.1	Outcome. All stakeholders involved from the public sector, the private sector, the producer organizations and the financial services / investment sector have increased understanding of 4P business models and are better able to support their implementation.				
2.1.1	Awareness and capacity building , feeding relevant stakeholders in the country with basic concepts, strategies and experiences in the 4P domain.		X Build on OSSUP network	X	
2.1.2	Exchange and learning : ensure that experiences and lessons developed in the five countries are adequately shared between the staff of the Ministry of Agriculture, IFAD and other partners in the country		X SNV HQ guidance. Build on OSSUP KM and learning actions	X	
2.2	Outcome. 4P knowledge products: 4P knowledge products to support the design, implementation, monitoring and evaluation of 4Ps developed and disseminated, including a 4P product / guideline, a policy briefing paper and case studies.				
2.2.1	Development and dissemination case studies , 4 case studies on 4P business cases will be developed, capturing major results and major lessons learnt.	X provide inputs and review	X SNV team lead	X provide inputs and review	X provide inputs and review

	Activity	IFAD	SNV staff	PSPs = 4P brokers	VODP2
2.2.2	Development and dissemination 4P guidelines / product , based on the experiences in the project a 4P guidelines / product will be developed as a sample of “good practice” that can be adopted by interested governments, projects, other donors and IFAD staff.		X SNV team lead	X provide inputs and review	X provide inputs and review
2.2.3	Development and dissemination policy brief : a policy brief will be developed drawing policy and strategy lessons and recommendations for IFAD on using 4Ps	X provide inputs and review	X SNV team lead		X provide inputs and review
2.2.4	Communication : various communication activities to disseminate products and findings. This includes web based sharing, webinars, presentations in international events with cases and policy lessons.		X SNV team lead		

Appendix 2. Revised SNV Uganda organizational structure for 4P initiative



B. Uganda Oil Seed Sub-Sector Platform (OSSUP)

30. **Background.** This initiative has been underway since 2004. The current IFAD grant-funded phase will be completed in December 2016. Objectives are to strengthen the coordination within the oilseeds subsector, through the mechanism of OSSUP, with the aim of enhancing the competitive position of locally sourced crushing material from sunflower, soybean, sesame and groundnuts for processing into edible oil and soap. The grant supports the dialogue among sub-sector stakeholders (processors, seed companies, input suppliers, financial institutions and local governments, together with farmers and representatives of farmers' groups). The initiative comprises three components: (i) Facilitating multi-stakeholder dialogues; (ii) Coordinated and monitored actions; (iii) Inclusive and participative knowledge management.

31. SNV is the grant recipient and implementing agency and coordinates four hub-based national service providers who perform several tasks including organisation and facilitation of OSSUP quarterly meetings at hub level, managing the KM and learning agenda, provision of business development services.

32. To date the OSSUP platform has provided a space for strengthening communication, information exchange and learning among the actors of the sub-sector (i.e. government, farmers, private sector, financial sector) at the hub (on quarterly basis) and national level (once/year). OSSUP members choose a specific topic as annual OSSUP theme for discussion and KM activities. So far these have been: (i) access to quality inputs, (ii) inclusive business model, (iii) inclusive trading, (iv) inclusive finance, which is the topic of the current year. According to SNV the topic for next year is going to be "4P".

33. Increasingly, the OSSUP initiative has expanded its scope of intervention towards direct provision of services to OSSUP 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. For example, OSSUP's Lira hub facilitated the development of an inclusive seed multiplication chain between 2013 and 2014 that is both downstream and upstream. The model aimed to produce a sustainable, mutually beneficial relationship between farmers and seed companies by widening the farmers' accessibility to quality, affordable seeds as well as extension services. OSSUP facilitators also benefitted from the involvement in the CBI export promotion programme supported by the EU which gave them exposure to a variety of issues related to SME competitiveness and EU market requirements. This technical background positions the OSSUP facilitators as credible service providers for the private sector in the region. These IB2B and IB2F services were not part of the original design but have been added to respond to an actual demand from OSSUP stakeholders and may represent the basis for the sustainability of the initiative (see paragraph on sustainability).

34. Coordination with VODP2. Two of OSSUP facilitators work for organisations (AFSRT and CARD) that are also playing the PSP role in VODP2, hence may also be potentially selected as "4P brokers". As already detected by previous VODP2 supervision missions and the 2014 Mid Term Review (MTR), when the same service provider combines multiple functions as OSSUP and VODP PSP and in the future 4P broker there may be certain risks. The most obvious one is a possible overlap and duplication when the same person or organisation is offering similar services and reporting the same results to two different clients (e.g. VODP2 and an OSSUP member). There could also be the risk of a possible conflict of interest if the close relationship of an OSSUP facilitator with a particular actor, resulting from the provision of business services over the past few years, may enter into conflict with a role of harm's length and neutral 4P broker between that actor and VODP2 target farmers. Therefore, it is recommended that VODP2 and SNV coordinate the provision of business facilitation services by the hub coordinators, the VODP2-hired PSPs and OSSUP facilitators at the hub level finding ways to address the above-mentioned risks. The latter is important to avoid duplications and to make the most efficient use of IFAD loan and grant resources.

35. Complementarity between OSSUP and 4P. OSSUP and 4P initiatives show certainly a good degree of complementarity as OSSUP has somehow been pioneering since several years in the area of business brokering, which is one of key features of the 4P approach. Building on the OSSUP

experience/know how and its network of oil seed stakeholders seems a sensible strategy for SNV to be able to successfully implement the 4P initiative in Northern Uganda in partnership with VODP2.

36. However, it is equally important to bear in mind that the 4P is a fully independent initiative that is part of an IFAD global programme approved by IFAD Executive Board, for which SNV was competitively selected as implementing agency. This means that 4P activities need to be implemented as planned (in terms of sequence and budget) as it is exactly this harmonised implementation of the 4P approach across selected countries that is expected to generate knowledge and lessons learnt.

37. Having said that, nothing prevents SNV from exploiting economies of scale and synergies between the two initiatives until OSSUP grant completion date (31 December 2016). This should ensure an efficient use of both grant resources by for instance combining similar activities foreseen in both work plans and budget (e.g. a stakeholder workshop, the cost of particular study, even the cost of SNV staff). This needs to be transparently presented in a separate (one for each initiative) detailed budget by activity and expenditure category for year 2016.

38. OSSUP sustainability. Generally the purpose of this type of multi stakeholders platforms is twofold. On the one hand they aim at strengthening relationships among the different players of a particular sub-sector by building trust, coordinating actions and identifying business deals. It seems that OSSUP has effectively performed this function with an increasing role played by OSSUP facilitators at the hub level in providing business to business facilitation services. For example the Gulu hub developed strategic plan for 2012-2015 with the aim of enhancing the sesame, soya bean or sunflower production and productivity of at least 60% of the households in Acholi sub region and of all value chain actors in Acholi sub region by 60% by 2016.

39. the other hand, these platforms typically represent a space for the identification of common issues that affect the overall functioning of a sector and the agreement on actions often related to changes in the regulatory and policy framework (e.g. procedures to register a business, taxes, standards, trade licenses or tariffs) and/or in the provision of public goods (e.g. electricity, roads, extension services). Sometimes this can take the form of a Strategic Development Plan for the sub-sector to be used as a tool for a dialogue with the government (a developing a “Master Plan” for the sub-sector was foreseen in the original design).

40. However, OSSUP seems to have delivered limited results in the latter area as the dialogue among its participants has not really materialised in any tangible impact at the policy and regulatory level as originally expected by some of the members. OSSUP stakeholders do not seem either particularly interested in coming up with a common plan for the sub-sector as particularly the private companies all have their own business plan.

41. As a result, it is not clear whether any of OSSUP participants is presently willing to contribute to keep this space functioning in the future, i.e. beyond the completion date of the IFAD grant. Interviews in the field provided a mixed picture because in certain hubs (e.g. Gulu) some of the members (e.g. small-medium processors) are no longer attending the OSSUP meetings and find other direct ways to engage with other VC players. In any case SNV is preparing a business model for the sustainability of the OSSUP platform and of the services (business to business facilitation) provided by the OSSUP facilitators, which is going to be finalised in the coming months.

42. The mission suggests that this activity should be combined with an assessment of OSSUP participants' vision and expectations about the future of the platform and of the services that it has been providing. It may be possible that the SNV planned model of somehow “subsiding” the future functioning of the OSSUP platform (considered as a public good) thanks to the profit made by providing on commercial basis IB2B and IB2F services to their members turns out to be viable. It would be important to have a clear feedback from OSSUP members in that respect.

43. Agreed actions: (i) VODP2 and SNV to coordinate the provision of business facilitation services by the hub coordinators, the VODP2-hired PSPs and OSSUP facilitators at the hub level; (ii) SNV to prepare by 31 December 2015 a detailed 2016 budget by activity and category for both OSSUP and 4P initiatives clearly specifying which items will be co-funded by the two grants (e.g. OSSUP and 4P coordinator, KM activities).

Technical Annex 6

Mission Note Kalangala

Technical Annex 6

Mission note Kalangala – 2 November 2015



1. Good progress has been registered under the oil palm component in Kalangala. 400 ha on the outlying islands have been planted, bringing the total to 4300 ha. Only 400 ha, for which seedlings are already maturing to satisfaction, remain to achieve the project planting target of 4700 ha. The number of farmers participating is now 1770 (652 women; 37%).

2. **Improved incomes.** KOPGT has disbursed UGX 37 billion in development loans to farmers and farmers have harvested a total of 46,463 tons of fresh fruit bunches since 2010. The value of sales has reached UGX 18 billion, with UGX 3.9 billion being earned between March and September 2015. Of the sales value, 30% (4.9 billion) has been recovered as loan repayments. This means that the harvesting 596 farmers (34% of all farmers) have earned UGX 13.1 billion. After re-investing in the farm, about 30% of the earnings, the 596 farmers have realised a net income of 9.17 billion, or UGX 15 million per farmer throughout the project period. 320 farmers have been weaned of the development loan, with 15 farmers having completed paying the loan principal, covering 48.5 hectares. This is primarily farmers who have only planted once, between 2006 and 2010. The loan repayment has thus taken between 5 and 9 years, which is on-track and in some cases faster than the farm model dictates. Reasons for fluctuation includes quality of soil, application of fertilizer and general maintenance.

3. **Status of production.** By September 2015, FFB production reached over 12,000 tons, with 15,000 tons projected by the end of the year, stemming from 2200 hectares under harvesting. As quantities continue to increase rapidly (next years' harvest is predicted at 24,000 tons, 60% more), transport, labour availability, as well as quality issues will be paramount. On farm yield prediction will become more and more important for KOPGT forecasting and logistics planning. **Agreed actions.** KOPGT will plan for the needed FFB transport by recruiting more private transporters from mid-November 2015. The PMU will finalise the GPS exercise, which will be reviewed during the next mission to see how to improve a database for crop projections on a quarterly basis at the secretariat. Participatory monitoring and evaluation trainings for farmers will be rolled out by the PMU to support the monitoring of yields and profits at farmer level, in conjunction with the sharing of the GPS data collected.

4. **Status of plantations.** Plantation maintenance has improved markedly especially pruning in areas under production. While the overall appearance of the trees shows an improvement in nutrition there is room for better nutrition management especially magnesium use in some blocks. Some harvesting rows have been identified in the 2006 to 2009 plantings for the collection of foliar samples. **Agreed actions.** KOPGT will identify more harvesting rows in more units and identify some more of the 2010/2011/2012 planting areas to be added as foliar sample collection rows

5. **Fertilizer application.** There has been an improvement in fertiliser purchases by KOPGT and uptake by farmers, greatly supported by the finalisation of the 2000 ton fertiliser store in May 2015. However, the uptake by farmers in the commercial phase is very low and there is now excess fertiliser in stock. Based on the number of commercial farmers who were planned to pick up fertiliser, there was only 15% uptake in 2013/2014 and 13.5% in 2014/2015. Investigations show that this is due to the fertiliser repayment schedule for commercial farmers which sets repayments at three months. **Agreed action.** A 12 month loan scheme for fertilizer payment will be implemented. KOPGT has identified Uganda Development Bank as a possible financier, at a 10% per annum interest rate. The established KOPGA fertiliser loan committee will review farmer fertilizer needs and grant those interested in loan financing a fixed loan for the fertilizer required. Farmers will repay the loan amount (plus interest accrued) at the end of the year. KOPGT will charge farmers a small loan management fee. Block and unit structures should ensure that fertiliser application is done with specialised gangs and that farmers are involved in the monitoring. KOPGT field officers will similarly support the

progress, and support framers to ensure that the agreed upon fertilizer amounts are collected and applied to the gardens. It is important that application be planned to take advantage of the rains (e.g. in the next 6 weeks).

6. **FFB harvesting.** Some 15% of the famers have been found to send poor quality FFB to the mill. Crop stays too long on the harvesting platforms and risks being rotten or loose oil content before being sent to the mill, due to non-adherence to the harvesting schedules. **Agreed actions.** KOPGT will carry out a comprehensive training on harvesting and quality for the farmers 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.

7. **Roll-out plan for new plantings.** Bunyama Island was planted within 12 weeks from May till mid July 2015 by about 160 farmers. Lining, holing and planting was done using work groups (bubondo). This worked very well in addition to the other logistics like transport and labour recruitment specifically to carry the seedlings to the fields which had no roads. The seedlings presently in the nursery will be ready for field planting starting from October 2016 on Bubembe Island. **Agreed actions.** KOPGT will request the District Land Board for the land allocation report, and analyse and document the information to ensure that farmers already supported on Bugala were not supported again; the size of land holdings under oil palm and the criteria applied in land distribution. For planning purposes, KOPGT, the farmers and OPUL will agree on the landings sites closest to Bubembe Island and the landing site for Bubembe as well as the boats and labour gangs to do the plantings taking lessons from the Bunyama planting experience. The participatory demarcation of roads on Bubembe will start from December 2015 while construction of roads in Bunyama will start from August 2016. Mechanisms will be in place for ensuring continued support to those in the development phase (also after project closing).

8. **New planting methods.** An inspection of the new plantings shows good growth and appearance. There are however some areas showing marked magnesium deficiencies and some lining and pegging problems. **Agreed actions.** (i) All new plantings will be planted with 0.5kg of Rock phosphate and 1 kg of dolomite in the planting hole. If either case was omitted it should be rectified immediately with top dressing of the particular fertiliser. (ii) The lining team should always be provided with a baseline for lining by an experienced lining person to avoid the problem of wrong pegging.

9. **Road development/maintenance.** 31 km of the 50 km of existing CARs on Bugala have been upgraded. In total 65.2km (15km Community access roads, CARs, and 50.2km farm roads) of roads had been identified against a planned target of 40km, at USD 116,300 above budget. Identification and demarcation of new roads on Bugala Island was done with the participation of the farmers. 40km of roads were demarcated on Bunyama Island before planting. The district road equipment fleet is down, with a procurement for repairs in final stages. The equipment can be expected to be operational by the end of the year. For the continued maintenance and operations, an MoU has been entered between KDLG, the PMU and MAAIF. This includes training the District operators and mechanics in the best practices of handling the equipment. Farmers remain responsible for maintenance of farm roads. **Agreed actions.** In the current financial year, road activities on Bugala will be finalised, including upgrading of 19 km CARs and remaining for upgrading will be finalised and 65.2 km of new roads constructed. The PMU and KDLG will jointly update the details of the roads to be used as CARs including their locations and lengths for formal submission to the Ugandan Roads fund for consideration by mid November 2015. Road construction on Bunyama is expected to commence in August 2016. A participatory road maintenance plan should be organised with the famers through their units and blocks, to know their level of responsibility and the roads they will maintain.

10. **Provision of infrastructure and ferry services to outlying islands.** By harvesting time (FY19/20) from Bunyama and Bubembe, landing sites and ferry services are expected to be in place for evacuation of FFB to the mill. Ministry of Works is at contract award stage to a consulting firm to

study, recommend and design suitable ferry(s) and landing sites. The procurement has begun for two KOPGT boats, namely a steel hull boat with a cargo capacity of 25tons with two 40hp out board engines and a GPR boat of 8 passengers seating capacity and trailer, based on specifications from Ministry of Works. The boats will be used to deliver fertilizers and ffbs to the mill while the landing sites (and ferries) are being constructed. 2 acres of land on each island have been identified by the District for construction of fertilizer stores and simple gate houses, which is considered sufficient. Opportunities are being explored for usage of the district hydrofoam machine for construction of bricks. **Agreed actions.** PMU will follow up with Ministry of Works to ensure the study begins in December 2015, along with the procurement of boats. The district will be asked to formalise the offer to KOPGT for land and a decision for the construction methods be taken by 31 December 2015.

11. **Lake buffer zone.** The mission notes that the original plan of KDLG to identify the level of encroachment into the lake buffer zones has not been successful as no progress is registered since 2014. Satellite images have been procured by the PMU for the same. Field visits show respect of the zone in new plantings. **Agreed action.** The PMU will complete the recruitment of a firm to establish the extent of encroachment using the satellite imagery and ground truthing by 30 November 2015. The PMU will include issues of environmental monitoring in the PM&E training to be rolled out.

12. **Oil Palm Research.** The importance of national oil palm research cannot be understated as seen by past cases of half-ripening and rotting bunches, fluctuations in yield patterns based on variety, fertilizer regimes for various soil types, designated labs for foliar analysis, cooperation with the private sector for seed import etc. The mission notes that a research team of 4 scientists is now in place. **Agreed actions.** The research team will reorient themselves on the island, and initially focus on rehabilitation of farmer trial fields.

13. **Pricing committee.** According to the tripartite agreement, the price committee is constituted by representatives from MAAIF (chair), MFPED, MTIC, OPUL, farmer trustees, KDLG and any other invited member. Current it has been agreed for the committee to meet on a monthly basis. However, the mission noted that this does not take place, due to logistical challenges for stakeholders from off the island. The mission has reviewed the price setting calculations and their frequency, and concludes that the price setting has not been affected. The price paid to farmers is according to the formula. **Agreed actions.** Following the March mission recommendations of operationalising the work of the committee, it is agreed that (i) the pricing committee sits every 6 months (with ministry and farmer representation) which will review the price setting mechanisms and perform audits of the various elements of the price, as needed. (ii) a technical sub-committee of Kalangala stakeholders will be established for the monthly price calculation exercise, comprising KOPGT management, OPUL, farmer representative and the District Commercial Officer. These rules of procure should be developed and approved at a fully constituted pricing committee meeting. The farmer leadership should ensure election of min. two farmer representatives to the pricing committee and sub-committee. The members will be thoroughly introduced to the mechanism by the KOPGT GM. KOPGT will ensure that minutes of the meetings are posted on the office notice boards, and the farmer representatives will ensure communication of the process to the farmers at large, through the farmer organisational structures. Trainings will be organised as needed, and can be requested by the farmers at any time.

14. **Governance and institutional issues.** With the planting targets almost achieved, focus is increasingly on sustainability of the project, most especially the institutions involved. While yield and price are key factors for overall profitability, a 3-pronged approach has been agreed upon for sustainability: strengthening KOPGT; KOPGA; and maintaining strong partnerships.vThe details are further described below, with the overall objectives of:

- **KOPGT strengthening.** KOPGT has evolved from a project-oriented disbursement office (providing accountabilities to the PMU) to a medium scale commercial entity, managing a loan portfolio of UGX 37 billion, and with an asset base of more than 42 billion shillings. Key issues are establishing a transparent and efficient financial management system, strengthening of governance bodies and ensuring qualified and motivated staff.

- **Strengthening farmers' institutions.** To ensure that farmers speak with joint and representative voice, leaders of KOPGA should be elected in a representative way, building on unit and block leadership processes. Communication channels (up and down) should also be strengthened. From this pool, farmer representatives to the KOPGT board, to the pricing committee and other governance bodies will be elected.
- **Partnership building.** To ensure a conducive surrounding environment for the project, partnerships must be continuously strengthened. This includes with the District (for road and equipment maintenance and environmental monitoring); with NEMA for environmental compliance; with the oil palm growers SACCO for development of a savings culture and with the Government of Uganda for continued research are key. Ensuring a continued positive relationship with OPUL remains at the core.

15. **Financial sustainability and audit.** The current operational self-sustainability of KOPGT has been estimated at 56%, with the income sources being 30% of the interest on the reflows (10%) and the transport recovery account (self-sustaining). Currently, KOPGT is financed from VODP2 funds, and is **on track** towards self-sustainability, with a draft business plan in place. With support from an auditing company, KOPGT has prepared draft financial statements and will undergo its first external audit for the financial year 2014/15. **Agreed action.** The KOPGT board will appoint an external auditor by 30 November 2015.

16. **Transport recovery account.** The initial design of the transport recovery account was to ensure that transportation of FFBs was fully paid for by farmers. This included operating costs (including fuel and drivers salaries), maintenance of vehicles as well as replacement of vehicles following a set depreciation rate. The average transport price per kg of FFB is 37.5 shillings, which satisfies the cost of private transporters, but will not be able to fully replace the KOPGT fleet of 6 trucks. The current recovery will be able to recover 3 trucks of the current standard. The transport recovery will target to ensure a minimum operational fleet for KOPGT, supplemented by private service providers. Outsourcing is expected to increase, as trucks depreciate and harvesting volumes increase. **Agreed action.** A plan for the minimal size and specifications of the KOPGT fleet, within the budget provisions will be developed. Individual farmers and KOPGA as an institution should be encouraged to take up this as an income generating activity, as already done by some.

17. **HR issues.** Two elements of professional organisations is a strong board which supports and guides its management and staff; and strong technical expertise in form of qualified and motivated staff. Recent developments have seen the contracts of five staff members not renewed due to underperformance, and two have resigned. The cases have been handled in accordance with the established procedures. KOPGT is guided by three operational manuals: finance, credit and HR. The first two are functioning adequately. There is a need to review the HR manual in areas of staff appraisal methodology, remuneration levels and the organisational structure to make sure KOPGT is an efficient and competitive organisation. **Agreed actions.** IFAD will support KOPGT with short-term HR backstopping by 31 December 2015. A general vacancy announcement will be published by KOPGT by 30 November 2015. As per procedure in the HR manual, the KOPGT manager should undertake exit interviews and present the findings to the board, to spark a discussion of how to ensure a good working environment in KOPGT.

18. **Strengthening farmer's institutions.** Unit and block levels have been sensitised and KOPGA leadership is in the process of setting a date and developing an agenda for the AGM. UCA has been supporting the process and are expected to further support the institutional strengthening of KOPGA, as well as at unit and block levels. **Agreed actions.** The PMU will finalise the MoU with UCA, to enable them to fully engage in the work.

19. **Long term considerations.** The PMU, together with UCA, MAAIF, KOPGT and other partners will engage farmers in a brain storming process of possible institutional models. Once KOPGA and KOPGT have been strengthen (outlined above), the next steps will be discussing the institutional relations between the organs. Once a structure is agreed upon, board manuals and other guiding documents will need to be developed. As part of this, legal or organisational changes might have to be

agreed upon. **Agreed action.** The PMU will take leadership of the strengthening process, which might include meeting external parties in Kalangala to discuss various models and ideas with farmers and exchange visits.

20. **Communication.** External pressures continue through national and international NGOs, with law suits and media stories (including on-line such as youtube and in national news papers) against the project. All island stakeholders, most especially farmer leaders, must ensure that there is local level support to and knowledge of, the project. The mission has noted that pockets of farmers spread false or incomplete information which generate mistrust amongst farmers and other stakeholders. Strengthening proactive communication efforts and farmer leadership should continue. KOPGA leadership should ensure that a few (non-representative) individuals do not talk on behalf of the farmers and that incomplete or incorrect information not be mainstreamed nor used without a strong response. **Agreed action.** KOPGT and KDLG will upscale the radio programmes with sensitisation messages and Q&A sessions, both on Radio Ssesse and national radios. Farmer leadership should represent the voice of the farmers in external relations.