

## Uganda

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### Vegetable Oil Development Project – Phase 2

#### Supervision report

#### Main report and appendices



Mission Dates: 23-Sept to 4-Oct 2013  
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East and Southern Africa Division  
Programme Management Department

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## Abbreviations and acronyms

AWPB	Annual Workplan and Budget
BUL	Bidco Uganda Ltd.
CARs	Community Access Roads
COREC	Coffee Research Centre
EIA	Environmental Impact Assessment
FFB	Fresh fruit bunches
FLP	Farmer learning platform
GLTN	Global land tool network
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
MWT	Ministry of Works and Transport
NAADS	National Agricultural Advisory Services
NaCRRI	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



Enabling poor rural people  
to overcome poverty

## **Aide memoire**

### **Republic of Uganda**

### **Vegetable Oil Development Project – Phase 2 (VODP2)**

Supervision mission: 23 September – 4 October 2013

## **A. Introduction<sup>1</sup>**

1. The mission objective was to review the overall implementation progress of the project, with particular emphasis on: the consolidation of the investment in smallholders' plantations in Kalangala district, including the institutional strengthening of the Kalangala Oil Palm Growers Trust; the status of land acquisition for the nucleus estate in Buvuma; and the progress made for the start-up of the interventions in the oilseeds component. Given that the March mission primarily focused on the oilseeds component, this mission focused on the other technical component, oil palm. The mission visited Bugala Island and met relevant stakeholders: the Kalangala Oil Palm Growers Trust (KOPGT); the Kalangala Oil Palm Growers Association (KOPGA), farmers in their fields, Oil Palm Uganda Limited (OPUL), the Resident District Commissioner, the LC5 and other officials of Kalangala District Local Government (KDLG). For oil seeds, the mission visited the districts of Tororo, Mbale, Bugiri and Bulambuli in the Eastern Uganda hub, Masindi district in the Lira Hub and the Abi ZARDI in the Arua Hub, where meetings were held with representatives of the Local Government as well as with key stakeholders in the oilseeds value-chain, including farmer groups, millers, seed companies and agro-dealers. The mission was accompanied by the relevant PMU staff during the field visits, including the Project Manager. Thanks are extended to the PMU and KOPGT staff, and all of the partners who have contributed to the success of the mission.

## **B. Overall Assessment of Project Implementation**

2. Some important progress has been made over the last 5 to 6 months in implementing key activities for the preparation of phase 2 investments on the ground. The process of land identification and acquisition for the nucleus estate in Buvuma continues, albeit at slow pace due to the complex land tenure issues on the island. A total of 2,774 ha are fully compensated and available and compensations are on-going for another 1,989 ha. The target date for hand-over of a minimum of 3,000 ha to the private sector has been pushed by another six months, to 31 December 2013. The EIA studies for both the Kalangala outlying islands and Buvuma are at an advanced stage and the preliminary results indicate a positive assessment of the project. The Ministry of Works and Transport has committed the funds for the study on the transport services for the outlying islands and will soon launch the related procurement process. The results of the study can however not be expected before the end of 2014. The project engineer was recruited in August, which is expected to speed up and improve the road works still incomplete in Kalangala. The tender process for the recruitment of pay for service providers for the oilseeds component has reached the evaluation stage and is expected to be completed by the end of the year.

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<sup>1</sup> The mission was led by Mr Alessandro Marini, IFAD Country Programme Manager for Uganda and included Mr Vittorio Grilli, private sector development specialist; Ms Line Kaspersen, IFAD Associate Professional Officer; Mr Willem Heemskerk, research and extension specialist; Mr Godfrey Wanjohi, financial management specialist; Mr Billy Ghansah, oil palm expert; and Ms Ann Turinayo, IFAD Knowledge Management and Communication consultant.

3. While the above progress is commendable, unfortunately there are still no concrete results on the key pre-conditions to kick-start the investment, beside the consolidation of phase 1: the hand-over of land to the private sector in Buvuma; the commitment of financial resources for transport services to the outlying islands; and the contracting of service providers for the oilseeds component. This is putting at serious risk the likelihood for the project to achieve its development objectives within the agreed time frame.

4. Good progress continues in the consolidation of the investment of the first phase in Kalangala, with good performance by KOPGT in the delivery of services for the smallholder plantations. KOPGT has now reached a critical stage of its institutional development, with a need to start the transition from an entity implementing a development project to one providing services on a financially sustainable basis. The leaders and executive staff of KOPGT should therefore devote enough attention to the elaboration of a solid Strategic Plan, including clear annual targets towards full financial sustainability.

5. Limited new investment activities of the second phase are visible on the ground yet. These are limited to the planting of about 364 ha. of smallholders plantations in Kalangala and the implementation of 1,846 demonstration plots for new seed varieties (Farmer Learning Platforms) in the oilseeds' hubs. Relentless efforts are needed by the PMU to complete all the above mentioned necessary preparatory activities and get investment started on the ground. MAAIF should make every effort to obtain the commitment of MFPED for the financing of the investment for transport services to the outlying islands, which would allow commencing with other preparatory activities such as the ordering and raising of oil palm seedlings and the design of roads.

6. Finally, the oilseeds component is at a critical stage of rolling out its strategic approach for the intervention in the identified value chains in the different hubs. The Value-Chain Development Plans to be elaborated and validated with local stakeholders are critical in this respect. The role of the project should clearly remain one of facilitating the linkages among farmers, input suppliers, processors and traders as well as other key actors in the value chains.

## **C. Outputs and Outcomes**

7. The oil palm component continues to show increasing outputs and outcomes in Kalangala, with the consolidation of the investment of the first phase and the beginning of the second phase. A total of 10,164 ha of oil palm has been planted, of which 6,300 ha by the nucleus estate (200 ha less than the target, due to shortage of suitable land) and 3,864 ha by the smallholders (3,500 ha from phase 1 and 364 ha from phase 2). This has increased the number of participating smallholders from 1,532 to 1,600 (36% women). Oil palm yields continue to be high: trees in their 6<sup>th</sup> year are yielding as high as 15 tonnes per ha per year; a yield normally expected only in the 9th year. Given the increasing quality of the fruits, in July the private sector agreed to increase the oil extraction rate from 18% to 19%, with a positive effect on the price for the farmer. By end of August 2013, 7,320 tonnes of FFBs had been harvested, almost already reaching the 7,714 tonnes harvested in the whole of 2012, due to continued maturing of the palms.

8. When farmers start harvesting from the third year, they make an annual average net profit (net of debt service) of about UGX 1.1 million (USD 430) per ha during the repayment period of the loan (about 10-12 years), equivalent to a profit rate of more than 30%. Once the loan is repaid the annual average profit goes up to UGX 2.4 million (USD 930) for another 10-12 years until the palm needs to be replanted, with a profit rate as high as 67%. A total of 486 farmers (33% women) have already harvested at least once. Visible impact on improved houses and opening of new economic activities has been observed

9. For the oilseeds component, some initial outcomes are emerging, in particular in the facilitation of linkages between agro-input dealers and major input suppliers. A good example is in Bulambuli district where a stockist invested UGX 16 million to buy 1 ton of hybrid sunflower seeds from Mukwano, which were then sold to over 130 farmers. Limited investment activities are actually on-

going on ground. The main output so far is the establishment of 1,846 Farmer Learning Platforms, consisting in demonstration plots for new seed varieties, during seasons A and B of 2013, directly touching 1,168 farmer groups and an estimated number of about 17,000 farmers. The FLPs have been used to provide extension services to the farmers through the district extension staff.

## **D. Project Implementation Progress**

### **Component 1 - Oil Palm Development**

#### **Oil Palm Development – Kalangala**

10. **Status of land development – Bugala Island.** As of the date of the mission, the planting of 365 ha out of the planned 400 ha under the second phase was completed. This brings the total ha. planted in Bugala to 3,865, of which almost 40% have reached the mature stage. Unfortunately the planting of the remaining 35 ha. was not completed because of blast disease that caused an unexpectedly high mortality rate in the nursery, exceeding 13%. The issue of blast disease has been addressed and appropriate recommendations provided. Seedlings to cover the gap have already been ordered and will be ready for planting in 15 months. **Agreed action:** For farmers that have already prepared the land using the KOPGT loan but have not received the seedlings it is agreed that interest rates on the loan will be suspended until the seedlings are planted.

11. **Status of land development - Outlying islands.** The pre-conditions for investing in the outlying islands are the completion of the EIA study and the establishment of transport services to Bugala. A draft report of the EIAs is being reviewed by the PMU. The mission has reviewed the report and provided comments for improvement. The overall conclusion is positive, and the recommendations are in line with the practices followed in Kalangala, including respect of the 200 metre buffer zone, safe handling of fertilizers and sensitization on HIV/AIDS and gender. In addition, a tree planting programme is recommended. The final report is expected by the end of October. **Agreed action:** EIAs will be finalized and sent to NEMA by 31 November 2103

12. The issue of transport services is still to be resolved, but important steps have been taken. A task-force involving key Government institutions have been created. Funds have been committed by the Ministry of Works and Transport to undertake a study to design the landing sites and define the size of the vessel. The study is reasonably expected to be finalized in about 12 months. As the project will not be able to cover all the investment costs, the study will be the basis for GoU to decide on how to co-finance this investment. This poses a challenge for the planning of the other preparatory activities for the outlying islands, namely the ordering of seedlings and the construction of roads, as it would be risky to commit any funds for these activities, before there is a reasonable assurance that the transport services will actually be established. The mission has discussed the issue with the Permanent Secretary/Secretary to the Treasury of the Ministry of Finance, Planning and Economic Development who expressed the commitment to finance this investment. **Agreed action:** MFPED will send a letter to MWT by 31 October 2013 to confirm the commitment to finance the investment for transport to outlying islands as soon as the design study is completed.

13. **FFB production and FFB quality.** As expected, ffbs production increases over the years due to increasing yields and total area reaching maturity. Total ffbs production for 2012 was 7,714 tons, while for 2013 it reached 7,320 tons by the end August, with an expected total crop by the end of the year of about 11,000 tons. Ffbs quality has deteriorated due to the phenomenon of uneven ripening, with about 10-15% of the ffbs harvested having more than 50% of the fruits still unripe. This could be the effect of lower night temperatures than in other countries where oil palm is grown. Appropriate measures to manage the problem were agreed with OPUL and KOPGT, including the reduction of harvest cycles and the establishment of standards for acceptance of partially ripe bunches.

14. **Agronomic practices.** Field visits showed that there are many agronomic issues for which recommendations were issued in the past, but were not adhered to. KOPGT and the farmers were

invited to refer back to these recommendations and comply with them. Other recommendations were provided and are summarized in the technical note.

15. **FFB price.** Farmers have expressed concerns regarding the current price of FFBs, worried about its fall from 2012 levels. The mission has thoroughly reviewed the issue. While the average price for 2013 has been less than 10% lower than in 2012, it is still almost 40% higher than in 2010. KOPGT price for FFBs is calculated according to a standard formula based on the crude palm oil world market price. This formula ensures transparency and protects the farmers from an otherwise weak position in price negotiations. Thanks to it, farmers in Kalangala get much higher prices than farmers in West African countries. Furthermore, the mission has assessed that the 2013 price fall does not affect the profitability of oil palm production in Kalangala. It was agreed that KOPGT will continue to sensitize farmers about the underlying factors influencing the ffb price in Kalangala. It shall be stressed to farmers that the way to increase their revenues is to improve the yields of their plantations and control the production costs, in particular the labour costs, rather than to rely on increases in prices that are not linked to international price fluctuations.

16. **New loan conditions.** The new loan conditions agreed upon during the supervision mission of March 2013 include: (i) reducing the annual loan for maintenance from UGX 400,000 to UGX 300,000 per acre, assuming a 25% contribution in labour by the farmer; and (ii) limiting the fertilizers' loan up to the 5<sup>th</sup> year of development. The first condition has started to be implemented and while there have been some complaints by the farmers, the mission has reviewed the issue and considers that the 25% contribution is within the reach of the smallholders and this loan condition should be maintained. The limit of the fertilizer loan to the 5<sup>th</sup> year has also been enforced. However the system originally envisaged to cover for the costs of the fertilizers (advanced deductions in monthly installments equivalent to 10% of the FFBs revenue) has encountered the resistance of the farmers. A new system will therefore be implemented whereby farmers will be deducted the fertilizers costs in four to five months after delivery. In order to facilitate this system preliminary discussions have been held with OPUL on the possibility of deferred payments by KOPGT on fertilizers for commercial farmers. **Agreed action:** KOPGT to firm up the agreement with OPUL, present the new system to the Board for approval and start implementing it by 31 October 2013.

Agreed action	Responsibility	Agreed date
Suspension of interests for farmers that have not received the seedlings	KOPGT	Immediate
EIAs outlying islands finalized and sent to NEMA	PMU	31 Nov 2013
Confirm commitment for financing investment on transport to outlying islands	MFPED	31 Oct 2013
Firm up agreement with OPUL for fertilizers payments and present new system to Board for approval	KOPGT	31 Oct 2013

### Transport Infrastructure

17. **Roads.** No progress has been done in this area with respect to the last supervision mission (March 2013). The 40 km of roads opened earlier are still awaiting completion (placing of murrum and compacting). No works have been done on the 50 km of roads that have been identified as Community Access Roads (CARs) and need to be improved to the required standards. The roads for the new 400 ha in Bugala have not yet been designed, while they have already been planted. Furthermore, a number of farm roads constructed during phase 1 need improvement. The PMU lacked the capacity to properly design and supervise the works, which delayed the whole process. It is therefore expected that the recruitment of the project engineer in August will greatly improve implementation progress. The engineer will be in charge of the design and supervision of all road works to be done in Kalangala. The actual works will be done by the District using the road equipment bought by the project. **Agreed actions:** (i) complete 40 km of roads by 31 March 2014; (ii) improve about 50 km of roads to CARs standards by 30 June 2014; (iii) design roads for 400 ha of new plantations in Bugala and start the works by 30 September 2014.



18. **Road maintenance.** Road maintenance remains a challenge. Roads constructed during phase 1 are already showing signs of degradation due to poor maintenance. The District has very limited budget to maintain the CARs and farmers are not always taking proper care of farm roads. The situation is going to worsen with the hand-over of another 80 km of newly classified CARs to the District. The PMU should work closely with the District authorities, KOPGT and KOPGA to create ownership by farmers, including clarifying the role of the KOPGA units in maintenance of farm roads.

Agreed action	Responsibility	Agreed date
Complete 40 km of roads from phase 1	PMU/KDLG	31 Mar 2014
Improve 50 km of roads to CAR standards and hand-over to District	PMU/KDLG	30 Jun 2014
Design roads for new 400 ha in Bugala and start works	PMU/KDLG	30 Sep 2014

### KOPGT Operations and Management

19. **Roadmap to sustainability.** Good progress has been made in most areas identified as priority in 2011. These include the overall improvement of the financial management systems of KOPGT, the setting up of a cost-recovery mechanism for transport of ffbs to the mill and the securing of the certificate of 10% shareholding in OPUL. While some work is still needed in the above areas, the attention in the future needs to focus on two key building blocks of KOPGT sustainability:

- (a) **Organizational strengthening of KOPGA.** The legal status, governance structure, and model of business for KOPGA need to be better defined, including its roles and responsibilities with respect to KOPGT in oil palm development in Kalangala. **Agreed action:** (i) IFAD will finance by end of 2013 a participatory diagnostic study on KOPGA to assist the organization in identifying its weaknesses and development needs and preparing a plan for capacity building and institutional strengthening; (ii) based on the results of this study, extra resources will be mobilized to finance the capacity building plan and provide support to KOPGA as appropriate.
- (b) **Elaboration of KOPGT Strategic Plan.** As a result of the meeting held last June among stakeholders to discuss the roadmap to sustainability, the KOPGT Secretariat has prepared a first draft business plan for discussion. The mission has reviewed the draft and would like to commend the management of KOPGT for the considerable efforts put into its formulation. This constitutes a very valuable starting point for discussion. Detailed comments have been provided to KOPGT. In particular, further consideration should be given on how to best address the changing role and nature of KOPGT, i.e. how to manage the transition from an entity implementing a development project to one providing services on a financially sustainable basis. This will also require to revisit the current KOPGT governance and legal frameworks and to adjust them appropriately. **Agreed action:** the KOPGT Secretariat shall initiate and coordinate a consultative process involving all relevant stakeholders (KOPGT Board, KOPGA, Local Government, MAAIF/VODP2 and IFAD) around the revised draft with the aim to produce a draft Strategic Plan by 30 June 2014.

20. **KOPGT staffing.** KOPGT has a full complement of competent staff except for the Financial Manager and Accounts Assistant, whose recruitment has been pending for almost two years. The CVs of the applicants are currently with the PMU/MAAIF for the compilation of the shortlist. This is a key position especially given the future challenges of KOPGT, including the preparations for the audit of KOPGT. **Agreed action:** the recruitment of the KOPGT Financial Manager and Accounts Assistant shall be given maximum priority by the PMU and MAAIF in order to finalize the process by 31 December 2013.

21. **Buildings and equipment.** The four 4x4 dump trucks for ffbs transport on the island were delivered to KOPGT and are already operational. This resolved the transport logistic problems experienced in the recent past with the increase of ffbs production. The bids for the fertilizer store have been received by the PMU and are currently being reviewed. **Agreed action:** PMU to submit the

final evaluation report for No Objection to IFAD by 31 October 2013 with the aim to start the construction works by January 2014.

22. **Loan tracking system.** There has been continuous and considerable improvements of the system. The first loan statements were issued to the farmers in early September. KOPGT is currently enhancing the parameters for accommodating automated inputs of the fertilizers, tools, seedlings and ffb pricing. These improvements are expected to be completed by end of December. The mission reviewed the balances of the farmers' loans and compared these with the balances in the books of KOPGT.

23. **Transport cost model.** Transport costs are recovered by KOPGT at a rate of between UGX 30-45 per kilo of ffbs depending on the distance of the farm. The recovery rate includes an element for replacement of the equipment. The proceeds of the recoveries are maintained in a separate account from which the expenditures for fuel, repairs and drivers' wages are paid. The account is properly maintained and working. However, a few issues require to be addressed. First, the trucks are still not insured. Second, in the estimates of the mission, the allocation for replacement of the equipment is inadequate. **Agreed action:** (i) the PMU will launch the procurement process for truck insurance by 30 November 2013; (ii) the KOPGT Secretariat will review the transport cost charges to include an appropriate allocation for replacement and present the new rates to the Board for approval by 30 November 2013.

24. **Audit of the KOPGT financial statements, accounts and reports.** KOPGT has been making considerable progress in the last year in improving its financial management systems. The mission considers that KOPGT is now in a good position to undertake its first external audit for the financial year 2013/14. Some few areas require some additional work for proper preparation in this respect, including: the formulation of accounting and financial management systems and control manuals; the documentation of the internal controls; the installation of the books of account; the formulation of the financial statements consistently with International Accounting Standards (IFRS); the identification of KOPGT assets including shares, land, building and equipment and their inclusion in the books of accounts and balance sheet. Consultancy services are being procured to support KOPGT in this respect and the procurement process has reached the evaluation stage. **Agreed action:** a request of No Objection in this respect will be sent to IFAD by 30 November 2013 with the aim to have the services available by January 2014.

25. **Flow of funds.** The flow of funds from PMU to KOPGT and OPUL is generally being carried out efficiently. Farmers' leaders complained about some delays in receiving maintenance loans from KOPGT. The mission noted that this is due to the fact that KOPGT awaits full utilization of the funds before submitting a request for replenishment. To ensure that it does not run out of operational funds, KOPGT will make sure to submit partial accountability for early replenishments.

26. **Reflows from oil palm development loan and interest.** The loan and interest recoveries made to date from the farmers amount respectively to UGX 2.12 billion (approximately USD 845,000) and UGX 218.35 million (USD 87,000). These amounts have been invested in interest earning deposit and savings accounts which will have yielded a total of UGX 165.2 million (approximately USD 66,000) when a current deposit of UGX 1.4 billion matures on 31 October 2013. All loan recoveries and interest accrued are being kept by KOPGT in a separate account. As per the Financing and Tri-Partite Agreements, the loan repayments and interests matured should be re-applied by Government to support smallholders' oil palm development in other areas of the country (e.g. Buvuma), apart from 30% of the interests that should remain with KOPGT. The on-going audit for VODP2 is questioning the legal basis under which KOPGT is currently keeping the loan reflows and 70% of the interest. **Agreed action:** (i) the amount equivalent to loan reflows plus 70% share of the interests will be transferred by KOPGT into an account to be indicated by MAAIF for future use in financing of oil palm development; (ii) the amount equivalent to 30% of the interests plus the interests yielded through the savings accounts will be left in the KOPGT account, on condition that such funds would not be used without the approval by the PMU; (iii) for the future, loan repayments and interests will be divided accordingly by KOPGT in the two above accounts.

27. **Communication.** KOPGT communication materials and channels have been reviewed and comments provided. A website has been developed and it is expected to be used as a channel for proactively sharing information with the external audience. KOPGT, with support from the PMU should ensure that the website is populated with all relevant information. The website is not an end in itself. Accordingly, efforts to drive traffic to it such as creating social media channels that are directly linked to it should be explored, as well as regularly uploading stories, news and events, and up to date photos and videos. All materials should be reviewed internally before uploading to ensure quality.

28. The mission has worked with management and VODP2 to develop a simple strategic communications template, to further refine and streamline KOPGT communication messages. In particular, KOPGT needs to streamline its communication through KOPGA structures, developing and reviewing key messages regularly. The mission commends KOPGT for innovatively using a board to share price information, in addition to the phone messages and statements. **Agreed action:** (i) The KOPGT Secretariat, with support from PMU shall fill in the template and have all the key messages translated into Luganda and appropriately packaged; (ii) KOPGT will explore the option of using the NAADS board that are in the blocks or units to share key information to allow easy access by those farmers who do not come often to the offices.

Agreed action	Responsibility	Agreed date
Undertake KOPGA diagnostic study	IFAD	31 Dec 2013
Mobilize additional resources for KOPGA capacity building	IFAD	31 Jun 2014
Prepare a KOPGT Strategic Plan through wide consultative process	KOPGT	31 Jun 2014
Recruit KOPGT Financial Manager and Accounts Assistant	PMU/MAAIF	31 Dec 2013
Submit to IFAD for NO the final evaluation report for fertilizers' store	PMU	31 Oct 2013
Launch procurement process for truck insurance services	PMU	30 Nov 2013
Review transport cost charges	KOPGT	30 Nov 2013
Submit to IFAD for No Objection evaluation report for KOPGT backstopping in financial management	PMU	30 Nov 2013
Create separate accounts for Government and KOPGT shares of loan repayments and interests	KOPGT	31 Dec 2013
Fill the communication templates with key messages for farmers	KOPGT	31 Dec 2013

### Oil Palm Development – Buvuma

29. **Land acquisition for the nucleus estate.** Land acquisition in Buvuma is progressing, albeit at a slow pace due to the complexity of the land tenure issues on the island, which is also the result of the expectations raised by the project and their effect on the value of land. The target date for hand-over of a minimum of 4,000 ha out of 6,500 ha. to the private sector has been pushed by another six months, to 31 December 2013. Government financing is available and forthcoming; 2.2 billion was spent for land compensation in FY 12/13, and UGX 1.5 billion (USD 0.6 million) have been released for land purchases in FY 13/14. Currently, 2,774 ha are fully compensated and available. Compensations are on-going for another 1,989.1 ha, which would bring the total to 4,763.1, including the 250 ha for the nursery site. For the October to December 2013 Quarter (quarter 2 of FY13/14), the project is aiming to clear the outstanding payments on the private and public land indicated as "purchased" below, as well as purchasing 404 ha of private mailo and 250 ha of public land. This will add another 664 ha to the available land, bringing the total to 3438 ha available for hand-over to the private sector by 31 December 2013. Although the AWPB for FY13/14 indicates a budget of 1.5 billion, the PMU has received confirmation that up to 6 billion will be made available during the year. **Agreed action:** the Government will hand over 3,000 ha. to BUL by 31 December 2013

30. **Compensation of landlords and tenants.** Compensation payments since March 2013 have been done in two phases: phase one for landlords and tenants on mailo land and phase two for public land. Phase two is almost completed with only 20 tenants still to be compensated due to technical issues. The documentation of the process of purchase and compensation has greatly improved to capture the number of landlords, tenants and tenure status, although some reconciliations are yet to be completed. A number of the tenants compensated have relocated to the mainland and have acquired land with security of title. The mission has noted with concern that although on the 2,774 ha

of available land landlords and tenants have been duly compensated, new encroachments have occurred; up to 284 ha of fully compensated land that was cleared of encumbrances have been identified to have this problem. This is mainly due to an influx of people from the mainland. Some land that was previously idle has, after the purchase, been cultivated and temporary structures put up. The main solution to this problem is to expedite the hand-over of the land to the private sector and to open boundary roads, either with OPUL or MAAIF machinery available. In the meanwhile, the District should make all efforts to discourage such encroachments and increase surveillance. As a minimum, encroachers should be registered and made aware of the status of the land to avoid future claims for compensation and to reassure the private sector partner about the availability of land.

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

	Private mailo land (ha)	Public land (ha)	Total (ha)
Purchased, fully compensated (free of encumbrances)	1,974 /a	800 /b	2,774
Partly purchased but still encumbered /c	1,989 /d	515 /e	12504
Identified but not yet surveyed	4,175 /f	519 /g	4175
Total potential	8,138	1834	9,972

**Notes:**

- a. 26 landlords and about 600 tenants compensated
- b. 168 tenants compensated, of which 20 not fully (7% of UGX 1.8 billion outstanding). 193 ha acquired were not encroached.
- c. landlords compensated at 50-80% - final payment will be made once all tenants have been compensated.
- d. 12 landlords involved, tenants being assessed
- e. 2 large tenants and 5 villages
- f. 28 landlords
- g. land pledged by the district but not physically identified

31. **Environmental impact assessment (EIA).** The EIA for Buvuma is in an advanced stage, but the project is yet to receive a draft. Indications so far are positive for the commencement of the project. A first draft is expected by 31 October 2013, with the aim to finalize it and send it to NEMA before the end of the year.

32. **Smallholders' development.** As agreed in the IFAD Financing Agreement, investment in the development of smallholders' plantations has not yet started, waiting for the commitment of the investment by the private sector. Nevertheless, the project has already raised high expectations on the island. About 2,000 smallholders have already registered their interest in oil palm growing. Plots are expected to be 3-5 acres on average; however, several people are interested in areas larger than the ceiling of 10 acres. The PMU and District authorities will need to decide on how to prioritise among the registered farmers. The district is also encouraged to start sensitizing farmers on the actual investment and production costs of oil palm cultivation.

Agreed action	Responsibility	Agreed date
Hand over 3,000 ha of land to OPUL	MAAIF	31 Dec 2013

**Other issues**

33. **SACCO.** The mission has met with the newly created Ssesse Oil Palm Growers SACCO. The mission commends the KOPGA leadership for this very important initiative to respond to the needs of farmers for appropriate financial services. In this very delicate initial phase, it is important that the SACCO leadership focuses on defining the governance and ownership structure of the SACCO. The SACCO should not have financial expectations on KOPGT. Furthermore, the real focus in this phase should be on the mobilization of new members among the oil palm growers. There is also the need for the SACCO to better define the expected income sources to cover the envisaged expenditures.

34. **Spontaneous farmers.** As the benefits of oil palm investment have been proved, the demands for further development are increasing, both in Kalangala and in other districts, from various

stakeholders, including farmers, OPUL and the Government. At current, the financing available for development loans is fully committed to the consolidation of the oil palm plantations in Bugala, a limited expansion to the outlying islands in Kalangala District and replication in Buvuma. Expansion into new areas could only come through spontaneous farmers willing to bear all the investment costs. As per its mandate, KOPGT, the only specialized institution for provision of services to oil palm smallholders, has mandate for Kalangala District and is already facing the challenges of evolving towards self-sustainability. KOPGT will be able to serve spontaneous farmers emerging in the district, always keeping into account the need not to overstretch its capacity in such a delicate phase of its institutional development, as well as to ensure that the increase in the number of hectares on Bugala does not raise concerns related to food security and environmental sustainability. To respond to these growing challenges, MAAIF, with the support of the project, should come up with a strategy on how to respond to the demands of the spontaneous farmers. The Government may consider establishing a national institution in charge of providing policy guidance to and assuming the strategic responsibility for the (current and future) oil palm development in the country.

35. **Research.** Research activities have been on-going with the emphasis on suitability of oil palms in different locations in Uganda. This was the basis for starting the oil palm project in the first place. The mission was pleased to know that oil palm has now been designated as a mandate crop by NARO, which means it will receive more attention than in the past. There is need to develop a strategic plan for oil palm research. The plan should include elements related to the breeding of oil palm suitable to local conditions; pests and diseases, including integrated pest management, to address the expected increase of specific threats given the unique agro climatic conditions of Uganda; agronomic research related to optimal fertilizer application, intercropping, etc. **Agreed action:** the MoU between NARO and VODP2 will to cover issues related to the transfer of responsibility from COREC to NaCRRRI and the drafting of the strategic plan.

Agreed action	Responsibility	Agreed date
MoU with NARO cover issues specific to oil palm	PMU	30 Nov 2013

## Component 2 – Oilseeds Development

36. **Strategic direction and planning.** Some important progress has been made in this respect. The situation analysis reports for the four hubs have been completed. The wealth of information in these documents needs to be translated into value-chain development plans (VCDPs) for the selected crops in each hub. It is important that in this exercise, the team remains consistent with the key strategic approach underlying this component, which is to facilitate linkages among the key actors in these value chains, notably the farmers, the input suppliers and the processors and traders, and in no case to substitute any of these actors in their functions and roles. Capacity development, mentoring, brokering services, provision of technical assistance and design of innovative solutions to overcome the constraints identified are the main tools that the project should use to reach its objectives under this component. The hub-coordinators, supported by the PMU, should primarily play a pro-active brokering role with the key value chain stakeholders, in coordination with the OSSUP facilitators. Mechanisms to be used for this are informal visits, field days, visits by farmer leaders to processing plants, as well as specific roundtables of local value chain actors. The mission has discussed with the team the templates to be used for the elaboration of the VCDPs, which should clearly define the opportunities and challenges that the project will address in each, the strategic partnerships with the existing actors and the specific investment activities envisaged. **Agreed action:** the value chain development plans will be prepared and validated in hub-specific stakeholder meetings by the end of 2013.

37. **Farmer Learning Platforms.** The component has embarked in 2013 in a large demonstration programme for seed varieties and fertilizer use, in partnership with the District extension services. A large number of 0.5-1 acre demonstration plots (farmer Learning Platforms – FLPs) have been established: 942 plots in season A and 884 in season B for a total value of seeds of UGX 97 million and UGX 193 million. Unfortunately, the field days, in which farmers, agro-dealers, processors and

traders would exchange views on the actual performance of the variety tested, did not take place in season A, while they are planned for season B. There is a risk that farmers perceive these initiatives as a programme for free inputs distribution. The next FLPs should be undertaken only with and by farmer groups on plots of a smaller size (0.25 acre), with comparison plots, including local practices, in the same field. Agro-dealers, processors and traders need to be actively involved at an early stage, including in the decision of the varieties to test. **Agreed actions:** (i) quantitative and qualitative data from the FLPs will be collected regularly and analyzed prior to the following season, before end of February of next year; (ii) demonstration guidelines will be developed with emphasis on size of plots, treatments, number, chain actor involvement and filed days.

38. **Oil seeds development guidelines.** The current draft guidelines should be updated once the above VCDPs will be finalized and more attention should be paid to aspects related to seed demonstrations (FLPs), seed multiplication, promotion of farmer entrepreneurship and facilitation of linkages among value-chain actors. The guidelines should also be enriched with specific instructions on crosscutting issues, such as gender, HIV/AIDS and conservation agriculture. **Agreed action:** the oilseeds guidelines will be updated by March 2014.

39. **Pay-for-service providers (PFS).** The procurement process for PFS is still on-going. The proposals of the interested bidders (7 for Mbale, 2 for Lira, 3 for Arua and 3 for Gulu) were received two weeks ago and are yet to be evaluated. The aim is to recruit two providers each for Lira and Mbale hubs and one each for Arua and Gulu hubs. **Agreed action:** The PMU will proceed urgently to the evaluation of the technical bids with the aim to send the evaluation reports for IFAD No Objection by 31 October 2013. It is reminded that, given that the QBS selection method will be followed, an IFAD No Objection is required before proceeding to the negotiations with the best qualified bidder.

40. **Access to financial services.** Contacts have been established with a number of financial institutions. A study will be undertaken to analyze the financial mechanisms aiming at farmers, and other value chain actors, including programmes such as NAADS. **Agreed action:** the study will be completed by April 2014, well in advance of the new financial year,

41. **MoUs.** Draft MoUs with NAROSEC (on the role of NaSARRI and NaCCRI), District Local Governments and UNBS, have been submitted to the solicitor general for approval before signing, planned for November. Draft MoUs have also been developed for NAADS and for the NSCS, although they were not yet submitted to the solicitor general. Small changes have been suggested by the mission and are included in the technical annex of the report. An MOU with NAROSEC on the role of ZARDIs in foundation seed production is still to be developed. **Agreed action:** The MoUs with NAROSEC, DLG and UNBS will be signed by end-November 2013, while the others (NAADS and NCSC) will be finalized and signed by end-December 2013. It is reminded that an IFAD No Objection will be required before proceeding with the signature of the above MoUs.

42. **Communication.** Information on the oilseeds component, including a clear message on its strategic approach should be uploaded to the newly established website. Furthermore, existing materials on oilseeds such as production leaflets (by NaSARRI, seed companies etc.), the Uganda National Seed Handbook and other practical guides could be used to populate the site. The project should make use of existing extension materials at MAAIF. **Agreed action:** VODP2 will develop a one-pager brochure with a clear message in different languages for farmers and other actors on the main objectives and strategic approach of the component.

Agreed action	Responsibility	Agreed date
Validate value chain development plans in hub stakeholder meetings	PMU	31 Dec 2013
Collect quantitative and qualitative data on the 2013 FLPs and report on this	PMU	28 Feb 2014
Develop demonstration guidelines	PMU	31 Dec 2013
Update oilseeds guidelines	PMU	31 Mar 2014
Send to IFAD for NO technical evaluation report for PFS	PMU	31 Dec 2013
Complete study on financial mechanisms	PMU	31 Mar 2014
Sign MOUs with NARO, DLG and UNBS	PMU	30 Nov 2013
Sign MOUs with NAADS and NCSC	PMU	30 Dec 2013
Develop a one-pager with a message for farmers and other actors	PMU	31 Dec 2013

### Component 3 – Project management

43. **Human resources.** Good progress has been made in filling the vacant positions in VODP2. Both the coordinator for Lira hub and the engineer have been recruited. The positions for hub administrators and drivers have received IFAD No Objection and are waiting for clearance by the PS. The position of Accountant has been advertised, the shortlist has been completed and the interviews will be completed by the end of October. The PMU will retender for the procurement of medical and staff personal accident insurance services. **Agreed action:** send request of No Objection to IFAD for recruitment of the Accountant by 31 December 2013.

44. **PMU manuals.** The project has a document for financial management guidelines, which is an abridged version of a normal Financial Management Systems and Procedures manual. The document requires expansion and enhancement. **Agreed action:** The existing document will be improved into a manual that contains documented key functions and processes including internal controls, funds flow, disbursements, financial reporting among others. The revised document should be consistent with the IFAD draft that is available to the PMU.

45. **Annual Work Plan and Budget (AWPB) performance.** For the 12 months period to 30 June 2013, the overall actual execution against the budget was 54.4%, mainly due to optimistic forecasts and slow implementation in the oilseeds component. The palm oil development category performed at 82.5%. For the two months period to 31 August 2013 the actual execution is UGX 1.4 billion or 7.2% of the 2013/14 budget (UGX 19.5 billion). Although it is still early in the financial year the mission recommends efforts in ensuring increased budget implementation.

46. **Monitoring and evaluation.** Project reporting, including for KOPGT, has improved and the project is ready to develop the overall MIS, the project database and fine-tune reporting modalities. The planned Zambia study trip in October 2013 will be very useful in this respect. The mission has reviewed the project log-frame, which has been updated through a consultative process, including the profiling of the indicator. The targets for the indicators will be updated as baseline figures become available. It is expected that targets under the oil seeds component will become more ambitious, both in terms of mill capacity, number of farmers and number of hectares due to developments in the sector since design. KOPGT and the PMU are in advanced stages of implementing GIS technologies, with Kalangala as a case study, through partnerships with GLTN among others. Satellite images are in advanced stages of procurement, after which GPS training of KOPGT field officers will be done. Staff has been trained and a system is expected to be in place by the end of the year.

47. **Baseline and impact survey.** The TORs for the baseline surveys were reviewed and the impact assessment framework for the project agreed upon to ensure RIMS+ compliance, adequate impact monitoring and the capturing of baseline data. For oilseeds, a MoU with UBOS will be entered into, for analysis of the existing Uganda National Panel Survey (LSMS) for impact reporting and sector analysis. Additional information will be compiled from existing sources. For oil palm, two separate baseline studies will be undertaken for each of the two districts, reporting on both impact and other baseline figures. It will be ensured that data will be captured using standardized tools, so that national data can be used as a control group. An impact study for oil palm (Phase 1) will be compiled from existing sources once the baseline has been undertaken. **Agreed action:** (i) IFAD will confirm that the

available information for the oilseeds areas is sufficient for RIMS+ impact reporting; (ii) the bidding documents for the baseline studies shall be prepared and sent to IFAD for No Objection by 15 November 2013 with the aim to start the studies by 15 April 2014.

48. **Mid-term Review.** A number of changes have occurred since the project was designed in 2009/10. Furthermore, important financing gaps have emerged in a few disbursement categories, in particular for smallholder oil palm development, but also for road construction works and contracts for service providers for the oilseeds component. The project mid-term review planned for 2014 will therefore be critical for the PMU to adjust the project design to the changing conditions on the ground and to prepare for the mobilization of the needed additional financing. Due preparations and planning should therefore start as soon as possible for this important exercise. High professional expertise should also be secured. The mission recommends in this respect to explore the possibility of involving the FAO Investment Centre, which would have the required expertise.

49. **Gender mainstreaming.** Having a gender focal point at the PMU and in KOPGT has served well in ensuring gender mainstreaming related activities are implemented. Although there is a budget line on gender mainstreaming and cross cutting issues in the AWPB, this should be made clearer by indicating a few specific activities that will be implemented. Working with partner organizations in the island on cross cutting issues is a good strategy and will contribute to sustainability of interventions. In the Oilseeds Hubs, the same approach should be replicated with the PFS. Before the Service Providers are on board, the mission recommends that the gender focal point works with hub coordinators to capture gender aspects in the LFPs. The gender M&E tracking tool developed clearly disaggregates data according to sex.

50. **Communication and knowledge management.** The communication and KM strategy and other materials prepared by the PMU have been reviewed, and comments provided. There is now a need to develop messages for the different stakeholders and concretize the nature of support to be given at local level to KOPGT and the Hubs. The mission has observed in particular that support given to KOPGT communications is minimal. **Agreed action:** the PMU will work more closely to assist KOPGT in concretizing its communication strategy and provide support beyond the development of the web portal.

51. **Information sharing tools.** Although the PMU planned to do an internal monthly e-newsletter as one of the ways to share information internally, this has not yet been done. With the opening of hub offices, this is one of the ways of keeping track of emerging stories and experiences from the field. The mission recommends that this e-newsletter be fast tracked as one of the channels for internal communication as well as sharing information and knowledge in the project. The IFAD country office will provide support to bridge any capacity gaps. **Agreed action:** the first issue of the e-newsletter will be prepared by 31 October 2013.

Agreed action	Responsibility	Agreed date
Send to IFAD request of No Objection for recruitment of Accountant	PMU	31 Dec 2013
Improve existing financial guidelines into a manual	PMU	28 Feb 2014
Confirm that available information for oilseeds is sufficient for RIMS impact	IFAD	31 Oct 2013
Send request of NO to IFAD for bidding documents for baseline survey	PMU	15 Nov 2013
Work more closely in assisting KOPGT on communication issues	PMU	Continuous
Prepare first issue of e-newsletter	PMU	31 Oct 2013

## E. Fiduciary aspects

52. **Financial management systems.** The project has been operating under systems and procedures consistent with those of the GoU. The PS of MAAIF and the internal audit unit apply a strong and close oversight over the Project. The mission is satisfied with the working of internal controls put in place, except for the Financial Management Manual that should be reviewed and improved.

53. **Financial management capacity and reporting.** The financial management team includes the Financial controller, one Accountant, and a cashier. The position of the accountant is vacant since



February 2013. This is affecting the performance of the financial management team, in particular in the preparation of SoEs and WAs, as well other key accounting duties. The management mission reviewed the physical and financial progress report and finds that they could be improved with the statements of revenue and expenditure. The reports should also include the reconciliation of the designated accounts and a budget performance report with the actual costs of the implemented activities compared with the budget provisions and explanations for significant differences. **Agreed action:** improve the financial and physical progress report as per recommendations provided.

54. **Statement of Expenditures (SoEs) review.** The mission reviewed 14 expenditure items out of WAs 17 and 18. The expenditure items were supported by the required documentation and eligible for claim from IFAD. It was noted a need for improvement in the accountability process for advances drawn for facilitation, seminars, workshops etc. **Agreed action:** prepare an analysis of accountabilities in line with the repositions.

55. **Disbursement :** As at 31 August 2013, the actual total disbursement according to IFAD records up to WA 22, and including the initial deposit, amounted to SDR 8.39 million, representing 25% of the total IFAD Loan. The actual loan utilisation, excluding the initial deposit of USD 4 million and including the expenditures incurred and not yet submitted to IFAD (total of about USD 1.6 million) is estimated at SDR 6.52 million, equivalent to 21% of the total loan. Consequently, the balance of resources available for the programme is SDR 26.98 million, approximately USD 40.5 million. Category 5, "Smallholder Palm Oil Development" is already withdrawn at 58%, which is estimated to reach 67% with the commitments already made.

56. **Counterpart funds:** The Project has so far received USD 2.94 million of counterpart funds, representing 21% of the allocation envisaged at design (USD 14.1 million). Disbursements by GoU are timely and also in line with the annual budgets.

57. **Designated Accounts (DAs):** The combined allocation of USD 4 million of the two designated accounts is well accounted for. The expenditures pending submission of the withdrawal applications amount to USD 1.3 million while one WA for USD 314,000 is undergoing the approval process at MFPED. While the project has adequate cash flow, the level of unclaimed expenditure is significantly high at 33%. **Agreed action:** (i) submit WAs as soon as they reach 30% of the initial deposit allocation or, in any case, once every three months; (ii) reconcile the DAs monthly.

58. **Compliance with loan covenants.** The main loan covenant for which non-compliance was noted in the past has been resolved: KOPGT submitted a draft business plan to the mission and it was agreed that a consultative process with all the stakeholders will be done with the aim to have the final version of a comprehensive Strategic Plan, including a detailed business plan, by 30 June 2014. The project is then compliant with all other loan covenants. In this respect, the attention of the PMU is called to the finalization of the MoUs with NARO, NaCRRi and NaSARRI.

59. **Procurement.** Considerable improvement is noted in this area at the level of the PMU in terms of the quality and timeliness of the different processes. The main source of delay remains in the preparation of terms of reference or technical specifications by the concerned technical units. The mission reviewed key procurement items and notes that the related processes followed the appropriate procedures. The provisions for the procurement plan for 2013/14 were compared with the underlying provisions in the AWPB and some inconsistencies were noted that should be rectified to ensure full consistency of the procurement plan with the AWPB.

60. **Contract Register.** The PMU has maintained a contract register in a template that needs improvements. **Agreed action:** by 30 October 2013 the PMU will improve the register as per the recommendations provided.

61. **Asset Register.** The review indicated accurate maintenance of the register, and all assets procured since inception of VODP2 have been recorded.

62. **Audit.** The Audit for the 2012/13 financial year is on-going. The mission has reviewed some of the draft financial statements and confirms that they are in order. It is reminded to the PMU that it should submit to IFAD the draft financial statements for 2012/13 by 31 October 2013.

63. **Petty cash.** No decision has been taken so far on a request, pending since December last year, for authorization of a petty cash float in order to facilitate project operations. The mission would like to reiterate the importance of the matter and request the PS Agriculture to address it.

Agreed action	Responsibility	Agreed date
Improve progress report as per recommendations provided	PMU	Continuous
Prepare an analysis of accountabilities in line with the repositions	PMU	Continuous
Submit WAs more regularly (30% of initial deposit or every 3 months)	PMU	Continuous
PMU to open and maintain a contract register	PMU	Continuous
Reconcile the DAs monthly	PMU	Continuous

## F. Conclusion

64. This Aide Memoire was discussed and agreed in a wrap-up meeting on 4 October 2013, chaired by Mr Vincent Rubarema, Permanent Secretary of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and with participation of the members of the mission and representatives of the PMU, KOPGT and relevant units of MAAIF. IFAD and the Government of Uganda endorsed the findings of the supervision mission.

\_\_\_\_\_  
Alessandro Marini  
Country Programme Manager  
IFAD

\_\_\_\_\_  
4 October 2013  
Date

\_\_\_\_\_  
Mr. Vincent R. Rubarema  
Permanent Secretary  
MAAIF

\_\_\_\_\_  
4 October 2013  
Date

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Uganda	Project ID	1468	Loan/DSF Grant No.	806
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF Grant	
Date of Update	30-June-2013				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	2		
Last Supervision	23-Sept-2013	Last Implementation Support/Follow-up mission	28-Apr-2013		

					USD million	Disb. rate %
Approval	22-Apr-2010			Total financing	146.23	
Agreement	21-Oct-2010	Effectiveness lag	6.1	IFAD Total	52.00	
Entry into force	21-Oct-2010	PAR value	Not at risk	IFAD loan	52.00	20
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	31-Dec-2018	Last audit	03-Jan-2013	Domestic Total	93.89	
Current completion	31-Dec-2018			Beneficiaries	3.89	55
Original closing	30-Jun-2019			Government (National)	14.14	5
Current closing	30-Jun-2019			Other Domestic	5.48	0
No. of extensions	0			Private Sector Local	70.38	0
				External Cofinancing Total	0.34	
				SNV (NGO)	0.34	0

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	3	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus		
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Oil palm development	4	3	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	3	3	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)		
			6. Potential for scaling up and replication	4	4
B.5 Justification of ratings					
Quality of project financial management overall satisfactory, some improvement could be done by accelerating the processing					

of WAs. KOPGT financial management needs improvement to get to an acceptable standard for the amount of resources managed. Disbursement rate still low because of the time lost at project start-up (more than 18 months). Procurement systems and capacity are in place and quality and timeliness of procurement processes is improving, in spite of the very cumbersome Government processes. Audit report submitted on time and unqualified, but lacking the separate opinion on SoEs. Project management overall satisfactory given high complexity of the project, the delays accumulated and the risk of being overwhelmed. Key positions filled with competent staff. Some more pro-activeness needed to address the emerging issues. M&E systems being put in place and well designed, although not yet fully operational. No major issues in AWPB implementation, besides some delays in execution. Environmental issues related to oil palm plantations are given due attention and no major issues exist. Rating for main investment components is moderately unsatisfactory, as no investment envisaged for the second phase (oil palm in Kalangala outlying islands and Buvuma and oilseeds in the four hubs) has started yet, due to the above mentioned delays. Outputs and outcomes of phase 1 have been fully met and the PCR submitted. Ratings under sustainability are moderately satisfactory for the investment in oil palm in Kalangala: KOPGT is delivering good quality, but efforts to ensure sustainability to be strengthened.

#### Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Quality of natural asset improvement and climate resilience		
C.4	Overall <b>implementation progress</b> (Sections B1 and B2)	4	4
<p>Rationale for implementation progress rating</p> <p>The project team is making enormous efforts to catch up with the huge delay at start-up (more than 18 months) and the consequent loss of implementation time. All key building blocks for implementation are now fully in place and operational: financial management, procurement, M&amp;E, technical staff and operational facilities (including offices and necessary equipment). However, while good progress continues in the consolidation of the investment of the first phase in Kalangala, very limited progress is visible on the ground for the new investments expected from the second phase, including the expansion to outlying islands in Kalangala, the establishment of private sector and smallholder investments in Buvuma as well as the development of oilseeds in the four hubs. Judged against the total time elapsed since entry into force (Oct. 2010) implementation progress is therefore substantially below target. However, given the relatively good achievements and dynamism showed in the last year, practically the first year of implementation since recruitment of the PMU in May 2012, a moderately satisfactory rating for implementation progress is fully justified.</p>			
C.5	Likelihood of achieving the development objectives (section B3 and B4)	4	4
<p>Rationale for development objectives rating</p> <p>The delays accumulated during start-up, as discussed above, have affected the implementation progress and therefore pose a risk for the achievement of the outcomes envisaged at design. Furthermore, the delays by the Government in identifying and handing over the agreed land for the nucleus estate in Buvuma to the private sector partner, are putting the whole investment at risk on the new island, including the development of smallholder plantations, for which the establishment of the nucleus estate (and mill) is a necessary pre-condition. In this respect, it is to be noted that, even if plantings will be done by 2015, harvesting incomes will not be realised before project completion due to the long period it takes for the palms to reach maturity. While this situation might seriously affect the achievement of the project's development objectives, an important effort is being made to redress the situation and take the necessary urgent measures. The overall rating at this stage is therefore moderately satisfactory, based on the optimism generated by the ongoing actions. The next 5 to 6 months will be critical to revert the situation to satisfactory and ensure the start-up of the investment on the ground in Buvuma, the outlying islands and the oilseeds hubs.</p>			
C.6	<b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
	Fiduciary aspects	(a) Weak financial management capacity in KOPGT, which might result in serious fiduciary risks for the institution. (b) Current low staffing levels for financial management in the PMU. (c) Considerable financial gap (above USD 11 million) identified for the oil palm component due to underestimation of costs at design. Co-financing will need to be identified and project costs (and economic analysis) adjusted at mid-term review.	
	Project implementation progress	(a) Limited economic viability of investment for oil palm plantations in outlying islands in Kalangala district. A study is being conducted in this respect. Alternative options could be figured out, such as subsidization by Government of transport investment or expansion of smallholders area on main island. (b) Limited capacity of existing service providers for oilseeds component, in particular to facilitate viable partnerships for farmers groups with private sector operators.	
	Outputs and outcomes	(a) Withdrawal of private sector investor from oil palm investment in Buvuma island due to delays by Government to secure the agreed 6,500 ha for the nucleus estate. (b) changes of economic viability of oilseeds crops on ground.	
	Sustainability	(a) Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis. There is need to resume working on the implementation of a business plan for KOPGT, as well as to identify an appropriate organizational model. (b) Lack of interest/capacity by private sector (millers and seed companies) to set up commercial partnerships with farmers groups/organizations for oilseeds development.	

**Proposed Follow-up**

Issue / Problem	Recommended Action	Timing	Status
Project start-up	Government should finalise the procurement of the firm for PMU staff recruitment.	30 May 2011	Done with delay (Oct 2011)
Project start-up	The PMU (on board since early May 2012) should prepare a time-bound implementation plan (including a procurement plan)	Mid-June 2012	Done
Oilseeds development plans	Finalize the hubs' value-chain development plans to feed into the AWPB 2013/14	30 June 2013	
Recruitment of service providers	Finalize the recruitment of service providers for the oilseeds component	30 July 2013	
Staffing of KOPGT	Finalize recruitment of financial manager and accountant	30 June 2013	
Financial sustainability of KOPGT	KOPGT Board to approve a business plan towards financial sustainability	30 December 2013	
Investment in Kalangala outlying islands	Undertake study of viability of investment in Kalangala outlying islands and decide on future development plans	30 September 2013	
Investment in Bugala island	Government to hand-over at least 3,000 ha of land, free of encumbrances, to BUL (private sector operator) for nucleus estate.	30 June 2013	
Staffing of PMU	An accountant (rather than an accounts assistant) needs be recruited as soon as possible	15 April 2013	

**Additional observations**

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

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

Narrative Summary	Key Performance Indicators	Progress	Means of verification	Assumptions/risks	Comments
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 (*) 1.2 20% reduction in the prevalence of child malnutrition, by gender (height/age, weight/age, weight/height) (*)	1.1 Baseline to be established 1.2 Baseline to be established	<ul style="list-style-type: none"> <li>Baseline and completion surveys (oil palm)</li> <li>Uganda Bureau of Statistics (oil seeds)</li> </ul>		
<b>Project Development Objective:</b> 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.	1.3 Level of vegetable oil self-sufficiency increased from 30% (2008 baseline) to over 60% by project completion (2018). 1.4 Increased per capita vegetable oil consumption from 5.6 kg/capita in 2008 year to 7.0 kg by 2018. 1.5 Oil palm and oilseeds profitably produced by smallholders 1.6 Households receiving project services (*)	1.3 – 1.6: Baseline and target values to be established	<ul style="list-style-type: none"> <li>UBOS statistics on Ugandan vegetable oil production</li> <li>Project M&amp;E database</li> <li>Baseline studies and PCR</li> <li>FAO food balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>Absence of external and internal economic shocks</li> <li>Increased incomes will lead to more demand for vegetable oils</li> </ul>	
<b>Outcome 1: Oil palm consolidation and expansion</b> 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.	1.7 Crude palm oil annual production increases from 0mt in 2009 to 35 000mt by 2018. 1.8 Smallholders earning incomes of USD 1 500 per ha per year at full development 1.9 Operational self sufficiency of KOPGT in 2016 and BOPGT in 2018 (*)	1.7 Baseline and target to be established 1.8 Updated farm model shows gross incomes of USD 1 500 already at year 5; or in year six if loan servicing is considered 1.9 Target dates to be adjusted	<ul style="list-style-type: none"> <li>OPUL and KOPGT databases</li> <li>KOPGT reports</li> <li>BOPGT reports</li> <li>Project M&amp;E database</li> </ul>	<ul style="list-style-type: none"> <li>Oil palm production begins in Buvuma by 2013</li> <li>Liberal economic policies continue</li> <li>Smallholders receiving import parity prices</li> <li>OPUL and GoU maintain their commitment to oil palm development in Uganda</li> <li>No drastic price falls in the international palm oil market</li> </ul>	<ul style="list-style-type: none"> <li>Oil palm production will not start in 2013; risk of not reaching outcomes in Buvuma by end of project.</li> <li>GoU highly committed to oil palm; counterpart funding is forthcoming and additional pledges have been made</li> </ul>
<b>Outputs:</b> 4.0a New oil palm areas identified 4.0b Sustainable oil palm development 4.0c Kalangala oil palm scheme completed and producing 4.0d Buvuma oil palm scheme established	4.1 40,000 ha identified for oil palm plantations by 2018 4.2 6,500 ha of nucleus estate planted in Kalangala by 2016 4.3 4,700 ha planted by smallholders in Kalangala by 2016 4.4 1,800 smallholders served by KOPGT (*) 4.5 KOPGT re-structuring agreement signed by 31 December 2013 4.6 Four island environmental monitoring plans for smallholder oil palm completed and being implemented (*) 4.7 6,500 ha nucleus estate planted by 2017 in Buvuma 4.8 3,500 ha smallholder land plated by 2018 in Buvuma (*) 4.9 1,100 farmers served by BOPGT 4.10 All oil palm activities (plantation, mill and refinery) are in compliance with NEMA regulations 4.11 Km of farm roads constructed/rehabilitated (*)	4.1 About 20,000 ha identified 4.2 6,200 ha nucleus estate planted in Kalangala 4.3 3,864.84 ha planted by smallholders in Kalangala 4.4 1,600 smallholders serviced by KOPGT 4.5 Date to be postponed 4.6 EIA for outlying islands to be submitted to NEMA by 30 November 2013 4.7 2,774 ha acquired for nucleus estate in Buvuma 4.8 Smallholder planting not begun 4.9 BOPGT not established 4.10 On-going activities are compliant; buffer zone analysis to be undertaken 4.11 Designs for Kalangala to be undertaken	<ul style="list-style-type: none"> <li>Project progress reports and M&amp;E database</li> <li>OPUL and KOPGT databases</li> <li>KOPGT reports</li> <li>BOPGT reports</li> <li>BOPGT progress reports</li> <li>Special studies</li> <li>District Local Government reports</li> </ul>	<ul style="list-style-type: none"> <li>Identified areas have land in blocks suitable for nucleus estate and smallholder development</li> <li>Transport established to outlying islands</li> <li>GoU able to purchase sufficient area of land for nucleus estate on Buvuma</li> <li>Ferry service to Buvuma upgraded</li> <li>No extreme climate or disease events affect palms</li> </ul>	<ul style="list-style-type: none"> <li>Funding for transport study made available by Ministry of Works and funding for transport services by Ministry of Finance.</li> <li>Land acquisition in Buvuma still on-going.</li> </ul>

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Narrative Summary	Key Performance Indicators	Progress	Means of verification	Assumptions/risks	Comments
<b>Outcome 2: Development of Oilseeds</b> 5.0 Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production	5.1 Mill capacity utilization increased from 30% in 2009 to 85% by 2018 5.2 Farmers growing oilseeds increased from 55 000 in 2008 to 140 000 by 2018, with net cash earning per ha per season of US\$350 5.3 Domestic oil seeds production of sunflower and soya bean increased from 70,00 tonnes in 2008 to 150,00 tonnes by 2018 of which 70% is from the new hubs of Gulu, Eastern Uganda and West Nile 5.4 Number of farmers adopting improved varieties 5.5 Number of agricultural production groups operational/functional 5.6 Number of farmers using purchased oil seed varieties	5.1 – 5.6: Baseline and target levels to be established	<ul style="list-style-type: none"> <li>• Millers study</li> <li>• Baseline study, completion report</li> <li>• Farm models</li> <li>• Production statistics from MAAIF</li> <li>• M&amp;E system</li> <li>• UOSPA/UNFFE/OSSUP statistics</li> <li>• Mid-term/project completion reports</li> </ul>	<ul style="list-style-type: none"> <li>• No disease outbreaks</li> <li>• Farmers increase production of soya bean</li> </ul>	
<b>Outputs:</b> 6.0a Production of certified good quality seed and oil 6.0b Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers	6.1 Two improved varieties for each oilseed crop submitted to the Variety Release Committee by NaSARRI and NaCRRRI annually 6.2 90% of oilseed growers buying certified seed by 2014 6.3 Number of hectares under oil seeds cultivation increased to 140,000 ha by 2018, up from 80,000 ha in 2008 6.4 Number of farmers reporting an average yield of 1.1 t/ha 6.5 5,900 farmer groups (with 30% participation of women) receiving extension services from the project by 2018 6.6 1,000 farmer groups bulk selling by 2015 6.7 90% of the medium/large-scale millers attain UNBS quality certification by 2018 6.8 Amount of credit facility disbursed to value chain actors by participating financial institutions 6.9 Number of beneficiaries of the credit facility	6.1 – 6.9: Preparatory activities ongoing. Baseline levels and targets to be established.	<ul style="list-style-type: none"> <li>• OSSUP reports</li> <li>• NaSARRI/NaCRRRI/MAAIF Seed Certification Agency reports</li> <li>• UBOS reports</li> <li>• District Agricultural Officers quarterly reports</li> <li>• NAADS technical reports</li> <li>• Impact assessments and surveys</li> <li>• MAAIF farm survey reports</li> <li>• VODP2 progress reports using information from millers, UBOS, UNBS and mobile service providers</li> </ul>	<ul style="list-style-type: none"> <li>• Millers and other private operators willing to undertake extension provision on a cost sharing basis</li> <li>• Increased crushing material attracts new investment in hubs</li> </ul>	
<b>Outcome 3: Project management</b> 7.0 Project Management helping farmers to provide growing amounts of crushing material for processing in edible oil and earning better incomes	7.1 IFAD loan 55% disbursed by 30 June 2015 and 100% by 31 June 2019	7.1 25 % of loan disbursed to date.	<ul style="list-style-type: none"> <li>• VODP2 financial statements</li> <li>• IFAD loan disbursement reports</li> <li>• Audit reports in line with IAS</li> </ul>	<ul style="list-style-type: none"> <li>• Continued comment to the project by GoU and IFAD</li> </ul>	
<b>Outputs:</b> 8.0a Project Management fully operation 8.0b Oil seeds subsector platform (OSSUP) providing forum for stakeholders.	8.1 Full staff of qualified professionals 8.2 Percentage of actions that OSSUP platform meetings agreed upon that have been implemented 8.3 Timely preparation and execution of AWPB 8.4 Timely submission of mandatory reports 8.5 Timely submission of withdrawal requests	3.1 PMU staff recruitment completed except accountants. All are qualified professionals 3.2 To be established. 3.3 AWPB 2012/13 executed at 54.4%. AWPB 13/14 submitted. 3.4 + 8.5 On track.	<ul style="list-style-type: none"> <li>• Audit reports</li> <li>• PMU financial reports</li> <li>• VODP2 project progress and M&amp;E reports</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder buy into project-supported activities</li> <li>• Low staff turnover</li> </ul>	

### Appendix 3: Summary of key actions to be undertaken

Action Area	Action Agreed	Whom	Date
<b>Component 1 – Oil Palm Development</b>			
Kalangala	Suspension of interest rate accumulation for farmers that have not received the planned seedlings (about 35 ha)	KOPGT	Immediate
	EIAs outlying islands finalized and sent to NEMA	PMU	31 Nov 2013
	Confirm commitment for financing investment on transport to outlying islands	MFPED	31 Oct 2013
	Firm up agreement with OPUL for fertilizer payments and present new system to board for approval	KOPGT	31 Oct 2013
Roads	Complete 40 km of roads that need improvement from phase 1	PMU/KDLG	31 Mar 2014
	Improve 50 km of roads to CAR standards and hand-over to District	PMU/KDLG	30 Jun 2014
	Design roads for new 400 ha in Bugala and start works	PMU/KDLG	30 Sept 2014
	Undertake KOPGA diagnostic study	IFAD	31 Dec 2013
KOPGT	Mobilize additional resources for KOPGA capacity building	IFAD	31 Jun 2014
	Prepare KOPGT Strategic Plan through wide consultative process	KOPGT	31 Jun 2014
	Recruit KOPGT Financial Manager and Accounts Assistant	PMU/MAAIF	31 Dec 2013
	Submit to IFAD for NO the final evaluation report for fertilizers' store	PMU	31 Oct 2013
	Launch procurement process for truck insurance services	PMU	30 Nov 2013
	Review transport costs charges	KOPGT	30 Nov 2013
	Submit to IFAD for No Objection evaluation report for KOPGT backstopping in financial management	PMU	30 Nov 2013
	Create separate accounts for Government and KOPGT shares of loan repayments and interests	KOPGT	31 Dec 2013
	Fill the communications templates with key messages for farmers	KOPGT	31 Dec 2013
	Hand over 3,000 ha land to BUL	MAAIF	31 Dec 2013
Other	MoU with NARO to cover issues specific to oil palm	PMU	30 Nov 2013
<b>Component 2 – Oil seeds</b>			
	Validate value chain development plans in hub stakeholder meetings	PMU	31 Dec 2013
	Collect quantitative and qualitative data on the 2013 FLPs and report on this	PMU	28 Feb 2013
	Develop demonstration guidelines	PMU	31 Dec 2013
	Update oilseeds guidelines	PMU	31 Mar 2014
	Send to IFAD for NO joint evaluation report and draft contract for PFS	PMU	31 Oct 2013
	Complete study on financial mechanisms	PMU	31 Mar 2014
	Sign MOUs with NARO, DLG and UNBS (following IFAD NO)	PMU	30 Nov 2013
	Sign MOUs with NAADS and NCSC (following IFAD NO)	PMU	30 Dec 2013
	Develop a one-pager with a message for farmers and other actors	PMU	31 Dec 2013
<b>Component 3 – Project Management</b>			
PMU	Send to IFAD request for NO for recruitment of accountant	PMU	31 Dec 2013
	Improve existing financial management guidelines into a manual	PMU	28 Feb 2014
	Confirm that available information for oilseeds is sufficient for RIMS impact	IFAD	31 Oct 2013
	Send request for NO to IFAD for bidding documents for baseline surveys	PMU	15 Nov 2013



Fiduciary aspects	Work more closely in assisting KOPGT on communication issues	PMU	Continuous
	Prepare first issue of e-newsletter	PMU	31 Oct 2013
	Improve progress report as per recommendations provided	PMU	Continuous
	Prepare and analysis of accountabilities in line with the repositions	PMU	Continuous
	Submit WAs more regularly (30% of initial deposit or every 3 months)	PMU	Continuous
	PMU to maintain updates contract register	PMU	Continuous
	Reconcile the Das monthly	PMU	Continuous

### Appendix 3a: Status of recommendations from previous missions (March 2013 and others carried forward)

Action Area	Action Agreed	Whom	Date	Progress
Oil palm - Kalangala	Place order for seedlings for 800 ha on outlying islands	KOPGT	30 July 2012	Order placed in August 2013 with OPUL for 150,000 seedlings to be delivered in three lots of 50,000 each.
	Start applying fertiliser deductions for commercial farmers	KOPGT	1 Sept 2012 1 January 2013	KOPGA/KOPGT consultative meeting of March 2013 agreed to use the method of invoices to commercial farmers. Amounts on invoices are deductible in three instalments from FFB sales. A stocking challenge has been encountered; OPUL has agreed to help
	Complete posting and final verification of loan data	KOPGT	30 Sept 2012	95% posting of data complete. Farmers loan statements issued out to all blocks. Verification and updating on going.
	Sensitization and investigation on self-germinated seedlings	KOPGT / KOPGA	30 Sept 2012	Done and no new cases identified.
	Training of farmers on appropriate use of chemicals	KOPGT / MAAIF	30 Sept 2012	Done in collaboration with local government
	Handover of outgrowers fields to owners	KOPGT / OPUL	30 Dec 2012	100% done. A few cases of boundary clarity are being sorted out by district staff.
	Completion of 40 kms of roads on Bugala	KDLG	Immediately	Action taken. Roads opened and shaped. Plans to compact and murrum difficult areas. Newly recruited project Engineer has visited to assess status.
	Planting of 400 ha to commence on Bugala once new conditions are defined	KOPGT	31 March 2013	Action taken. A total of 368 ha planted by end of August and all available seedlings distributed and planted; but not enough seedlings available due to high mortality rate. An order of 200,000 seedlings have been ordered of which 100,000 are expected next month. Planting to complete when seedlings have matured (in 2014). 169.4 hectares planted between July and October 2012 and another 359 between March and August 2013 (92.5% of target).
	Shortlist for the two KOPGT positions will be sent to IFAD for NO; No Objection will be provided by 30 April.	PMU	15 April 2013	Short-list finalised. Awaiting internal clearances prior to submission of NOs.
	Expedite process for the delivery of the 4x4 trucks for KOPGT	MAAIF	15 April 2013	Trucks delivered in April and payment effected in August. Transport of FFBs greatly improved.
	Consultations with the farmers on the new conditions and provide feedback to the PMU	KOPGT	15 April 2013	Consultations undertaken and new loan conditions effected. Some challenges faced but dialogue is continuing. Consultations were done at all levels and agreed positions were reached in March 2013. A Memorandum was signed by all parties, which is guiding the roll-out.
	Bidding documents for KOPGT fertilizer store sent to IFAD for No Objection	PMU	15 April 2013	NO for bidding documents received and tender advertised. Evaluation of bids is on-going.
	Revised bidding documents for roads in Kalangala District submitted to IFAD for No Objection	PMU	30 April 2013	Project Engineer undertaking on ground needs assessment and road design to finalise bidding documents.
	KOPGT develop an independent website to share relevant	KOPGT	30 August 2013	Web-site developed and up and running in August; pending full

	information with the external audiences. Start plating of 800 ha in outlying islands	KOPGT	1 Jan 2014	payment of service providers. <a href="http://www.kopgt.co.ug">www.kopgt.co.ug</a> Awaiting EIAs
	Ensure adherence to road map for self-sustainability	KOPGT / PMU	Continuous	Draft Human Resource, Credit and Finance manuals presented to the board, yet to be approved. Recruitment of Consultant on Financial Management on-going. Another team building for KOPGT staff and board members to be conducted in November 2013 to discuss draft KOPGT business plan.
Buvuma	At least 3,000 ha., free of encumbrances, handed over to BUL	MAAIF	30 June 2013	Compensations of tenants on-going. So far about UGX 2 billion spend on compensating tenants, freeing 800 ha public land and 1974 ha purchased from private mailo. Total 2774 ha available free of encumbrances for nucleus estate. Valuation of tenants on private mailo land as commenced. Targeting 31 December 2013 for clearing encumbrances on available land.
	Negotiations and compensations for the additional 2,500 ha already surveyed will be given maximum priority to have maximum land available for hand-over	MAAIF	31 August 2013	Valuation of the tenants properties on the acquired land on going in order to determine the amounts due for compensation. Some areas have been cleared, as reported above. Of the 3963.1 hectares purchased/committed, 1974 ha is free of encumbrances, while 1989 is yet to be cleared.
	Engage processors/millers and seed companies/agri-dealers through MOUs and organise joint field visits	PMU	Immediate	On going. So far, have been able to link an agro-dealer to Mukwano to access seed for farmers. Continuing discussions with Mukwano in order to ensure seed is available in different hubs. Meetings have been held with millers (10), MFIs (5), agro-input dealers (9) and a number of other actors. However, no MoUs signed yet.
	EOI's shortlist for recruitment of pay for service providers submitted to IFAD for No Objection, with response within 5 working days	PMU	30 March 2013	NO received, document issued for submission of bids; bids received and opened. Evaluation yet to be undertaken.
Oil seeds	Ensure availability of seeds for demonstrations and make available to farmers	PMU	15 April 2013	Seed for Farmer Learning Platforms was secured and distributed in 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> weeks of April 2013; seeds arrived late, especially simsim. Some farmers did not plant due to irregular rains and subsequent early onset of dry season. Retained seed was planted early in Season B. Additional seed has been delivered for season B.
	RFP documents for Quality Based Selection, incl. general framework agreement, revised TORs for No Objection	PMU	30 April 2013	As above.
	Relations between service providers, districts and NAADS clearly spelt out in MoUs; MoU with NARO finalized	PMU	30 April 2013	Relations between service providers, districts and NAADS have been clearly spelt out and harmonized in the MoUs with PFS, District and NARO. MoUs are at a final stage; review of the solicitor general. Draft MoU with NAADS and NSCS under review.
	Finalize situation analysis report (to be presented to OSSUP platforms for validation)	PMU	30 April 2013	4 hub situation analysis reports were finalised and information gathered shared during regional OSSUP platforms and oilseeds start-up workshop held on 11-12 September, 2013 in Lira
	Prepare a five year value chain development plan for each	PMU	30 May 2013	Five year value chain development plans have been drafted for each

	hub and present it to OSSUP platforms for validation			hub, but are not yet complete. Will be shared at OSSUP platform meetings for validation by December 2013.
	Finalize oil seeds guidelines	PMU	30 May 2013	Oilseeds guidelines finalized.
	Submit shortlist for hub coordinator for No objection	PMU	31 March 2013	Contract finalized; Mr Fred Kasango hoped to report in duty on 1 <sup>st</sup> October 2013.
	Submit final evaluation report for engineer	PMU	15 April 2013	Has been recruited and reported for duty.
	Advertise for an accountant	PMU	15 April 2013	Shortlisting undertaking; finalising internal approvals before seeking NO.
	Advertise for hub administrators and drivers	PMU	30 April 2013	NO received and internal approvals being undertaken before advertising
	Launch procurement process for staff insurance	PMU	30 April 2013	Bids received and found non responsive. TORs being revised for retendering.
	Agreement reached with IFAD for on impact baseline studies	PMU	30 April 2013	TORs developed for baseline study and available for review.
	Bidding documents for procurement of imagery of oil palm areas submitted to IFAD for No Objection	PMU	30 April 2013	Contacted Regional Centre for Mapping and Resources Development in Nairobi which has identified available images to purchase at a cost of about USD 15,000. Procurement process is initiated.
	Updated log-frame submitted to IFAD for No Objection	PMU	31 May 2013	Log-frame discussed at the Oilseeds Kick off workshop in Lira and comments incorporated. Now ready for submission to IFAD for review during the mission before NO is sought.
	Concept for web-portal developed	PMU	31 May 2013	Webpage active at <a href="http://VODP2.agriculture.go.ug">VODP2.agriculture.go.ug</a>
	Recruit consultant for financial management	PMU	30 June 2013	Recruitment process in advanced stages; technical bids evaluated and report approved by contracts committee.
	Final draft PCR submitted to IFAD	PMU	27 March 2013	Final draft submitted to IFAD.
	IFAD send to the Auditor General its guidelines on audit	IFAD	30 April 2013	Financial audit for FY 2012/13 in on going. Project have shared IFAD guidelines with auditors.
	A detailed plan of disbursement of expenditures for the following six months will be prepared. If necessary, a request to IFAD for the increase of the Initial Deposit allocations of the two DAs will be sent to IFAD.	PMU	30 June 2013	Initial deposit increased to USD 2 million

## Appendix 4: Physical progress measured against FY 2012/13 AWPB, including RIMS indicators

	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%	Comment
<b>Component 1 Oil palm consolidation and expansion</b>								
<b>Outcome 1: An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers</b>								
<b>Output 4.0c: Kalangala oil palm scheme completed and producing</b>								
<i>Indicator: 4,700 ha planted by smallholders in Kalangala by 2016</i>								
Plant 571 hectares of oil palm divided as 171 hectares to achieve the VODP2 phase 1 target of 3,500 hectares under small holder/ out growers, and 400 hectares as part of the phase 2 target of 1,200 hectares.	ha	571	536	94%	3,864.8	4,200	92%	Planting target not achieved due to disease outbreak in nursery
Implement start up activities specifically Environmental and Social Impact Assessments in the outlying islands of Bunyama and Bubembe.	EIA contract awarded in May 2013. First batch of new plantings undertaken on Bugala Islands. Initiated talks with Ministry of Works for transport feasibility study for outlying islands.							
<i>Indicator: 1,800 smallholders serviced by KOPGT (*)</i>								
Provide extension services and credit for fertilizers and maintenance of the small holder/ out grower farmers gardens.	KOPGT is continuously providing quality services to its members							
Negotiate the transfer of out growers' gardens from OPUL to KOPGT then to farmers in a phased manner	All gardens fully handed over							
Clear all outstanding payments to OPUL for maintenance of the out growers' gardens and supply of fertilizers.	100%							
<b>Output 4.0d: Buvuma oil palm scheme established</b>								
<i>Indicator: 6,500 ha nucleus estate planted by 2017 in Buvuma</i>								
Providing the required 4,100 hectares of land to BUL for an oil palm nursery and start activities on the Nucleus Estate.	ha	4,100	0	0%	0	6,500	0%	Land not handed over. 2774 ha acquired to date.
Ensure that tenants on the land acquired for the project are fairly compensated.	Compensations started in March 2013. As landlords were not fairly compensating tenants, the project took on that task, before executing payment.							
<i>Indicator: 3,500 ha smallholder land planted by 2018 in Buvuma (*)</i>								
Mobilize and sensitize farmers on the benefits of oil palm growing and environmental protection.	Farmers mobilized and prepared for oil palm development							
<b>Component 2 Oil seeds</b>								
<b>Outcome2 : Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production</b>								
<i>Indicator: Domestic oil seeds production of sunflower and soya bean increased from 70,000 tonnes in 2008 to 150,000 tonnes by 2018 of which 70% is from the newhubs of Gulu, Eastern Uganda and West Nile</i>								

Establishment of physical presence (offices) in the four regional hubs.	Offices established in all four hubs.
Effective participation in the OSSUP platform meetings	Quarterly meetings are held and hub and national level (20 meetings annually). VODP2 officers participate to the extent possible.
Conduct situation analysis studies for the four commodities	Situation analysis developed
Procure pay for service providers (PFS) for capacity assessment of farmer groups and value chain mapping	Exercise was undertaken by PMU
Procure PFS to provide extension support to farmers in the regional hubs.	Shortlisting was done and bidding documents prepared
Complete institutional arrangements with research and other partners	Final draft MoUs in place
<b>Component 3 Project management</b>	
Work with Kalangala and Buvuma Districts to continue building up awareness of the project, secure farmers commitment to participating in oil palm development	Frequent visits by PMU staff to both areas. High commitment and awareness on ground
Play an intermediation role on behalf of Government with OPUL. This will include facilitation for the land purchase for the nucleus estate in Buvuma district and provision of title deeds.	On-going work
Ensure the completion of the environmental and social impact assessments in conformity with NEMA regulations in the islands of Bunyama, Bubembe and Buvuma	Contracts signed in May 2013. Submission to NEMA by end of 2013.
Ensure that gender, HIV/AIDS and environmental management awareness are mainstreamed into the oil palm development activities in Bugala.	Situation analysis undertaken on Kalangala and presented to Ministry of Health
Coordinate the activities in the regional hubs and ensure that the oil seeds component establishes networks with stakeholders and implementation partners to ensure that roles and responsibilities are agreed upon.	Hub coordinators in place; posted to duty stations by 1 April. Lira hub-coordinator reported on duty on 1 October 2013.
Develop and implement a communication and knowledge management strategy for VODP2. The PMU will also harmonize dissemination of messages by project partners	Strategy in place.
Develop and implement strategies for rural financing schemes for the oil seeds and oil palm components through reviewing at least four (04) financing options for oil seed development and, monitoring and backstopping the implementation of the credit scheme for oil palm farmers.	Situation analysis and consultations carried out. Initial proposal in place for next FY
Design and implement a participatory results based monitoring and evaluation system through building the capacity of implementing partners in results based planning and M&E, collecting baseline information on the indicators of the project components and tracking progress of the implementation of the project start up activities. An impact evaluation in Bugala.	Log-frame has been updated and indicators profiled through a participatory process. Framework for studies developed and TORs ready for procurement. Capacity of hub-coordinators and KOPGT increased.
Facilitate and support timely acquisition of the required procurement items to support project implementation through putting in place procurement/ disposal plans for timely loan disbursements, seeking for contract committee approvals/ IFAD no-objections, implementing contracts committee decisions, implementing contracts monitoring and record keeping and, building capacity in procurement/disposal of items/assets.	On-track.
Implement financial best practices through maintaining a sound financial accounting system, timely financial reporting to IFAD & GOU and providing custody of the project assets.	Financial management on track, except for delayed recruitment of an accountant.

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

**Table 5A: Financial performance by financier**

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	52,000	12,984	25%
IFAD Grant	1,140	342	30%
Government of Uganda	14,140	2,937	21%
Trust	4,440	0	0
KOPGT	1,040	0	0
Farmers	3,900	3,964	102%
SNV co-financing	285	40	14%
Sub-Total	76,945	20,267	26%
Oil Palm Uganda Ltd (OPUL)	70,380	---	---
Total	147,325		14%

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

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

Component	IFAD Loan			IFAD grant			Government			OPUL		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
<b>Oil Palm Development</b>												
Consolidation and Expansion- Kalangala												
Support to KOPGT	13,091	9,052	69%				3,250		0%			
Mobilisation- Buvuma												
Development- Buvuma	13,245	157	1%				9,630	235	2%	70,380	0	0
Identification of new areas	673	65	10%					2	0%			
<b>Sub total Oil Palm Development</b>	<b>27,009</b>	<b>9,274</b>	<b>34%</b>	<b>0</b>	<b>0</b>		<b>12,880</b>	<b>237</b>	<b>2%</b>	<b>70,380</b>	<b>0</b>	<b>-</b>
<b>Oil Seeds Development</b>												
Seed Production	2,020	20	1%									
Extension for Farmer Groups	12,830	163	1%									
Other Value chain Activities	1,849	18	1%	1,140	342	30%						
<b>Sub total Oil Seeds Development</b>	<b>16,699</b>	<b>200</b>	<b>2%</b>	<b>1,140</b>	<b>342</b>	<b>30%</b>				<b>0</b>	<b>0</b>	

<b>Project Management</b>								
Project Management	8,292	1,396	17%					
<b>Sub total Project Management</b>	<b>8,292</b>	<b>10,396</b>	<b>17%</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Total</b>				<b>1,140</b>	<b>342</b>	<b>30%</b>	<b>70,380</b>	<b>0</b>
<i>Initial Deposit</i>		3,000						
<b>TOTAL</b>	<b>52,000</b>							

Component	Trust			KOPGT			Farmers			SNV co-financing			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
<b>Oil Palm Development</b>					0										
Consolidation and Expansion- Kalangala							933	3,964	425%				17,274	13,016	75%
Support to KOPGT															
Mobilisation- Buvuma							2,967						101,702	392	0%
Development- Buvuma	4,440	0	0	1,040	0								673	67	10%
Identification of new areas															
<b>Sub total Oil Palm Development</b>	<b>4,440</b>	<b>0</b>	<b>0</b>	<b>1,040</b>	<b>0</b>		<b>3,900</b>	<b>3,964</b>	<b>102%</b>	<b>0</b>	<b>0</b>		<b>119,649</b>	<b>13,475</b>	<b>11%</b>
<b>Oil Seeds Development</b>															
Seed Production													2,020	20	1%
Extension for Farmer Groups													12,830	163	1%
Other Value chain Activities										240	40	17%	3,229	400	12%
<b>Sub total Oil Seeds Development</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>240</b>	<b>40</b>	<b>17%</b>	<b>18,079</b>	<b>582</b>	<b>3%</b>
<b>Project Management</b>															
Project Management													9,552	1,708	18%
<b>Sub total Project Management</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>9,552</b>	<b>1,708</b>	<b>18%</b>
<b>Total</b>	<b>4,440</b>	<b>0</b>	<b>0</b>	<b>1,040</b>	<b>0</b>	<b>0</b>	<b>3,900</b>	<b>3,964</b>	<b>102%</b>	<b>240</b>	<b>40</b>	<b>17%</b>	<b>147,280</b>	<b>15,765</b>	<b>11%</b>



**Table 5C: IFAD loan disbursements (SDR, as at 31 August 2013)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement (up to WA22)	%	W/A pending	Expenditures not yet claimed	Commitments	Total	%	Balance
I	Vehicles and equipment	4,400		289	7%		70		359	8%	4,041
II	Materials	1,430					2		2	0%	1,428
III	Pontoon landing sites	820								0%	820
IV	Other civil works	1,310		26	2%		5		31	2%	1,279
V	Smallholder oil palm development	8,030		4,641	58%		488		5,129	64%	2,901
VI	Oil seed guarantee fund	920								0%	920
VII	Consultancies, workshops and training	2,070		176	8%		80		256	12%	1,814
VIII	Extension services	6,200		22	0%		66		88	1%	6,112
IX	Salaries and allowances	3,270		402	12%		217		619	19%	2,651
X	Operating costs	1,980		275	14%		119		395	20%	2,651
	Unallocated	3,070								0%	1,585
	<b>Sub-total</b>	<b>33,500</b>		<b>5,831</b>	<b>17%</b>		<b>1,046</b>		<b>6,877</b>	<b>21%</b>	<b>3,070</b>
	Initial deposit			2,560					2,560		(2,560)
	<b>Total</b>	<b>33,500</b>		<b>8,391</b>	<b>25%</b>		<b>1,046</b>		<b>9,437</b>	<b>28%</b>	<b>24,063</b>

## Appendix 6: Compliance with legal covenants: Status of implementation

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

<b>Schedule 1. C 7</b>	The PMU will work with OSSUP and industry stakeholders to ensure farmers have adequate quantities of seed and inputs		SNV and PMU will work and coordinate closely
<b>Schedule 1. C. 6(b)</b>	PMu shall mainstream gender, HIV/AIDS and environmental management awareness in oilseed extension activities, including targets for recruitment of female staff by PFS	To start in FY 2013/14	
<b>Schedule 1. C. 6(c)</b>	UNBS will provide quality control along the value chain for vegetable oil	To start in FY 2013/14	
<b>Schedule 2 cat (5)</b>	The first expenditure for new oil palm development on the outlying islands and Buvuma by farmers is subject to prior approval by IFAD	N/A	Buvuma activities not started yet
<b>Schedule 2 cat (6)</b>	Expenditure on the Oilseeds Guarantee Fund is subject to prior approval by IFAD	N/A	Oilseeds Guarantee Fund not yet operating
<b>Schedule 3.</b>	No new oil palm development shall be undertaken on the outlying islands or Buvuma until EIAs have been conducted and NEMA has issued its compliance certificate	N/A	
	GoU will ensure that repayment of loans by farmers to KOPGT are recycled to finance further loans for oil palm growers in Kalangala and other districts of Uganda	Ongoing	
	Changes in the conditions of loans to farmers to grow oil palm is subject to prior approval by IFAD		
	Oil palm development techniques supported by KOPGT will be those used by OPUL and compliant with RSPO	Complied	
	Establishment of island offices by KOPGT is subject to prior approval by IFAD	Not complied yet	No existing conditions for establishment yet
	A formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.	Not complied yet	No disbursement of any loan funding to farmers in Buvuma.
	BOPGT will be registered within six months of OPUL's formal commitment to develop the nucleus estate on Buvuma	N/A	BOPGT not created yet
	No loan funds for smallholder loans will be disbursed to BOPGT until it has a computerised accounting system in place	N/A	BOPGT not created yet
	If NaSARRI and NaCRRRI do not provide sufficient breeder and foundation seed for multiplication, GoU will ensure the import of sufficient quantities of hybrid seed by the private sector. To satisfy farmer demand	N/A	Oil seeds activities not started yet
	The modalities and institutional arrangements for operation the oilseeds guarantee fund will be submitted to IFAD for its prior approval	N/A	Oil seeds activities not started yet

## Appendix 7: Knowledge management: Learning and Innovation

See blog: Demand-driven implementation support missions – where farmers are eager to get answers to their questions; posted by Ann Turinayo on 27 September 2013 on: <http://ifad-un.blogspot.com/2013/09/demand-driven-implementation-support.html>

“

We are currently on a supervision mission for the Vegetable Oil Development Project (VODP2) in Uganda. We have two teams - one looking at the oilseeds component in Eastern and Northern Uganda, and another looking at oil palm growing in Kalangala District. One of the mission team members is an oil palm expert. He is called Billy Ghansah and the farmers always look forward to the missions just so they can get all their palm related questions with experiences from West Africa. The expert works with the extension workers in their support to the farmers. The oil palm farmers have with time come to understand that the advice they get from the oil palm expert and the Kalangala Oil Palm Growers' Trust (KOPGT) field extension staff is very important in making their gardens more productive and increasing yield.

When the farmers had just started planting the palms in 2006, some of them did not bother much about applying fertilizers. One of the key challenges for KOPGT was that, in spite of all the extension messages, some farmers would sell off their fertilizers on the black market for a quick buck. The first farmers started harvesting in 2010 and are earning very attractive incomes. On average, a farmer earns about USD100 per acre per month, and the gardens are 5 acres on average.

Fast Forward. September 2013: farmers are now demanding to not only have the required fertilizer but to have it delivered in time so that their palm trees are healthy and more productive. These farmers have now realized how important it is to follow agronomic practices to ensure high quality fruit and to maximize profits from their fresh fruit bunches sales.

In the field visit to Kagulube Block on Wednesday 25 September, each farmer wanted the team to go to *their* gardens so that the oil palm expert could look at the trees they thought were not doing well for one reason or another. There was a farmers meeting and each farmer had a question. Some wanted to know why the leaves of their palms were yellow and what they could do about it? A female farmer was worried that there were insects eating up the shoots of her palms. Luckily, there was an entomologist from the National Agricultural Research Organisation (NARO), which has signed an MoU with VODP2, to provide support to farmers. He was able to respond to her question and give her useful advice.

What do we learn from all this?

- If you are providing very useful information to farmers, they will be eager to receive and apply it. Useful information for farmers in this case is information which enables them to earn better incomes from their agricultural enterprises.
- Missions are a great opportunity to interact with beneficiaries and see things from their perspective, and then work with them towards obtaining meaningful answers to their questions and concerns. Missions are not 'business as usual' because there is constant change and team members have to adapt.
- Sharing useful information is not a once-off event. Information should be shared consistently until the message is clearly understood by all and is implemented. Imagine someone had given up telling the oil palm farmers that they needed fertilizer? Consistency has paid off. Now the farmers are where they need to be - a place where they don't wait for you to bring the information to them, but they are eager to learn, and will go out of their way to ask and find answers.

For IFAD, missions offer a great value proposition for projects especially when the teams work towards meeting expressed needs.

”

## Appendix 8: List of people met and field visit itinerary

Date	Oil palm component	Oil seeds component	Project management
19 Sept		Meeting with VODP2 Arua Hub coordinator	
20 Sept		Meeting with Seed Sector stakeholders at Abi Zardi (Zonal and District NAADS Coordinator, ZOA, CEFORD. ZARDI, VODP2, and ISSD staff)	
---			
23 Sept	Start-up meeting Entebbe		
	Meeting on transportation		
	Travel to Kalangala		
24 Sept	Meeting with KOPGT and KOPGT boards, Ssesse Oil Palm Growers SACCO and District Leadership	Meeting with the Vegetable Oil seed Crop Team (Team leader, three hub-coordinators and Financial Services and Gender specialist)	
25 Sept	Business planning meeting with KOPGT and field visits	Visit to Masindi (VODP2 Focal Point)	
26 Sept	Field visits and visit to OPUL	Travel to Iganga	
		Meeting with team on value chain development plan	
27 Sept	Treecensus and business planning meeting with KOPGA	Bugiri District Meeting with District Production Officer; VODP2 Focal Point; Deputy CAO)	
		Visit to Subcounty Nankoma : SC Chairman, SC Chief, Youth Council; AASP crops, AASP Livestock), Farmer Leader (Moises Makaka)	
		Visit to member of ACE Nankoma: Moises Makaka and Samuel Mugoda	
		Tororo District: Meeting with Dep. CAO, District Production Officer, VODP2 Focal Point	
		Meeting with Tororo Multipurpose Agribusiness Training Association	
28 Sept	AM writing	Travel to Mbale	
		Bulambuli District Friends Agro-Input Dealers Bunambuhye Area Cooperative Enterprise Bufukhuta Women Association Essence of Africa Millers. East African Seed Company OSSUP Facilitator Travel to Kampala	
29 Sept	Report writing		
30 Sept	Wrap-up meeting Kalangala Travel to Kampala	Meeting with Essence of Africa and ISSD	PMU meetings finance
1 Oct	Visit to Buvuma	Team meeting with CPM	PMU meetings finance
2 Oct		Oilseeds component Aide Memoire meeting Travel to Amsterdam	Report writing
			Meeting with EIA consultant
3 Oct	Visit to NaCRRI research station Namulongo	Report writing	AM discussions with PMU
4 Oct			Meeting with PS/ST MFPED
			Wrap-up meeting MAAIF

People met:

Contact name	Position	Contact
Mr Kabaka	Ministry of Works and Transport	
Robert Aguma	Principal Consultant, Associates for Strategic Resource Development and Environmental Management Limited	0414667757 0772380340 / 070135616 robertaguma@yahoo.com
James A Ogwang	Director NaCRRRI	0774402064
Sophy Musaana	Head horticulture section	0756255205
Idd Ramathan	Research plant pathologist	0752996133 / 0705164613
Ddamulira Gabriel	Agronomist	0774229749
Dr. Wetala Partick	Oil palm researcher	0702479515
Keith Muhakanizi	Permanent secretary / Secretary to the treasury, MFPED	0414232095 Keith.muhakanizi@finance.go.ug
Samuel Semanda	Commissioner Agricultural Planning, MAAIF	0772590416 samsema@infocom.co.ug
<b>Oil palm farmers Kagulube Block:</b> Nnalubowa Imerida; Busingge Francis; Tumuramye Nicholas; Kaziro John; Magoba Lameka; Nabisere Gertuda; Kiwanuka Edward; Mayanja Ben; Babirye Annet; Kabetondera God; Maguma Alon; Bukenya Henry; Nabaluga Gorett; Mazigwa Stephen; Kayibanda Andereya; Namata Legina; Lutamaguzi Paul; Mukiibi Deo; Lukwago Joseph; Katamba Charles; Ssatabe Degideio; Katende F		
<b>Oil palm farmers Bbeta East Block:</b> Kundybya K Tom; Luwooza John Mujaasi; Kabanda Peregirino; Athanasius Rutharoh; Ssuna Tom; Nsubuga Constantino; Sserumaga; Kankaka Patrick; Ssempijja Musa; Katussime Jackiline; Nnansubuga Margert; Lumaga Charles; Bulegeya Emmanuel; Nalwanga Sylvia		
<b>Oil palm farmers Bbeta West Block:</b> Serugo Vincent; Muteeba; Kavuma Joseph; Ssempijja Willy; Musinguzi Emmanuel; Ssali Godfrey; Twesigye Wilber; Kasajja Lawrence; Ssemamda Mulabana; Macholi Alex; Sserugo Richard; Byabagambi; Manishimwe Wilson; Miyingo Fred; Utungirehe Simon; Nakalanda Josephine; Mbabazi Chrisna; Musingo Andrew; Mudaculwe; Kagwere Godfrey; Nabulime Angelina		

## Annex 1: Oil palm development

1. **Introduction.** This annex provides detailed technical recommendations for the management of existing oil palm plantations by smallholders, and to KOPGT for managing continued smallholder oil palm plantation development, while also ensuring timely collection of fresh fruit bunches in line with the agreed-upon harvesting standards. It also contains recommendations on research activities.
2. **Overview.** The purpose of this mission was the supervision and provision of technical backstopping to KOPGT and VODP2 in relation to implementation on ground and agronomic practices. Support was also provided to KOPGT in relation to self-sustainability based on business planning and other issues related to strategies for development of outlying islands, Buvuma as well as on research activities. This is a technical note containing the technical findings of the missions as well as recommendations.
3. **Activities of the mission.** The mission travelled to Kalangala on 23rd of September till the 30th of September. There were field visits to some of the blocks of farmers' fields and meetings with various farmers and organised some field training on pests and diseases, tree census, agronomic activities and on harvesting standards. The field visits were also to confirm implementation of various recommendations from previous missions. There were also meetings with the district leadership and OPUL officials. From the 1st of October till the 3rd of October visits were undertaken to Buvuma where meetings were held with the District leadership, surveyor, VODP2 staff on the island and some farmers. There were meetings with the EIA (Environmental Impact Assessment) team for the outlying islands. Finally a visit was paid to the NaCCRI offices in Namulonge based on their adoption of Oil Palm as a mandate crop for their research activities.

### Status of development

4. **Planted area in Kalangala.** Table 2 below shows the planted area as at August 2013. The mission noted that around 365 ha of the planned 400 ha to be planted in Bugala Island under VODP2 2 was completed. Unfortunately there were no more seedlings to complete the planting due to greater than expected mortality of the seedlings in the nursery. The loss exceeded 13%. Some of the farmers had been advanced loans to clear their land but could not plant due to the lack of seedlings.

**Table 2:** Planted area per planting year

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Hectares	94.5	165.2	671.0	503.3	7.3	924.5	963.0	169.6	365.4	<b>3,864</b>
Of which mature:										1,442.34
Of which immature:										2,422.5

Source: KOPGT

5. KOPGT has already placed an order for 50,000 germinated seeds through OPUL with a further 100,000 seeds expected by end of 2013 for the shortfall in the 2013 Bugala island planting as well as replacement and for the outlying Islands plantings. **Agreed action:** KOPGT should identify and confirm gardens of the farms which were cleared but not planted and the loan interest will be suspended on the loans for land clearing for the farmers who could not plant till planting takes place.
6. **Blast disease in the nursery.** The cause of the larger than usual seedling loss for the previous nursery was due to blast disease. This disease is more prevalent in West Africa. OPUL management has been sensitized on the best method of control to reduce mortality from this disease. The following are the management options for the control of the disease. It is thought that the vector of blast disease is *Recilia mica* (Homoptera Jassidae) a type of leafhopper that lives mainly on grasses. The symptoms of blast are damp rot at the base of the spear, yellowing at the base of young leaves, wet rot of the root cortex and orange-brown discoloration of the spear and leaves in the advanced stage. On pulling the spear it comes off easily and has an offensive odour. The roots of the infected palm seedling feels soft to the touch and 'empty'.

7. The methods of control are the total removal of grasses from within and outside the nursery for at least 20m and ensuring that they do not reappear hence regular weekly weeding rounds to be maintained. EFB can be used as a mulch to fill the spaces between the bags and reduce the incidence of weeds in between bags. Bags top weeding should also be done more regularly. In addition adequate irrigation and nutrition is a prerequisite. Chemical control in areas where the disease is prevalent are the following. In the pre-nursery apply 1g per seedling of Carbofuran 3G. On transplanting into the main nursery another 2g per planting hole in the polybag before planting of the pre-nursery seedling is also done. A prophylactic dose of 1g per seedling per month is practiced till after 3 months of the main nursery. If any seedling is suspected to be infected with blast it is better to err on the side of caution and remove the infected seedling and burn it. It should not be kept under observation as it may become a source of infestation.

8. **Quality of 2013 plantings.** The field planting of the seedlings was relatively good in most of the fields visited but there were some farmers who planted too deep resulting in palms showing slow growth. Some trees were found to be infested with the blast disease. **Recommendations.** Training should be done by the field officers on the correct planting technique including seedling handling for the farmers and their labour as a standard especially as planting is now no more a routine activity for most of the farmers.

9. **Production of FFB.** There is a rising trend in FFB production over the years due to increasing yields and total area under production as expected. FFB production for 2012 was 7713.9 tons where as that of 2013 up to end August is already 7320.45 tons which means the total crop for this year will be around 11,000 tons; see table 2 below. Crop transport has greatly improved with the addition of the 4 new trucks to the fleet of the KOPGT FFB evacuation trucks. The challenge is to ensure that the recovery for vehicle replacement is adequate to cater for the sustainable replacement of the trucks once they are old.

**Table 3:** FFB harvests by smallholder farmers over the years (kgs)

	2010	2011	2012	2013
January	1,490	80,281	560,796	615,350
February	9,080	119,478	655,719	698,787
March	15,393	280,670	644,848	960,085
April	39,736	253,924	827,630	1,162,113
May	57,240	322,334	786,172	1,188,216
June	50,210	262,570	617,324	1,052,661
July	45,590	330,047	501,854	853,694
August	57,083	276,397	627,690	789,549
September	85,790	286,253	666,883	
October	88,088	316,285	636,410	
November	94,811	465,828	696,219	
December	108,969	561,777	492,362	
<b>Total</b>	<b>653,480</b>	<b>3,555,844</b>	<b>7,713,907</b>	<b>7,320,455</b>

Source KOPGT

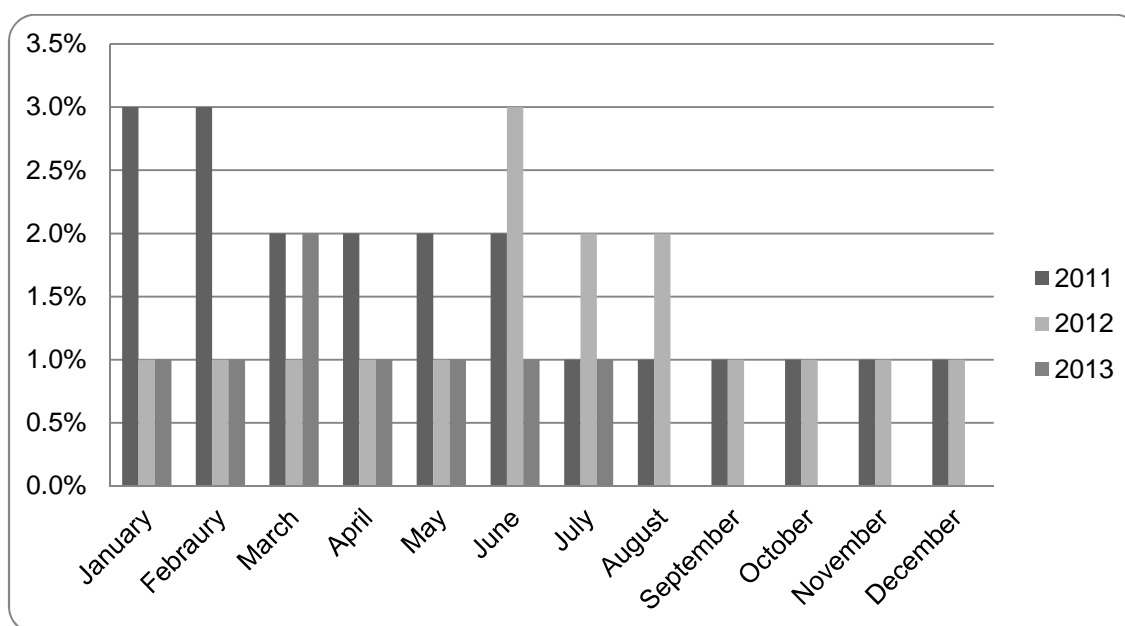
10. **FFB quality.** FFB quality deteriorated in March 2013 but overall the losses due to FFB rejection at the Oil Mill have been steady at around 1%. See Figure 1 below. However, in absolute terms, the quantities have been rising as the volumes of FFB production increase see table 2. This means that FFB quality has reduced in absolute terms. This is mainly due to the increasing phenomenon of about 10-15% of the FFB harvested showing uneven ripening with some bunches having more than 50% of the fruits still unripe though they have more than 5 loose fruit detached. This phenomenon seems to be a physiological condition probably caused by the lower night temperatures of lower than 20 degrees centigrade compared to other countries and until a solution is found the best option is to manage the situation so that as much FFB as possible is recovered for maximum oil.

11. **Agreed action.** It has been agreed with OPUL that harvesting interval should be strictly 7-10 days and that every bunch will be harvested at the 5 loose fruit standard for the normal bunches but



for those bunches showing between 20% to 70% unripe bunches with even more than 5 loose fruit detached will not be harvested but the detached loose fruit will be collected and sent to the mill. In these cases such a bunch will be ripe in the next harvest and it should be harvested and invariably it may have less than 50% of fruits still on the bunch. OPUL will accept it so far as the bunch stalk is not watery or brown as in the case of rotten bunches. If the unripe fruits on the harvested bunch is less than 20% it will be accepted as ripe. **Recommendations.** The frequency of the training programmes for harvesting especially on the harvesting of unevenly ripe bunches should be stepped up and also should include the labourers on the farms especially for the farmers who have just started harvesting. KOPGT should also follow up with the farmers on getting some data on the age ranges where this phenomenon occurs for future analysis.

**Figure 1: FFB rejection at the Oil Mill over the years (kgs lost in % of production)**



Source KOPGT

12. **Challenges faced by farmers in commercial phase of production.** During the mission it was discovered that less than 10% of the farmers in the commercial stage who are no longer getting loans, have not been maintaining their fields as well as expected. Moreover the farmers in the commercial stage have been having issues with labour productivity and costs. This is compounded with high fertiliser costs and static prices of FFB. Most of the fields visited were relatively clean but cultural practices need to be further improved and sustained. In the previous missions it was recommended that demonstration plots should be set up for farmers' fields in each unit to show case the best developed practices and this has largely been complied with but the uptake by other farmers is not evident.

13. On fertilizer use, the farmers follow what OPUL recommends as fertiliser dosages for them to use but that is good for younger trees. However as the trees grow and yield increases there will be the need to do more precise fertiliser recommendations which will optimize the quantities of fertiliser per tree and thus the costs for the farmer and also provide better yields. In addition the farmers have planted in a wide variety of fields from sandy soils to swampy areas as well as gravelly soils which will mean different fertilizer needs. **Recommendations.**

- Farmers should be sensitized to the fact that oil palm prices like all commodity prices fluctuate and the farmer has little control over the resulting FFB price. This means another communication on FBB pricing formula so that farmers will be fully sensitized especially the new famers just coming into the commercial phase. Farmers should also be made aware that

the only element of production they have control over is the cost of production especially the labour costs.

- Farmers should also be sensitized to the impact of higher costs on their profitability per ton of FFB harvested. This means that farmer's leaders should also agree on the costs of various activities by their workers in order not to escalate it beyond the capability of the farmers to pay for labour.
- Finally the training on foliar sample collection and handling as well as identification of research organizations to do the Foliar analysis should be pursued by KOPGT and VODP2. Contact with research organisations like NaCCRI should be explored as well as in Kenya (see below).

14. **New areas reaching production.** In 2010 924.5 ha was planted and ideally they will be ready for harvesting by the end of 2013. Field inspection of some of these plantings show that about 90% will be ready for harvesting beginning of 2014. However some of the palms in especially the former grasslands planted in 2010 are still looking juvenile apparently because the soils are inherently poor.

**Recommendation.** All fields ready for harvesting should undergo the following activities:

- Harvesting paths to be laid in between two palm rows for the fields ready for harvesting
- The width of the paths should be about 1mterre wide parallel to the palm rows
- Sanitary pruning should be done by the pruning and removing all dead and drying fronds as well as rotten bunches
- All circles should be cleaned and the harvesting posts to be made ready along with the weighing station.

15. KOPGT should make it a point to ensure that all these activities are completed by December 2013 and the final payment for maintenance should be linked to this activity. Those fields where the palms are showing poor FFB development as at now can be rechecked individually by the field officers. They will need to count the trees that have bunches in those fields and if 60% or more have bunches they should then be deemed to be ready for harvesting. On the other hand if there are less of these then KOPGT should look at extending the loan for an extra one year. But the final decision should be agreed with the board of KOPGT and VOPD as extending the loan is the last resort. Most of those fields with juvenile trees need organic matter and KOPGT should appeal to OPUL who are willing to assist on this issue.

16. **Development of Outlying Islands.** Procurement for the transport viability study has not yet been completed. However the environmental impact study has been procured. The draft report is with VODP2 for study and final hand over to NEEMA by next month. **Recommendation.** The procurement for the transport study should be speeded up as the GOU has agreed to fund transport(landing sites and ferry) to the outlying islands so the planned purchase of seeds by KOPGT through OPUL for the nurseries should be implemented . The roads design and construction for the outlying Islands should be fast tracked by VODP2 in order that the roads construction will be completed before planting start in about 18 months from now.

17. **Development projects and farmers palm tree losses.** There are plans to extend electricity and road networks which might result in the removal of palm trees belonging to the farmers which will impact the production and the loan repayment of the farmers. **Recommendation.** KOPGT/PMU to get in contact with the relevant government agencies and confirm the size of the potential number of trees to be removed and if it is a big one like a loss of more than 5% of the trees then a decision should be made on the way forward in terms of loan forgiveness or reduced rate of payment for the affected farmers.

18. **Respect of the 200m lake border.** At the time of the mission the recommendation for an assessment of areas in the 200 m lake border area allegedly encroached by farmers had not been done but was to be started by October end. This will include acquisition of satellite maps and ground”

thruthing” with GPS hand held mapping units which had already been procured. Field officers are yet to be trained on the use of these equipment but plans are underway to do so by end 2013 and should be done as planned. **Recommendations.** The training of the officers to identify the 200m lake border in areas farmers and OPUL have allegedly encroached so that appropriate management actions can be undertaken. This should be done with the environmental management team.

### **Agronomic recommendations**

19. Field visits showed there are a lot of agronomic issues for which there have been several recommendations in the past and the take up has been very low. However the following recommendations are being repeated. Please refer to the previous missions on the descriptions of the methods used for the various cultural practices. General It is recommended that a census is undertaken by KOPGT to confirm the number of farmers complying with the recommended cultural practices and based on that corrective actions can be undertaken as soon as possible.

20. **Mature areas.** As OPUL is practicing differential fertilizer application regimes based on foliar analysis KOPGT will also begin to do that, so that it will provide more optimal fertiliser dosages. This will mean the census for an accurate number of trees per farmer and their ages are done and the total area per famer is double checked with GPS. After that sample fields will need to be identified based on age, terrain, location and soil type. A leaf sampling unit per sample field will then be identified and foliar samples will need to be taken from those fields for foliar analysis and these Leaf sample units will be permanent no change should be made once identified. It is expected that this will be in place by the end of December 2013.

21. **Immature areas and new land clearings.** A lot of the immature areas are showing signs of magnesium deficiency. The previous recommendation of 1kg dolomite and 0.5kg rock phosphate should be adhered to. All though the dolomite was late and application is on-going it should not be discontinued.

22. **Fertiliser placement.** Most of the fertiliser applied is applied in a thick band around the palms. This is not good; it should be applied evenly within the weeded palm circle. Care should be taken not to spread it beyond the fullest extent of the lower palm fronds.

23. **Land preparation.** In some of the 2013 plantings not all the trees have been cleared. But the biggest problem is to do with wild palms which should be cleared immediately as they are the alternative hosts for most palm diseases and pest. KOPGT should make it a point to ensure that this is done by end December 2013

24. **Lining and planting.** In most of the younger and also the older plantings the lining is not accurate resulting in palms lines or rows looking crooked. This has an impact in subsequent cultural practices like palm census, fertiliser application and harvesting etc. Care must be taken to confirm the lining before planting is done as most of the lining is not done very well with some planting distances below and above the recommended 9 meter triangular spacing.

25. **Pest and diseases.** Farmers are very observant and they have identified a lot of pest and disease problems in their fields which need explanation. Most of the diseases were fungal problems like sooty mould caused by mealy bugs which attract the fungus. The control is to use insecticide to eliminate the mealy bug. Research officers from NARO who were part of the mission have been asked to conduct a trial as to the best method of control. This goes for the cases of Rhyncophorous sp and Oryctes sp attack found in the field

### **Research issues**

26. Research activities have been on-going with the emphasis on suitability of planting oil palms in different locations in Uganda. This was the basis for starting the oil palm project in the first place. It is noteworthy that oil palm has now been designated a mandate crop by NARO, which means it will receive more attention than it had hitherto enjoyed. **Recommendations.** It is recommended that a strategic plan for oil palm research should be put in place, it should include the following elements:

- Breeding of oil palm to suit local conditions. This is a long term programme which will need support from other Governments and or private research organizations. It's likelihood is very small.
- Pest and diseases. As the area planted to oil palm increases there will be more and more diseases and pests which are existing here switching to the oil palm because there are similar plants in the environment or because of the danger of having a monocrop.
- It is recommended that for the long term basic research on some of these issues which are well known are replicated here to confirm or identify some new findings given the unique agro climatic conditions in Uganda especially on diseases like ganoderma or basal stem rot and on pests like Rhynchophorous and Oryctes which are already endemic here. The management system will include an IPM system for the Island and other oil palm growing regions including monitoring.
- Agronomic issues will based on types and quantities of optimal fertilizer use. In the longer term fertiliser response curves should be established for oil palm in Ugandan conditions. The practice of intercropping by farmers when palms are immature should also be investigated and the best options recommended to farmers.
- Finally some physiological work should be done to find out the cause of uneven ripening and bunch diseases that are more common on palms in Uganda than in other oil palm growing regions.

27. To achieve the above the following steps should be undertaken:

- Immediate recruitment of two scientists (an agronomist and an entomologist) to be done by the end of this year to be paid by NaCCRI and initially funded by VODP2. The longer term objective will be that they will be absorbed into the research institute as the oil palm acreage increases.
- Since NaCCRI has taken over the Oil Palm research, the Kituza trials should continue and managed by NaCCRI while new research trials are laid out in Namulonge based on whether climatic conditions at the Namulonge will support optimal oil palm growth like in Kituza
- Documentation on the above trials in both places and in other research plots should be published routinely.
- Provision of laboratory services for foliar analysis should be explored for both OPUL and the smallholders for nutrient management.
- Soil surveys in places like Buvuma can be organised by the research institute as part of the services to VODP2.
- Finally coordination and financing arrangement should be put in place through an MOU to be signed by NARO/NaCCRI and VODP2 by the end of December 2013 to help fund the above activities in the medium term.

## Annex 2: KOPGT business plan

28. The mission notes and appreciates the considerable efforts that have been spent in the formulation of draft business plan presented, and commends the management of PMU and KOPGT for the work they have carried out. However, the current draft requires further work to address some core business aspects of the institution to ensure focused and result oriented operating model.

29. In particular, further consideration should be given on how to best address the changing role and nature of KOPGT, i.e. how to manage the transition from an entity implementing a development project to one providing services on a financially sustainable basis. Up to now and in the immediate future KOPGT is perceived and indeed it is in many ways acting as a public agency. Work and services provided by KOPGT are rightly seen by farmers as part of an aid program to help them grow. And they are grateful for it. However in the near future KOPGT will need to change its operating model from an aid/grant provider to a commercially viable service provider. The goal will change from creating grateful individuals to the one of creating satisfied customers.

30. A review of KOPGT governance and structure is needed to determine how business best practices and systems can be accommodated. The plan should include provisions of operational and management systems and procedures, under which the business will operate efficiently and effectively. These should include operational manuals for operations, financial accounting, management, monitoring and reporting procedures and audit and procurement. The future need for corporate bodies like Board of directors, thematic board committees, executive management and the mode of the procedures of their appointments should be properly assess. Other crucial aspects include human resources policy and social responsibility.

31. Effort must be put into identifying the future needs of small farmers, what services she/he will be willing to buy and at what prices. The required human resources, equipment and capacity building investments must be fully taken into account to assess the financial cost and value for money to smallholder farmers. This financial costing must be carried out as early as possible to assess the impact on the overall business model. In this perspective, the strategic plan should:

1. Distinguish between the different roles and classify the various services that KOPGT could provide:
  - a. Agency role: services provided to government for repayment of loans
  - b. Facilitator of public services: disbursement of loans and grants to farmer
  - c. Procurement services: seedlings, fertilizers, pesticide, tools...
  - d. Coop/economy of scale driven services: collection and transport, research/seed selection
  - e. Agro services (extension)
  - f. Financial services
2. Properly estimate the costing implications of the envisaged services, including:
  - a. An estimate of the cost of each different service (labour cost, consumables, investment amortization)
  - b. Alternative cost to farmers if they were to buy such service or product individually on the market
  - c. Potential value added to costumers provided by KOPGT
  - d. Price of each service proportionally to this value added, verifying if for reasonable price and demand scenarios break-even is achievable
3. Define the optimal staffing structure/organogram of KOPGT to efficiently provide the envisaged services
4. Define the expected income sources to cover the costs of service provision as well as any other fixed administrative cost of KOPGT
5. Revisit the current KOPGT governance and legal frameworks and adjust them as appropriate to respond to the changing role and nature of KOPGT.

6. Investigate opportunities to widen the service portfolio (banking, credit, mortgages, insurance) to offer farmer: financial services have lot of potential in the medium run but the relationship with SACCO in terms of synergies, comparative advantages, division of roles, should be investigated
7. Communicate in a clear and transparent way the nature of each service, quantity and quality (in terms of potential savings, quality of product, timely delivery). Simple brochures would be very helpful
8. Present financial projections of costs and incomes of KOPGT over the next 10 years, which will allow defining a realistic target for financial sustainability.

## Annex 3: Mission note to KOPGT and KOPGA



Enabling poor rural people  
to overcome poverty

### Mission Note - Kalangala

Republic of Uganda

Vegetable Oil Development Project – Phase 2 (VODP2)

Supervision mission: 23 September – 4 October 2013

### Introduction<sup>2</sup>

65. An IFAD mission visited Bugala Island on 23-30 September to review the implementation progress of oil palm investment activities in Kalangala District. The mission met relevant stakeholders: the Kalangala Oil Palm Growers Trust (KOPGT) Board and Secretariat; the Kalangala Oil Palm Growers Association (KOPGA), farmers in their fields, Oil Palm Uganda Limited (OPUL), the leaders of the newly created Ssesse Oil Palm Growers SACCO; the Resident District Commissioner; the LC5 and other officials of Kalangala District Local Government (KDLG). The mission was accompanied by the relevant PMU staff during the field visits, including the Project Manager. Thanks are extended to the PMU and KOPGT staff, and all of the partners who have contributed to the success of the mission. This note presents the main findings of the mission as discussed with local stakeholders in Kalangala on 30 September 2013.

### Implementation Progress

#### Oil Palm Development

66. **Status of land development – Bugala Island.** As of the date of the mission, the planting of 365 ha out of the planned 400 ha under the second phase was completed. This brings the total ha. planted in Bugala to 3,865, of which almost 40% have reached the mature stage. Unfortunately the planting of the remaining 35 ha. was not completed because of shortage of seedlings due to an unexpectedly high mortality rate in the nursery, exceeding 13%. The underlying cause was the blast disease, a disease that is common in West Africa. OPUL management has been sensitized on the best methods for controlling this disease. For farmers that have already prepared the land using the KOPGT loan but have not received the seedlings it is agreed that interest rates on the loan will be suspended until the seedlings are planted.

67. **Status of land development - Outlying islands.** The issue of transport services linking the islands to Bugala is still to be resolved. The Ministry of Works and Transport will undertake a study to design the landing sites and define the size of vessel. The study is expected to be finalized in no less than 12 months. The project will not be able to cover all the investment costs for the landing sites and vessel. The study will therefore be the basis for GoU to decide on how to finance this investment. No planting on the outlying islands should be supported by KOPGT before a clear commitment of funds by GoU in this respect.

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<sup>2</sup> The mission was led by Mr. Alessandro Marini, IFAD Country Programme Manager for Uganda and included Mr. Vittorio Grilli, private sector development specialist; Ms. Line Kaspersen, IFAD Associate Professional Officer; Mr. Godfrey Wanjohi, financial management specialist; Mr. Billy Ghansa, oil palm expert; and Ms. Ann Turinayo, IFAD Knowledge Management and Communication consultant.

68. **Ffbs production and quality.** As expected, ffbs production increases over the years due to increasing yields and total area reaching maturity. Total ffbs production for 2012 was 7,714 tons, while for 2013 it reached 7,320 tons by the end August, with an expected total crop by the end of the year of about 11,000 tons. Ffbs quality has deteriorated due to the phenomenon of uneven ripening, with about 10-15% of the ffbs harvested having more than 50% of the fruits still unripe. This could be the effect of lower night temperatures than in other countries where oil palm is grown. In order to manage the problem, the following was agreed with OPUL and KOPGT: (i) harvesting intervals should strictly be 7-10 days; (ii) bunches will continue to be harvested following the standard 5 loose fruits rule, except for those bunches showing between 20% to 70%, for which only the loose fruits will be collected, while the bunch will be left on the tree for further ripening; (iii) OPUL will accept the bunches provided that the bunch stalk is not watery or brown such as for rotten bunches; (iv) OPUL will accept uneven ripe bunches provided that the unripe fruits are less than 20%. Increased training on harvesting practices will be provided by KOPGT, including for the labourers involved in harvesting.

69. **Agronomic practices.** Field visits showed there are many agronomic issues for which recommendations were issued in the past, but were not adhered to. KOPGT and the farmers should refer back to these recommendations and comply accordingly. Some recommendations are highlighted here below:

- (a) A lot of the immature areas are showing signs of magnesium deficiency; the previous recommendation of 1kg dolomite and 0.5kg rock phosphate should be adhered to.
- (b) Most of the fertiliser is currently applied in a thick band around the palms, while the best practice is to apply it evenly within the weeded palm circle, not spreading beyond the length of the lower palm fronds
- (c) In some of the 2013 new plantings not all the trees have been cleared, in particular some wild palms which should be cleared immediately as they are the hosts of palm diseases and pests.
- (d) The field planting of the seedlings was relatively good in most of the fields visited, but in some cases planting was too deep, resulting in palms showing slow growth; further training should be done on the correct planting technique including seedling handling for the farmers and their labourers.
- (e) While demonstration plots have been set up for farmers' fields in each unit as recommended by the last mission, there is limited evidence of participation of farmers to these plots and their actual use as learning grounds.
- (f) For fields ready for harvesting attention should be paid to the following: harvesting paths about 1 metre wide should be prepared in between two palm rows; sanitary pruning should be done by the removal of all dead and drying fronds as well as rotten bunches; all circles should be clean; and the harvesting posts should be ready along with the weighing station.

70. **FFB price.** Farmers have expressed concerns regarding the current price of FFBs, worried about its fall from 2012 levels. The mission has thoroughly reviewed the issue. While the average price for 2013 has been less than 10% lower than in 2012, it is still almost 40% higher than in 2010. KOPGT price for FFBs is calculated according to a standard formula based on the crude palm oil world market price. This formula ensures transparency and protects the farmers from an otherwise weak position in price negotiations. Thanks to it, farmers in Kalangala get much higher prices than farmers in west African countries. However, farmers need to realize that the ffb price in Kalangala is not linked to the dynamics of shelf product prices (cooking oil and other oil palm related products) as these depend on many other factors (e.g. cost of processing, transport, packaging, distribution, rental, marketing, taxes). The main way to increase the revenues is not to rely on price increases, but rather to improve the yields of the plantations.

71. **New loan conditions.** The new loan conditions agreed upon during the supervision mission of December 2012 include: (i) reducing the quarterly loan for maintenance from UGX 100,000 to UGX



75,000, assuming a 25% contribution by the farmer; and (ii) limiting the fertilizers' loan up to the 5<sup>th</sup> year of development. The first condition has started to be implemented and while there have been complaints by some farmers, the mission has reviewed the issue and considers that the 25% farmers' contribution is adequate and should be maintained. A new system for fertilizers in the commercial phase will soon be implemented whereby farmers will be deducted the fertilizers costs in maximum 5 months after delivery. OPUL has agreed to accept deferred payments by KOPGT on fertilizers for commercial farmers to facilitate this system.

#### **Transport Infrastructure**

72. **Roads.** No progress has been done in this area with respect to March 2013: 40 kms of roads remaining from phase 1 are still awaiting for completion (murrum and compacting); the roads for the new 400 ha in Bugala have not yet been designed. It is expected that the recruitment of the project engineer in August will greatly improve implementation progress. The engineer will be in charge of the design and supervision of all road works to be done in Kalangala. The actual works will be done by the District using the road equipment bought by the project.

73. **Road maintenance.** Road maintenance remains a challenge. The District has very limited budget to maintain the CARs and farmers are not properly maintaining farm roads. The PMU should work closely with the District authorities, KOPGT and KOPGA to find solutions to this critical aspect, which would otherwise risk threatening the viability of the whole investment in oil palm.

#### **KOPGT Operations and Management**

74. **Roadmap to sustainability.** Good progress has been made in most areas identified as priority in 2011, including the financial management systems of KOPGT, the setting up of a cost-recovery mechanism for transport of ffbs and the securing of the certificate of 10% shareholding in OPUL. The attention in the future needs to focus on two key building blocks of KOPGT sustainability:

- (a) **Organizational strengthening of KOPGA** – The legal status, governance structure, and model of business for KOPGA need to be better defined, including its roles and responsibilities with respect to KOPGT in oil palm development in Kalangala. To facilitate this, IFAD will finance by end of 2013 a participatory diagnostic study on KOPGA to assist the organization in identifying its weaknesses and development needs and preparing a plan for capacity building and institutional strengthening; based on the results of this study, extra resources will be mobilized to finance the capacity building plan and provide support to KOPGA as appropriate.
- (b) **Elaboration of KOPGT Strategic Plan.** The KOPGT Secretariat has prepared a first draft business plan. The mission has reviewed the draft and would like to commend the management of KOPGT for its preparation. The key focus of the Plan should be on how to best address the changing role and nature of KOPGT, i.e. how to manage the transition from an entity implementing a development project to one providing services on a financially sustainable basis. A consultative process involving all relevant stakeholders (KOPGT Board, KOPGA, Local Government, MAAIF/VODP2 and IFAD) should be done with the aim to produce a final Strategic Plan by mid of next year.

75. **KOPGT staffing.** KOPGT has completed the recruitment of the necessary staff except for the Financial Manager and Assistant Accountant, whose recruitment shall be given maximum priority by the PMU and MAAIF in order to finalize the process by end of the year.

76. **Buildings and equipment.** The four 4x4 dump trucks for ffbs transport on the island were delivered to KOPGT and are already operational. This resolved the transport logistic problems experienced in the recent past with the increase of ffbs production. The bids for the fertilizer store have been received by the PMU and are currently being reviewed. It is expected that construction works will start by end-December.

77. **Loan tracking system.** There has been continuous and considerable improvements of the system. The first loan statements were finally issued to the farmers in early September.

78. **Transport cost account.** The account is properly maintained and working. However, a few issues require to be addressed. First, the trucks are still not insured and should be insured as soon as possible by the PMU. Second the allocation for replacement of the equipment is inadequate. The KOPGT Secretariat should review the transport cost charges to ensure appropriate allocation for replacement and present the new rates for approval by the Board by 31 November 2013.

79. **KOPGT financial management systems.** KOPGT has been making considerable progress in the last year in improving its financial management systems and tools. The mission considers that KOPGT is now in a good position to undertake its first external audit for the financial year 2013/14. Some few areas require some additional work for proper preparations in this respect and a consulting company will be recruited soon by the project for this purpose.

80. **Flow of funds.** Farmers' leaders reported some delays in the flow of funds from KOPGT to farmers, in particular for the maintenance loans. The mission noted that these delays are due the time taken by internal auditors of MAAIF to travel to the Island to validate the loan application documentation. While this validation is important, every effort should be made to ensure that the flow of funds to the farmers is not unduly delayed.

81. **Reflows from oil palm development loan and interest.** The loan and interest recoveries made to date from the farmers amount respectively to UGX 2.12 billion and UGX 218.35 million. These amounts have been invested in interest earning deposit and savings accounts. KOPGT should create two accounts and split the share that will have to go back to Government for development of oil palm in other areas of the country from the share that will remain with KOPGT (30% of interests accrued). The mission will discuss with Ministry of Finance the possibility to leave with the KOPGT the full amount of the interests earned from the application into savings accounts.

82. **Sitting allowances for meetings.** The mission has noted that KOPGT pays sitting allowances to the farmers' representatives for all the meetings and trainings they attend. This is against IFAD rules and procedures and should therefore be discontinued. The only sitting allowances that are eligible for IFAD funds are those for the KOPGT Board sessions. For other meetings, farmers will be refunded of the actual transport costs based on the distance from the meeting place.

#### **Other issues**

83. **SACCO.** The mission has met with the newly created Ssesse Oil Palm Growers SACCO. The mission commends the KOPGA leadership for this very important initiative to respond to the needs of farmers for appropriate financial services. In this very delicate initial phase, it is important that the SACCO leadership focuses on defining the governance and ownership structure of the SACCO with respect to KOPGT: the two should be kept separate, as two institutions providing different services to KOPGA members. Furthermore, the real focus in this phase should be on the mobilization of new members among the oil palm growers. There is also the need for the SACCO to better define the expected income sources to cover the envisaged expenditures.

84. **Spontaneous farmers.** As the benefits of oil palm investment have been proved, the demand for development of further areas in Kalangala is increasing. At current, the financing available from VODP2 for development loans is fully committed to the consolidation of the 3,900 ha. of plantations in Bugala, a limited expansion to the outlying islands (800 ha.) and the replication of the 'Kalangala model' in Buvuma. Further expansion can therefore only come through spontaneous farmers willing to bear all the investment costs. KOPGT could be able to provide services to spontaneous farmers on a commercial basis. However, the mission calls the attention of the local leadership in Kalangala, as well as of KOPGT and OPUL, to carefully manage this process in order to avoid the risk of overwhelming the already stretched KOPGT capacity as well as of undermining the food-security and environmental balances on the island.

## Annex 4: Oil seeds development

85. **Introduction.** The supervision made field visits to the districts of Tororo, Mbale, Bugiri, and Bulambuli in the Eastern Uganda hub, as well as Masindi in the Lira Hub and to Abi Zardi and partners in the Arua Hub. Meetings were held with representatives of the Local Governments as well as with key stakeholders in the oilseeds value-chain, including farmer groups, processors, millers, seed companies, service providers and agro-dealers. Additional meetings took place in Kampala with the ISSD program, and Essence of Africa, an oil crop processor. During the whole seed component supervision mission the team consisted of the Component Coordinator, the initially three and later four hub coordinators and on specific meetings and field visits the credit and finance officer, as well as the VODP2 District Focal points. The constant interaction has contributed significantly to the results of this study.

86. **Progress since March 2013.** The mission was presented with a comprehensive progress report (March-August 2013). Based on this and corresponding discussions it could be concluded that the VODP2 Oilseeds Component has made considerable progress since the last Aide Memoire of March 2013. Still in its start-up phase the Component Team (complete since October 1st 2013) has been developing the physical, logistic and program development structure. All recommendations of the referred AM have been met or are still on-going. Only the value chain development plans, needed by the hubs and the Pay-for-Service Providers (PSP) being contracted, have not yet been finalized. This is also caused by the fact that the VODP2 Oilseeds was still developing a clear shared strategy or message on how to proceed.

87. **Strategic direction and planning.** The overall mission of the project is to develop the oilseeds value chains for the benefit of the farmers, which requires building linkages in these chains notably between farmers and input suppliers and processors and traders, but also with seed value chain actors such as NARIs and ZARDIs, as well as with chain supporters such as NAADS, Local Governments and UNBS. The PMU as well as the Hub-coordinators and District Focal Points, supported by Hub OSSUPs, District Technical Working Groups and the Pay-for Service Providers, have an important role in building these linkages. Based on such a mission VODP2 staff has no role in the value chain as input supplier or processor, but as supporter of capacity development of male and female farmers and their groups, but also as general chain supporter, for other chain actors. Capacity development would mean training of farmer groups, assisting processors in business plan development (notably on sourcing and service delivery) and on linking farmers to the market and to input supply. VODP2 will develop a one-page brochure with a message for farmers and other actors on how to contribute to sustainable entrepreneurship development not based on hand-outs and subsidies, which can be used by all staff for managing farmers' expectations, which can be made available in different languages, and can be used on the website and in radio programmes.

88. **Log-frame.** Although the logical framework has been revised and finalized some of the indicators can be interpreted in various ways. Two observations on outputs: (i) 90% of oilseed growers buying certified seed would be better to refer to: "buying quality seed, which includes standard seed (quality declared seed)" ; (ii) Number of farmers receiving extension services from the project, but rather: "better extension services from private sector providers facilitated by the project".

89. **Value chain development plans (VCDPs).** Inspired by the common direction and message and based on the rich situation analysis reports for each of the four hubs, a five-year value chain development plan can be made. Each hub will make 2-3 VCDPs using two main templates (summary value chain issues table, and a value chain activity table), one on the overview of the chain (seed value chain and produce value chain), its opportunities and challenges, as well as actor links, and one on the actor specific activities, partly covered by VODP2 and partly by others (See Attachments 1 and 2). The value chain development plans will be made available and validated in hub-specific stakeholder meetings by the end 2013. The timing is important in order to coincide with the end of the PSP tendering process. The hubs will be developing value chain development plans as follows Arua

(one on sunflower and one on sesame), Lira (sunflower, soybean and sesame), Gulu (sunflower, soybeans, and possibly sesame), Mbale (sunflower, soybean and groundnuts).

90. **Situation analysis reports.** Situation analysis reports have been finalized and presented to the Hub OSSUPs. The reports vary in change and notably in the depth of the added value analysis for each actor in the chain. The rich documents need to be the base for a chain and hub specific value chain development plan. The depth of analysis varies considerably between the four situation analysis reports. This will have consequences for the value chain development plans, additional information will be needed in some cases (see Table 5). Two forms have been suggested to facilitate this process. One of chain analysis and one on activity planning, and who is doing what. For each a specific OSSUP meeting will be needed to validate the plans

**Table 4:** Overview of the main observations on situation analysis reports

Report	General observations
Lira	Good district description. Good added value analysis in the chain; Economic analysis good, but also requires analysis of return to labour; seasonal return cannot be extrapolated; Good overview of other intervention; Overview seed sector commitments; SWOT analysis
Mbale	Good overview on three crops, but no hard data on sunflower, an upcoming crop. District description provides challenges per district. Good list of stakeholders, but some information on OSSUP and their action plan would be helpful.
Gulu	District profiles with specific challenges. Stakeholder specific challenges. No added value analysis or economic analysis. SWOT analysis general.
Arua	Good district description, no added value analysis in the chain. No economic analysis. SWOT analysis general for all chains and actors.

91. **Demonstration programme.** The component has embarked in 2013 on a sizeable demonstration programme on oilseeds varieties and fertilizer use. Although the seed arrived relatively late, also due to procurement problems, a large number of 0.5-1.0 acre individual farmer demos (942 plots in season A and 884 in season B on-going) were established for a procurement value of UGX 97 million and UGX 193 million in season A and B respectively. Farmers are providing data on the performance of the varieties, but are also pleased with the free inputs. This is illustrated by the sharply rising seed requests for 2014. Field days in which farmers, agro-dealers, and processors or traders would exchange views on the actual variety performance are only planned for the season B 2013. The mission also identified many other public and private actors with oilseeds demonstration fields. In relation to demonstrations and in view of the above, the following was agreed to: (i) Collect and report quantitative and qualitative data on the 2013 demonstrations in advance of the next season ; (ii) Only support demonstrations with and by farmer groups of a smaller size (0.25 acre) with a comparison between technologies, including the local practice, in one single field; (iii) Involve the providers of the inputs as well as the buyers of the produce at an early stage and in the field days; (iv) Coordinate actively, through the districts, with other public and private oilseeds demonstration programmes.

92. Farmers have become interested in the demonstrations, to the extent that the amount of seed requested for the coming seasons is rising to amounts similar to what is sold by agro-dealers (sunflower) or even higher in other cases (up to 4000 kg in some districts). This was not the original idea of informing farmers what kind of input technology options they have (seed and fertilizers), as well as linking them with the source of these inputs (the local agro-dealers) and the market of the produce (the processors and traders).

93. The VODP2 District Focal points have been concentrating on the organization of the demonstrations. Some have also established relations with local agro-dealers and local processors. More generally there are no formal agreements or joint activities planned yet, but these are foreseen. The message to the farmer groups will change from an input supply mode to a capacity development mode in the wider sense, which includes building linkages with input and output markets as well as business development. A shift is needed in the general message of VODP2 Oil crop component in order to manage farmers' expectations.

94. Different public and private organizations organize demonstrations in various forms and sizes. In Bugiri district e.g. five agencies (Pearl Seed Company, NAADS, VECO, Sasakawa G2000 and VODP2) organized demonstrations on oil crops, all in different ways, mainly differing in focus (individuals or groups), plot size (real demo or 1 acre), comparison (different varieties or just one), inputs (fully free or with some restrictions). VODP2 will revise its strategy and concentrate on fewer (group-based) smaller demonstrations (with different variety and fertilizer and other technology options) and organize field days around these with involvement of agro-dealers and traders/processors.

95. **Data collection and reporting.** Data collection requires both quantitative (production and area planted), as well as qualitative data (farmer preferences) collection, an M&E form will be used. The proxy for potential adoption will be the level of interest raised for new varieties with male and female farmers. One report of both seasons will be prepared which can identify gaps from season A and fill them in with season B data. The demonstrations should be relatively small in order not to be confused with inputs supply and all varieties and possibly other technologies (fertilizer use, crop protection, land preparation) should be in the same demonstration for comparison, all timely available.

96. **Commercial partnerships and brokering.** Hub-coordinators supported by PMU will continue to play, in coordination with OSSUP facilitators, an active brokering role in the hub specific priority value chains. Mechanisms to be used for this are informal visits, the field days around the demos, but also organized visits by farmer leaders to processing plants, other study tours, as well as specific roundtables of local value chain actors (agro-dealers, farmers and processors).

97. The original idea for the demonstrations (Supervision report December 2012), was to involve seed companies and input dealers in establishing and management of demonstration plots (cost sharing approach). The project can influence input dealers and seed companies on where to establish demos for input use, while for other practices, the project can go for it alone (on topics they may not be interested, such as for conservation farming). In this context VODP2 will also analyse various arrangements between farmers and other chain actors such as different contracting arrangements, outgrowers' options, as well as arrangements on bulking and storage between value chain actors.

98. The field days form an important mechanism to develop links between farmers and agro-dealers and traders/processors. Similarly VODP2 needs to facilitate (as in brokering) roundtable meetings between key value chain actors in a certain hub e.g. strengthen the existing linkages or support interested actors e.g. Crown Matt/Farmers/ECLOF/Input dealers, or Essence of Africa and farmers and agro-dealers, all on sunflower. The role of Local Governments and the Pay-for-Service Providers on partnership development needs to be strengthened (seed inspection; regular contacts, actor registration and engagement).

99. **Strategic partnerships.** On certain topics specific alliance can be strategic such as on access to land with the Uganda Land Alliance, on gender with DLSP and Oxfam projects (e.g. on sesame seed and produce value chain in Gulu) and with ISSD on access to seed. Development of strong stakeholder organizations is equally important such as UOSPA (producers and processors), UNADA (agro-dealers), USTA (seed companies), all in a drive to improve the seed and produce value chains with emphasis on quality i.e. putting performance of members on the agenda, such as in relation to counterfeit seed. Coordination of these partnerships and concentration on joint agenda development between public and private sector. will be by OSSUP and at District level by the Technical Working Groups, as well as by the PSPs.

100. **Access to seed.** Most farmers complain about the access to quality seed and the issue of counterfeit seed (fake hybrid seed, poor quality seed, coloured grain, mixed seed), supplied by seed companies, agro-dealers and even research organizations. VODP2 will need to develop a strategy to address this constraint. Several farmer groups showed interest in seed production. District staff will need to be trained on inspection of seed for local agro-dealers, NSCS could play a role in this. Actor organizations such as UOSPA, USTA and UNADA could be sensitized to address the counterfeit seed problem with their members. See also OSSUP meeting on seed (November 2012, Silver Springs, Kampala).

101. **Crosscutting issues.** Gender: engagement of Gender officers at districts under CDOs; Use of the Gender Action Learning System (GALS) methodology through liaison with Oxfam and DSLP. Conservation agriculture based on existing practices (e.g. Masindi, Bulambili) and the demonstration of advantages, as well as collaboration with other organizations e.g. Clusa. HIV/AIDS : Emphasis on non-discriminatory participation and roles in the oil crop production process, as well as development of relations with RECO Industries, interested in enriched nutrition based on oil crops (groundnuts, soybeans mixed with maize), and working with vulnerable groups.

102. **Oilseeds development guidelines.** The draft guidelines can be updated with the referred strategy and message, and translated into further instructions on how to deal with demonstrations, seed multiplication, promoting farmer entrepreneurship and building linkages with agrodealers and processors and traders. The guidelines will also be enriched with specific instructions on crosscutting issues, such as gender and value chain development (use of the Gender Action Learning System, GALS3), HIV/AIDS (e.g. labour saving options, and nutritious food), conservation agriculture (use of existing experiences and working with Clusa). The guidelines will be updated with the revised VODP2 message on dealing with farmers expectations, on input supply, capacity development, demonstrations, value chain links development, and output marketing, as well as on how to deal with crosscutting issues, and monitoring and evaluation.

103. **Recruitment of PSPs.** The call for Pay-for-Service Providers, has resulted in a number of proposals (7 for Mbale, 2 for Lira, 3 for Arua and 3 for Gulu), which are yet to be evaluated by a committee. For some hubs two providers will be selected (Lira and Mbale) and for others one (Arua and Gulu). If no sufficient quality proposals can be identified, the call will be re-launched using the same shortlist. Selection and subsequent framework contract negotiations will be finalized by the end of the year. The call resulted in a limited number of candidates for further proposal development. This was also caused as many applications missed the deadline by a few hours. This happened in spite of the well-attended pre-bid meeting.

104. **Farmer Group Capacity development.** Although this is part of the ToR of the PSPs, it is considered wise for the PMU and hub coordinators to proactively come up with a development strategy for the strengthening of farmer group governance, which can support the PSPs in their programme. Develop matchmaking with other intervention programmes on this theme such as VECO, UCA, and CARE-OXFAM ("Manual to strengthen the internal governance of community-based enterprise organizations") and use for training.

105. **Infrastructure.** Hub-offices are available in all four hubs, but some of the related logistics such as recruitment of security guards, drivers for the project vehicles to come (expected in November 2013) are still in the procurement process.

106. **Baseline study.** Data for the 2013 baseline of the VODP2 log frame indicators will be collected as much as possible through existing UBOS surveys. The validity of the use of these data will be checked with IFAD RIMS staff. The baseline studies will be contracted out and terms of reference are being developed.

107. **Access to financial services.** Contacts have been established with a number of financial service providers. A further study will be undertaken with regulated and non-regulated financial service providers to analyse the financial mechanisms such as for seasonal credit, matching funds, including those by NAADS, aiming at farmers, and other value chain actors. The study will be completed by April 2014, well in advance of the new financial year. VODP2 can also play a role in assisting (through the PSPs) the development of Farmer Group Business Plans addressing access to seed (seed multiplication) and chain integration (agro processing and storage and bulking) for the NAADS matching fund.

108. **MoUs.** Final versions of MoUs with NAROSEC on the role of NaSARRI and NaCCRI, with District Local Governments, and UNBS, have been submitted to the solicitor general for approval before signing, planned for November. Small changes have been suggested. Draft MoUs have been

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<sup>3</sup> <http://genderinvaluechains.ning.com/profiles/blogs/manuals-and-resources-gender>

developed for NAADS and for the NSCS, some additions have been suggested, while a MOU with NAROSEC on the role of ZARDIs in foundation seed production is still to be developed. VODP2 will see to it that the NAROSEC, DLG and UNBS MoUs or agreements will be signed in November 2013 and the others finalized and signed before the end of 2013. Detailed comments are as follows:

- NAADS: A comprehensive draft MOU is available. Special attention is needed for: harmonization in the enterprise selection and the demonstration programme, as well as the financing instruments to be used (grants, matching grants and group loans), as well as other financial services. Also on foundation seed production at ZARDI level (foreseen by NAADS as well as VODP2II), also in coordination with ISSD.
- NSCS: The draft MOU needs some attention for maintaining the quality in the seed value chain, the inspection of foundation seed, the certification of certified seed and quality declared seed, as well as the quality inspection of locally produced seed (LSBs and farmer groups producing annual oil crop seed). Particularly in the last case, this will require a joint capacity building programme for ZARDI, District and Sub-county inspectors.
- NARO/NASARRI/NACCRI ZARDIs: The MOUs will be signed between NARO (witnessed by the NARIs: NASARRI and NACCRI) and the Permanent Secretary (witnessed by VODP2). A separate MOU will have to be signed with the ZARDIs for the foundation seed production and on-farm adaptive research activities and involvement in the on-farm demonstrations.
- Local Government: The MoU is not specific about the role of the District Technical Working Group or the VODP2 District Focal Point, although the last one is expected to spend two days a week on VODP2. The MoU would also need more emphasis on the need to coordinate extension activities (e.g. demonstrations, priority enterprises, etc.) with other providers in the public and private sector. The relation between VODP2 and NAADS at District level and the role of the CDOs are not spelled out, but could be part of the NAADS MoU.
- UNBS: UNBS can through certification contribute to the categorization of vegetable oil products e.g. of crude vegetable oil (mostly by ram presses and small mills); organic oil (as crude oil but with specific requirements); neutralized oil (most somewhat larger mills) and refined oil (quality oil requiring additional equipment).

109. **Communication materials.** The VODP2 website is expected to be up and running soon. Information on the project as well as on the strategic mission and main message will be uploaded. Existing material on oilseeds such as existing production leaflets (by NaSARRI, by seed companies etc.) can be uploaded and used for radio programmes, as well as the Uganda National Seed Handbook and other practical guides. VODP2 would start uploading relevant practical material on oilseeds and seed of oilseeds production on their website and in radio talk shows

110. VODP2 is signing agreements with research for the updating of crop specific and possibly hub specific leaflets. Similarly this will be done for seed production, which can be based on the existing the Uganda National Seed handbook and the guidelines being developed by ISSD. Many seed companies, but also some processors., have their own leaflets on annual oil crop production, which need to be collected and referred to in a comprehensive oil crop booklet.

## Attachment 1 Overview Main issues: e.g. sunflower chain in Eastern region

Table 5: Seed chain actor analysis

Seed chain actors	Plant breeders	Foundation seed producers	Seed growers	Seed companies	Input suppliers	Farmers
<b>Actors (benefits)</b>	NARIs, benefits through breeder seed sales no PVP	ZARDIs	Seed Company Farms (Uganda and abroad) Farmers on SC contracts LS Bs	Seed companies	Agrodealers in villages	Smallholder farmers (13% certified, 87% informal seed sector)
<b>Challenges</b>		Insufficient production			Fake seed	Fake seed
<b>Which services are needed/requested</b>	CGIAR links	NSCS and other inspection services Business services	Business-oriented seed extension Inspection/ Certification			
<b>Which formal and informal links with VC actors</b>						
<b>Which enabling environment needed or improved?</b>						
<b>Actions</b>						



**Table 6:** Produce chain actors analysis

<b>Produce chain actors</b>	<b>Input suppliers</b>	<b>Farmers (men and women)</b>	<b>Oilseed traders and bulkers</b>	<b>Transporters and rural intermediaries</b>	<b>Wholesale traders</b>	<b>Millers</b>	<b>Retailers</b>
<b>Actors (benefits)</b>	Small margins on seed (2.5%)		ACE/local agrodealers				Local outlets and urban outlets
<b>Challenges</b>	See situation analysis reports						
<b>Which services are needed/requested</b>	e.g. stock financing or quality control UNBS calibrations						
<b>Which formal and informal links with VC actors</b>	e.g. OSSUP Contracts Poor link with seed companies						
<b>Which enabling environment needed or improved?</b>	e.g. Counterfeit seed control						
<b>Actions (priorities)</b>							

## Attachment 2 Template for 5-year hub specific value chain strategic plan based on issues arising from situation analysis

CROP: ..... Hub: .....

Actor category	Issues	Activities	Who will be involved	When will it be done	Expected output	Expected outcome	Deliverable
Farmer	1.Access to quality seed	Support breeder & foundation seed production					
		Support local seed multiplication					
		Enhance input dealers to stock oil seed crop seed					
	2.Low farm-gate prices	Mobilise and empower farmers					
		Encourage bulking of produce					
		Strengthen market intelligence					
		Enhance farmers' access to credit					
		Improve grain quality through post-harvest handling					
	3.High cost of inputs	Bulk buying as groups					
	4.High labour requirement	Explore alternative labour saving technologies					
Seed Company	Low effective seed demand and therefore not economically beneficial	Establish high yielding and market desirable varieties					
		Establish effective seed demand					
		Link seed companies to input dealers near farmers					
Input dealers	Low demand for oilseed inputs including seed	Establish and share input demand information					
		Linkage with farmer groups					
		Linkage with financial institution for credit					
Etc.							
Etc							

### Attachment 3 Field Report 24th-30th of September 2013

**Arua, Meeting Arua Hub Coordinator:** Prior to the field trip a meeting was arranged in Arua with the VODP2 Hub-coordinator, while also participation took place with the Hub-coordinator in a Zonal Seed Platform meeting. The **Arua Hub Coordinator** reported the following progress:

- **Logistics:** Hub office is operational, but still requires security guards, no vehicles are available yet, nor drivers. Accessing funds for hub operations takes approximately 5-6 weeks. Monthly requisition plans are made. Suggestion is made to have quarterly disbursements to hub accounts.
- **Demonstrations:** Of the targeted 27 sub-counties only 19 got involved, of the 50 FGs planned 41 had a demo and of the 500 HHs only 228 Households got involved in the demos. The seeds were received late (late April, while simsim was too late and arrived mid May). Of the 85 planned sunflower demos 104 were planted (mainly due to more Pannar 7033). One 1 soybean variety planted as planned (Maksoy 2n with inoculum) in 8.5 demos and two groundnuts trials (4 were planned). Simsim was left for the 2<sup>nd</sup> season.
- **Farmer learning platforms:** No field day was organized and seed companies and processors/traders have not seen the demos (no MOU was signed), some farmer peer review was made. No reports are available yet. Nevertheless there is interest from agrodealers and seed companies.
- **Some results:** Sunfola proved to be susceptible to birds (upward facing heads), no data on oil content were available yet (millers need at least 50 kg for this). Farmers have been asked to keep the harvest spate so they can measure the yield.
- **New plans:** Same demos for sesame, soybeans and sunflower. Seed of simsim was still available. Rest of the seed came again late (mid-september).

**MSP meeting Abi ZARDI.** Previous MSP meetings have resulted in three priorities to be addressed: (i) tailoring extension services to seed production and demonstrations; (ii) LSB entrepreneurship skill development; (iii) Address counterfeit seed issues. The meetings take place on a biannual scale. The current meeting was attended by ZARDI and EAPP, and ISSD staff, as well as NAADS, UNADA, CEFORD, ZOA, and, VODP2. The meeting (minutes are still being prepared), resulted in a number of options for synergy and collaboration. The most important ones highlighted by organization in the following paragraphs.

- **ZARDI.** A Business plan proposal will be developed for the 1<sup>st</sup> semester foundation seed production. Seed will be sold and free seed distribution by government needs to be discouraged. Participatory variety selection (as in the ISSD demos, including local varieties) is important for the ZARDI. The ZARDI has cassava and rice Multi-Stakeholder Innovation Platform (MSIP)
- **Zonal NAADS.** In general NAADS promotes the use of quality seed, this is also encouraged through the community procurement committees at village and sub-county level. The rice seed producing farmers of the Pride project need to be linked up to ISSD. The previous AGRA experience on producing QDS with local inspection needs to be used. NAADS has a small budget for foundation seed production (2 acres per year). NAADS also relates to EAAP for cassava, rice and "pasture" seed production (elephant grass and legumes) through farmer-based seed multiplication. NAADS would be interested in local Irish seed potato production, which now has to come from Kabale. NAADS is not distributing seed free of charge, as 70% of the value supplied has to be repaid in kind, through distribution to other farmers. NAADS recommends Quality Declared Seed production, based on local inspection by District and SC Subject Matter Specialists. A general concern of all stakeholders is the demand for the final product. NAADS has matching grants for business development notably by farmer groups/associations/cooperatives, proposals from LSBs and processing activities would be welcomed.
- **District NAADS.** Vurri District has experience with Farmer Field Schools and would like to see the demos of LSBs to be used as farmer field school plots. Also would be interested to outscale LSBs to other sub-counties. The Zonal MSIP on seeds needs to be repeated at District level.
- **UNADA.** Seed companies are in the business of selling certified seed, which to a large extent is produced by (small) farmers. A list of these farmers and their groups can be provided. Local seed production is important in order to reduce the transport costs and hence the price. A good example is soybean production with the Arua District Farmer Union. The local certification and inspection of seed is needed. Agrodealers (members of UNADA) are to be better involved in the distribution of locally produced seed. The use of quality seed can be promoted through the radio,

also on QDS.

- **ZOA.** ZOA intends to address seed multiplication through 3 farmer resource centres. This would involve basic seed from NARO/ZARDI and Victoria seed.
- **CEFORD.** The skill development programme will concentrate on entrepreneurship and market-oriented skill development. More specifically to seed intend to address the adulteration of seed, and the bureaucracy in obtaining and producing local seed. One constraint is the absence of a good training partner in Arua.
- **EAAPP.** The programme in Abi ZARDI has considerable “foundation” seed production of cassava (10 acres), rice (15 acres) and pastures (10 acres). No special training is provided as this through a partnership with NAADS.
- **VODP2.** VODP2 works with farmer groups on market-oriented sunflower, groundnuts, sesame and soybeans. A list of farmer groups can be shared. A specific service provider for the oil crop value chains, including seed value chain, is being recruited. Activities are being coordinated through the OSSUO, a multi-stakeholder oil crop platform. Interaction between millers, farmers and agrodealers is being promoted. The programme faces seed shortages even for on-farm demonstrations (currently some 100 half acre plots with different varieties have been established). Local procurement would be better, but government bureaucracy might prevent this.

### **Masindi District (25<sup>th</sup> September 2013)**

#### **Meeting at the District Office**

Present: CAO, District Vice-chairman, District NAADS Coordinator, VODP2 District Focal Point; District Production Officer; District Assistant Officer, District Entomologist:

- Masindi grows groundnuts and simsim traditionally, but during VODP2 I sunflower was introduced and since 2004 Mukwano is active in the area. Some 60 FGs work with Mukwano. Some small scale processing exists (Ram presses of 20 lts/day).
- Sunflower also important for integration enterprises such as apiculture (honey production) for and livestock
- Main Challenges: More competition is needed, Mukwano has the monopoly; Access to seed, the traditional variety (double striped) costs US\$ 300, Sunfola (Ug\$ 600), PANNAR costs 18,000-20,000 US\$ (1,000 kg was provided and was not enough). Post-harvest handling (up to 40% loss), infrastructure (small traders take all), Investment is needed, value addition.
- Value chain integration: More small-scale agri-processors needed (4 kg sunflower at 400 gives 1 ltr oil which is sold at 6000 plus cake at US\$ 300/kg). The local agro-processor of sunflower operates below capacity
- Six FGs have received demo materials and this is on-going. These FGs are expected to develop into cooperatives that also do some local processing.
- Seed costs are high in farmer perspective, but VODP2 seed are not considered as hand-outs or subsidies. NAADS demos on groundnuts are also not free (70% goes to the community)

#### **Labongo Integrated youth Club**

- Membership: 18 males and 12 females. Main objective is to develop economically through farming. Linked to the Paka United Cooperative Savings Limited, of which another 7 FGs are member.
- They had one sunflower demo with 7 varieties next to each other. This provided the following results. Overall germination was poor due to drought and seed quality. Many varieties were also mixed. Would be interested to plant New Sunfola again. Yield is not known as grain has been sold.

Variety	Characteristics
NK Ferti	Best variety. Head centre was filled; good drought resistance (after 3 weeks in the soil without rain); Yield in first place
PAN 7033	Head downward facing; good germination; yield second place. Very much liked by birds, more than Sunfola.
New Sunfola	Head facing up; Good yield, now third, without drought would be number 1. This one better than the known Sunfola.

Others

All the same, also due to poor stand

- Sunflower gives best yield without ploughing (just animal drawn ripping; glyphosate and one weeding). Even couch grass is controlled. The spraying costs 65,000 labour and 15000 glyphosate/acre. Fertilizer is not needed. Also rents land at US\$ 50,000 an acre.
- Also involved in testing soybeans by Sasakawa Global 2000 PROJECT, before he was producing soybean seed for seed company (NASECO)(individual contracts not group contracts). Also tested simsim . Credit is organized locally with the group and cooperative
- Main challenges: Only one Company Mukwano; droughts; pests (birds); low production (no bulking, have to bring it to the factory); sensitization on agronomic practices. AASPs/CBFs only concentrate on priority crop enterprises not sunflower.
- Future plans: Contract between the seed company, the cooperative and the farmer group

Crown Matt Ltd. Sunflower processor

- New processor, exist for five months have a capacity of 6 MT/day (two mills of 3 MT/day each). Have never produced up to capacity (max. 20 %). Costs are 15 staff members. Main cause is that the raw material is not available. The company has two outlets in town to sell their oil ("Treat").
- Sunflower is delivered to the mill, as it is: not grown in the area; company does not provide seed; has hardly any outgrowers (15 with 1 acre); no contacts with FGs and only one extensionist, and no sourcing plan as part of their business plan.
- Company offers a floor price of 800 US\$, provides transport and some extension notably on drying and quality control (quality has indeed improved).
- VODP2 could assist to make a Business plan. Seed need to be stocked and sold to farmers (in groups) but cheaper than Mukwano and buying produce higher than Mukwano, in order to promote the crop and build relations with FGs.
- A farmer observed that many in the area go for sugarcane growing, as everything is paid by the Kinyara Sugar Works Basically reducing the farmer to a caretaker), sunflower without seasonal credit cannot cope with this.

Furbera FG ("Farming is good")

- Group of 13 women and 10 men. Female treasurer. On their own. The group has no land and is surrounded by the sugar plantation. Some options for expansion in the tree planting area.
- Have groundnuts demonstration and soybean demonstration, groundnuts are in poor state and rat attacked, while soybeans have been just planted

Bugiri District (27<sup>th</sup> of September)

District staff meeting

Present: VODP2 focal point; CAO, Council representative.

- Demonstrations were established. Seed was late but 13 for soybeans (season A) and 11 soybeans (season B) were established. Sunflower was only planted in season B, as seed came late. Now another 100 kg of sunflower came, but again late. Seed would be needed early August. Fertilizer has also not arrived.
- Other demonstrations exist with the District notably by Sasakawa (soybean demos), VECO East Africa (groundnut demos), Pearl Seed Companies (soybean demos) and NAADS (soybean and groundnut demos). The procedure for the demos vary in terms of individual vs group approach; repayment for the seed; size of the demos and the use of fertilizer or not. A common approach would be needed. Currently not at district level. Thematic working group are not yet in place.

Organization	Season A	Season B	Crop
SG2000	10	10	Soybeans
VECO East Africa	2	13	Groundnuts
NAADS	90+20	nyk	Soybean + groundnuts
Pearl Seed company	-	15	Soybean
VODP2	13	11	Soybean

- The learning platforms focused on: planting (incl fertilizer use, spacing, seed rate), weed control, pest and disease management, harvesting and post-harvest quality control, marketing. Support is received in this from the HLFO (ACE)
- Some challenges faced in the area: weather; declining soil fertility; , low production not good for marketing; price fluctuations; access to quality seeds; farmer organizations for bulking.
- The CAO confirmed that the MOU was accepted, and feedback as such has been given to the Permanent Secretary.

#### **Subcounty Nankoma**

Present: SC Chairman, SC Chief, Youth Council, AASPs, Farmer Leader (ACE), DAO.

- Area Cooperative Enterprise (UCA) has a deal with the Pearl Seed Company. Strong interest in soybean seed production, but no market linkages yet.
- Need for coordination between different service providers. Differences in use of DAP or Rhizobium, size of the demo, FG or individual
- FG learning platform on planting, weed control, pest and disease control, harvesting, post-harvesting, marketing
- Demo report is being prepared. The SC would like to receive the mission reports, not received through OSSUP, last supervision report not received.

#### **Samuel Mugoda (farmer) member of Bugiri ACE**

- Member of the Bugiri ACE. The chairman of this has good contacts with seed companies and traders (has tel. numbers). ACE has 523 members (217 women) and 5 RPOs, in total they grow 45 acres of soybeans, i.e. around 30% of the members. The cooperative want to acquire a tractor for further expansion (they now have saved 9 million Ushs)
- Farmer grows 8 acres of soybean, last season 4 acres and intends to increase. He has total estimated costs of US\$ 700/kg while he sells at 1100-1500 US\$/ka. He uses no fertilizer, he hires labour for weeding and spraying (Malathion against sucking pests). The spacing appears wide, but it gives the best results at 800 kg /acre. He got seed from NASECO (Maksoy 3N, 90 days). He plants till the end of September (but low-lying area with moisture) and wants to expand, if he can get the land.
- Soybean is a solution for the area, as it is relatively drought resistant (more than sunflower) and it is gradually replacing maize which is heavily affected by Striga.

#### **Tororo District (27<sup>th</sup> of September)**

##### **District meeting**

Present: Dep. CAO, District Focal Point, District Production Officer

- MOU review is in progress, but it should be no problem as donor contributions and regulations overrule existing regulations (according to the Dep. CAO)
- Serious drought is an issue and water harvesting techniques are needed, such as small dams, etc.
- A new industry has recently started: RECO Industries <http://www.reco-industries.com>, processing soybeans and groundnuts, which are the main oil crops in the District.
- A total of 31 demos have been established (sunflower, soybeans and groundnuts). Fertilizer was not used, although farmers complain about the soil fertility in relation to sunflower. Report will be available soon, (now data of 9 demos has been collected, data do not look great (drought) multiplication factors for sunflower, groundnuts and soybean of 90-120, 3-4, and 6-12 respectively. Demand for next season (2014 season A) is high: about 4.5 MT of seed.

##### **Tororo Multipurpose Agribusiness Training Association (TMATA)**

- TMATA is an independent organization contrary to the ACES who are members of Unions, controlled by the Government. It has 32 groups and a total of 840 members. It has been supported by Sasakawa Global 2000.
- They have been growing soybeans ( 3x) and groundnut (4x) demonstrations and would to continue with that. They are less interested in sunflower, although the seed is available. The VODP2 focal point still has 300 kg to distribute and threatens to send it back. Some has planted sunflower (3x), but the germination was poor, as they planted only in August, as the rains had

gone when the seed came. Sunflower is not wanted due to the soil fertility problems, the perception is that sunflower caused that in the past, but the hybrid had the best results.

- Demo results indicate that farmers have actually visited each other's demos. Some of these visits were organized by the CBF. Serenut 2 was the best for groundnuts. Both soybeans and groundnuts require spraying (2x). One constraint was that the groundnut seed was mixed (the farmer separated this).
- Another concern is the market as Pride-Agro (nearby) is only processing cotton and Essence of Africa is only in Mbale. Bulking will be needed in any case.
- TMITA has a strong business orientation. The chair and vice chair have good market knowledge and the group also processes groundnuts into groundnut pasted.
- All farmers complained about the access to the market. In the past they have a raw deal with soybean marketing (cheated by the trader), so currently they sell with local shopkeepers, as the options for the soybean bulk market are limited (but exist at the border).

### **Bulambuli District (28<sup>th</sup> of September)**

#### **District level meeting**

Present: VODP2 Focal Point (also DAO): Alfred Tsekeli, and CAO (Aloysius Aloca), as well as DPO.

- Two large production companies are operational in the area. Nile Ply has planted 40 acres of sunflower (PAN 7033) and Mara Group has so far planted only maize. The district appears to know little about these companies
- CAO is interested in the Mukwano model, but to replicate it here in the District. The processing needs to be done locally, also as there is a demand for cattle feed. One first step is to have sufficient god storage capacity, so that farmers can sell when they want. The district has a good potential for sunflower, as maize is also widely grown. He would suggest to establish links with Essence of Africa. The existing local mills use only small percentage of the local production
- CAO would like to see the whole seed value chain in the district (including trials by NASARRI research, from which farmers can select), as well as seed multiplication
- Sunflower is also replacing cotton, which needs 5x more labour and produces only half of the produce. The Local red cross has helped to promote sunflower in faraway areas. In this context the demos are used for promotion of the sunflower crop as well as for looking at different varieties.
- A total of 23 demos were established in the first season, in the second season this will be 200 demos (50 groups and 150 individuals). Next season would like to have 1,000 demos, as well as for the coming five years.

#### **Friends Agro-input dealers**

- The owner (Washole Donia) provides seed, fertilizer and pesticides. He sells sunflower seed (PAN 7033 which he purchased from Mukwano, 1,500 kg) and soybean seeds (local variety), as he had no access to any improved variety. He is also a trader and buys sunflower and soybean grain.
- He gets seed from Mukwano by buying, but also a part on credit. Although there are no obligations, he prefers to sell the sunflower he buys to Mukwano, in order not to endanger the relation. He has however offers from other companies.
- The demand for hybrid sunflower seed is high. He sells at 20,000 US\$/kg, a new batch of 300 kg he sold in 2 days. He reckons that he can sell 2,000 kg per season without problems. There is no demand for Sunfolia. Although questioned by the DAO, he argues that many farmers who buy sunflower hybrids also buy fertilizer (DAP and foliar spray) and pesticides even more. He provides recommendations and for sunflower that is 50 kg of DAP for every 2 kg of seed. For soybean that is 50/25.
- He also has a demonstration, he got seed from District, but he can also imagine that he will have his own demos. He gives some trusted farmers some seed for testing. He also tests the germination of the seed he is selling. He has done demos with East Africa Seed Company in the past.
- Plans: He would like to have a contract with Mukwano.

#### **Bunambuhye Area Cooperative Enterprise**

ACE has 5 RPOs and 403 registered members. Chairman is Moses Makole. The cooperative has several enterprises of which sunflower is one. The most common actions are: Collecting the share of members and member mobilisation; Fundraising planning; Mobilizing RPOs for bulking; Strengthening SACCOs; Training/study tours; Market info research. They have a marketing and value addition committee.

- Farmers like growing sunflower (50% grow sunflower) as it is: drought resistant; they have good soils; fits well in the rotation with maize; always get US\$ 500,000 per acre. Currently, maize also has disease problems, referred to as Maize lethal Necrosis Disease.
- Sunflower is sold to nearby Nabongo trading centre (2 mills, see march field report), but processing (like in Nabongo, which has too limited capacity to meet the needs of UCE farmers. After milling farmers want both cooking oil and cake.
- Soybean has no clear market (no processing), only small scale marketed for local consumption.
- Groundnuts marketing issues, as mostly not processed. Ground nuts suffer from rosette virus.
- Access to seed is a problem. They once bought fake Mukwano seed on the market (with printed bags and everything). They bought seed collectively in the past, but when the stockist left this has stopped. Opportunities are buying seed at reduced prices directly with Mukwano
- They need to buy equipment for land preparation, as it is expensive: Tractor at 100,000/acre and oxen at 50,000/acre ploughing.
- The cooperative has a role in bulking and finding markets and charges a commission of 5%. Normally they look for the market after harvesting. Some of the members expressed concern about the marketing prospects. With a stable market they could produce much more sunflower.

#### **Bufukhuta Women Association**

The association has 15 members all women.

- They have a collective sunflower field (demo) but also four individual fields
- They think that Pan 7033 costs 20,000 US\$ /ha and Sunfola 10,000 US\$ /ha. They will rely on VODP2 focal point to link them to the market.
- Some neighbours grow 2<sup>nd</sup> generation PANAR hybrids, as well as Sunfola.
- The field day is going to be near their farm (with a field still to be sown) agrodealers and millers will be invited also for displays, while sunflower cake as cattle feed will be demonstrated. The whole chain will be there, only fields in the area will be visited.

#### **East-African Seed Company**

- EASC sells several sunflower hybrids, but these are often sold by agro dealers as Pannar hybrids, something they are trying to correct.
- They have demos of 0.25 acre with different varieties and with and without fertilizer (DAP and foliar spray). They then invite farmers to come to the demo
- They are not selling soybean yet
- The soybean hybrids are produced on their own farm, they cannot contract this out, as the inbred lines need to be protected

#### **Essence of Africa**

- The company has two mills of 3 mt/day each, as well as the rest of the full equipment. They sell under the brand name of Mpishi.
- The machines will be transferred to a new location for enhanced storage and production, as there is limited space currently.
- Some 200 kg of grain from East Africa Seed Company were processed. This led to 28 % oil content. It was not backed up by a lab test, so it is not clear what is measured, the oil content or the milling efficiency.

#### **OSSUP**

- Meeting with Samson Musimbi (CARD Uganda), facilitator of the platform.
- They meet quarterly, but mainly discuss demand side issues, so have never discussed the demonstration issue
- CARD and Essence of Africa have teamed up for the PSP tender process.



## Annex 5: OSSUP implementation

111. The OSSUP grant to SNV is being implemented successfully, as the service providers hired during the first year of implementation continue to be on board. For national level facilitation, SNV has recruited a facilitator, who supports the hub-level facilitators in organising the multi-stakeholder platforms. For sustainability purposes, the hub-facilitators are having discussions about registering OSSUP as a limited liability company.

112. Main activities of OSSUP include facilitation of platforms as well as brokering business relationships between the stakeholders outside the meetings, e.g. between farmers groups and financial institutions. Baseline information has been captured on farmers within each of the four oil-seeds crops, and efforts are underway for more advanced sector-monitoring dashboards.

113. The main challenge for the relevance of OSSUP remains in putting together agendas for the meetings and ensuring implementable policy recommendations and the development of action plans. Planning is an essential element of this as well as ensuring that “collective actions” agreed upon are representative and agreed to by stakeholder expected to implement. Good examples have been developed within the areas of seed policy nationally, and taxation issues in West Nile. Coordination with VODP2, through the newly established hub-office remains good at field level. To ensure relevance, capacity for proper planning and high stakeholder participation, **it has been agreed** that the number of national platforms be reduced from 4 to 2 or 1 annually.

114. A participatory log-frame review meeting was held with SNV, IFAD, representatives of all four hub-coordinators and of VODP2, with the purpose to simplify the log-frame of the design document. The OSSUP support is monitored through the SNV “planning, monitoring and evaluation tool”; an on-line platform that also includes SNV corporate monitoring indicators. This means that SNV monitors several different levels of their support: the success of the approaches used by SNV (capacity building through monitoring implementers capabilities) as well as the outcomes achieved by the interventions in themselves. To ensure complementarity with VODP2 and relevant reporting to IFAD, **it was agreed that:**

- The “5 capabilities” model used by SNV will be used to measure the efficiency of SNV as an organisation
- An updated log-frame focusing on the OSSUP intervention through 1) Efficiency of the platform in making the sector well-coordinated and 2) Improved sector performance. Indicators will be chosen as a sub-set from the SNV system, for reporting to IFAD and VODP2, as well as in guiding the OSSUP facilitators work in becoming a sustainable institution.
- The platform shall also be working with VODP2 on economic models to report on poverty eradication within each crop group, using the formula: production \* price. Collection of production statistics will be the main responsibility of the VODP2 service providers and district agricultural / production officers, while price monitoring and collection will be done by OSSUP, with support from the VODP2 hub-coordinators.

115. SNV shall shortly be submitting an updated AWPB and a withdrawal application by 31 October 2013. The draft updated log-frame is inserted below.

## Attachment 1: Draft revised OSSUP log-frame

Objective hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Envisioned impact: to contribute to sustainable poverty reduction in Uganda</b>			
Oilseed smallholder producers have increased income from production and marketing of oilseed produces	Annual average income/acre per production hub and per main oilseed enterprise (sunflower, sesame, soybean, groundnuts)	Production data from targeted districts (annual reports) InfoTrade market information data (weekly prices for oilseed commodities)	District production data from District Local Governments are published on time and are robust
Oilseed smallholder producers have maintained resilient oilseed farming systems increasing food security	Average child malnutrition index per oilseed production hub	FAO/UBOS annual data	UBOS data are published on time
<b>Targeted subsector performance objective: A well-coordinated, market focused and private sector lead vegetable oil sector that brings together actors to stimulate joint action and collaboration in order to achieve a competitive, viable, equitable and sustainable sector<sup>4</sup>.</b>			
Oilseed sub-sector stakeholders engage in collective actions and are accountable to OSSUP platforms	Number of collective & coordinated actions implemented by oilseed stakeholders Relative recurrence of participation into collective action by sub-sector segments (input dealer, producers, traders, processors, exporters, financial services, extension services)	OSSUP facilitation quarterly reports	Stakeholders contribute to the implementation of collective actions
OSSUP hub facilitators implement collective action plans validated by platform participants	% of validated & planned collective actions effectively implemented (cumulative year to year)	OSSUP facilitation quarterly reports	Other programmes/projects contribute to validated collective action plans
Uganda oilseed sub-sector attract new investments	Annual public expenditures in supporting the oilseed sub-sector Number of new private investments in the oilseed sub-sector (processing capacity, bulking &	VODP2 annual report NAADS annual report OSSUP facilitation quarterly reports	OSSUP facilitation network able to identify new private investment cases

<sup>4</sup> It is proposed to monitor and assess Uganda oilseed sector using the “5 capabilities” models developed and promoted by ECDPM:  
[http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Download.nsf/0/8C8BF48388B9295DC1257210004FA970/\\$FILE/Engel\\_Land\\_Keijzer\\_balanced%20approach%20to%20M&E%20of%20Capacity%20and%20C\\_D\\_2006.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/8C8BF48388B9295DC1257210004FA970/$FILE/Engel_Land_Keijzer_balanced%20approach%20to%20M&E%20of%20Capacity%20and%20C_D_2006.pdf) already tested and used in Uganda in the oilseed sector in 2010.

Objective hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
	storage capacity)		
OSSUP regional and national facilitation is sustained by a viable business model	Cumulative number of commercial services offered by OSSUP facilitators OSSUP facilitation viable business model by 2016	OSSUP facilitation quarterly reports 2016-2020 OSSUP Facilitation business plan	Oilseed stakeholders value OSSUP facilitation and services offered by OSSUP facilitators (readiness to pay)
<b>Expected outputs: inclusive and participative dialogues and collective actions</b>			
Regional and national regular multi stakeholder platforms facilitated to the satisfaction of participants	Number of regional and national platform meetings held each year % of interviewed OSSUP platform participants rating OSSUP hub facilitation as good or very good	OSSUP facilitation quarterly reports Satisfaction sheets after each meeting	
OSSUP hub facilitators monitoring annually Uganda oilseed sub-sector performances	By end of 2013 Uganda oilseed sub-sector review framework developed and validated by stakeholders Uganda oilseed sub-sector performances validated and published annually by stakeholders	Oilseed sub-sector performance dashboard (online)	Oilseed stakeholders accept to sponsor data collection and publication
OSSUP hub facilitators brokering successful inclusive business linkages	Cumulative number of business linkages facilitated by OSSUP facilitators	OSSUP facilitation quarterly reports	Stakeholders accept to share freely information on their business linkages to OSSUP facilitators
OSSUP hub facilitators coordinating annual evidence-based advocacy and policy dialogues	Cumulative evidence-based policy papers discussed and validated by OSSUP platform participants	OSSUP facilitation quarterly reports	
OSSUP hub facilitators organising annual learning events	Cumulative number of annual learning events held by OSSUP facilitators Cumulative number of participants to annual learning events	OSSUP facilitation quarterly reports	

## Annex 6: Communications and knowledge management

32. **KOPGT communication strategy/plan.** KOPGT does a lot of communication with various stakeholders, using several channels. The challenge is that KOPGT communication efforts have mostly been on a 'need-to' basis. Having a forward looking strategic direction will place KOPGT communications more firmly as proactive. The aim of this short document is to put forth KOPGT's strategic communication objectives so that they can be shared internally and well understood, and guide both internal and external communications.

33. **Strategic Objectives.** Simply put, KOPGT's communication strategy will be two-pronged:

1. Bottom-Up communication of key messages through the KOPGT extension and other staff to the farmers directly (individual farmer – Unit level – Block level...). This will then be strengthened by the communication made through the KOPGA structures (top-down).
2. Consistency and coherency of key messages. KOPGT will ensure that key messages are coherent and are shared consistently with key audiences. Sharing of key messages shall not be a once-off event. At every opportunity, the management and staff shall get out of their way to share such information as deemed appropriate to various audiences, as regularly as possible.

34. Additionally, efforts will be made to use appropriate communications channel for internal and external communications. Keeping track of all communications made internally and externally by maintaining a regularly updated inventory, for purposes of reference is very important for KOPGT. Messages and materials will be kept simple and smart to ensure that they are well understood by all.

35. **Values.** To effectively achieve the objectives, the secretariat will need to place emphasis on these aspects:

- **Value information, especially sharing it.** KOPGT primarily deals with farmers, and they are receptive to information they believe will help them get more and better quality yields, hence increased income. Each message should be crafted with the 'what is the value of this information to the farmer' in mind.
- **Repetition.** Better to repeat the same message over and over again than to assume that people know. The responsibility of sharing information needs to be appreciated by field extension staff especially, and all KOPGT staff. Emphasis through repetition is one of the ways to ensure messages are understood.
- **Empathetic.** The one sharing information should put themselves in the place of the recipients of the information to fully appreciate the importance of clear and simple messages
- **Persuasion.** The communications efforts should be driven by persuasion through engaging farmers in discussions, showing that the secretariat is on their side and not against them, and having solid value propositions.

36. **Strategic Communications template.** The template below is to guide the way messages are shared by KOPGT: which messages, to which audiences, how, by whom, feedback channels, and any innovations. **NOTE:** Key messages will be updated regularly, to meet the needs of farmers and other stakeholders

Audiences	Key messages	Appropriate Communication channels	Feedback channels	Who is responsible
Farmers	<ul style="list-style-type: none"> <li>• Agronomic information: fertilizers and other inputs, maintenance of fields,</li> <li>• Pricing formula: OER, CPO, world prices, etc</li> <li>• Updates and news</li> <li>• Social issues</li> <li>• Environment issues</li> </ul>	<ul style="list-style-type: none"> <li>• Field visits</li> <li>• Meetings (one on one, unit, block, and AGMs – where possible)</li> <li>• Information boards (the many NAADs boards scattered all over)</li> </ul>	<ul style="list-style-type: none"> <li>• Q&amp;A sessions (for every field visit, meeting, etc, farmers should always be given an opportunity to ask questions)</li> <li>• Peer to peer trainings (in the presence of the field officers)</li> </ul>	<ul style="list-style-type: none"> <li>• Field officers</li> <li>• KOPGA Leaders</li> </ul>
KOPGA	<ul style="list-style-type: none"> <li>• Pricing formula</li> <li>• Governance issues</li> <li>• Communication lines with farmers</li> <li>• Loan administration issues (the statements given to farmers should be well understood by KOPGA leaders so that they are in position to share the right information with farmers)</li> <li>• Costs</li> <li>• Sustainability prospects</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Radio programmes</li> <li>• Trainings,</li> <li>• mentoring and coaching</li> </ul> <p>*The key will be to ensure regular sharing of such messages in a coherent manner.</p>		
Media and CSOs	<ul style="list-style-type: none"> <li>• Impact: success stories (before and now), infrastructural development,</li> <li>• Facts and figures: how many farmers, total acreage, average income per acre per month;</li> <li>• Environmental conservation: EIAs, water testing results, rainfall patterns (before oil palm and now), forest reserves</li> </ul>	May consider a policy for farmers speaking to the media. that it is in the presence of a KOPGA executive or a KOPGT staff member. This would be helpful in avoiding misrepresentation especially by farmers who are themselves not clear on issues. (This needs to be discussed with KOPGA first)		Only one spokesperson for KOPGT to the media
District Leadership				
OPUL				
Others				

37. **Examples of key messages.** These messages should be updated regularly and kept up to date with the issues that are relevant for the farmers and other audiences.

	<b>Key messages</b>	<b>Translation (Luganda)</b>	<b>How to share</b>
Agronomic	<b>Harvesting half ripe bunches:</b> - Pick the loose fruit and wait for the rest of the bunch to ripen. - Do not harvest half ripe bunches because they do not contain oil and they will be rejected at the mill <b>Fertiliser application:</b> – which fertilizer to apply when - How much to apply - How to detect mineral deficiency Common pests and diseases, how to deal with them – Sooty mould caused by mealy bug. Mainly spread through cassava and maize. Avoid intercropping with these, and control by spraying - drying palm fronds		<ul style="list-style-type: none"> <li>• Field visits</li> <li>• Meetings</li> <li>• Radio programmes</li> <li>• Information boards</li> <li>• Through KOPGA leadership (unit, block)</li> </ul>
Prices: The pricing formula.			<ul style="list-style-type: none"> <li>• Charts</li> <li>• Notice boards</li> <li>• Meetings</li> <li>• Sms</li> <li>• Radio</li> </ul>
How to plant properly, how to handle seedlings			
Loan administration processes			

## Annex 7: Fiduciary issues

38. **Introduction.** VODP2 is an 8 year project financed by the Government of the Republic of Uganda (GoU), the International Fund for Agricultural Development (IFAD), and a private sector partner investor Uganda Palm Oil Limited (OPUL). The IFAD Loan was approved on 22 April 2010, with the Loan Financing Agreement being signed on the same day. Also the project became effective on the same day. The Project completion is planned for 31 December 2018, while the Loan is scheduled to close on 30 June 2019.

39. The total cost of the Project, as planned at appraisal is approximately USD 147.2 million. The amount as provided for in the Loan Financing Agreement is SDR 33.5 million or USD 52 million equivalents. Other cost contributions include USD 70.4 million by the OPUL, USD 14.1 million by the GoU, and USD 1 million IFAD Grant, USD 5.8 by other co-financiers, and USD 3.9 million by the project beneficiary farmers.

40. **Objectives.** The Financial Management Specialist (FMS) will provide technical backstopping to KOPGT towards the audit of FY 2013/15, including finalization of posting of historical transactions and creation of the final bank accounts as per previous recommendations, and will review the draft business plan. In the course of carrying out the assignments, the mission engaged with the officers of the KOPGT secretariat PMU management, and management and other staff. The mission takes this opportunity to gratefully thank all these officials and staff for their time, support, cooperation and collaboration.

### Project level

41. **Financial management systems.** The project has been operating under laid down systems and procedures which are consistently with those of the GoU. These include Financial Planning through AWPB, Accounting, Financial reporting, Funds flow, Auditing and Procurement. In addition, the PS of MAAIF and the Internal audit unit of the Ministry apply a strong and close oversight over all the expenditures incurred by the Project. The mission is satisfied with the working of internal controls put in place. However, the project has not documented these systems fully but in form of guidelines, which is an abridged version of a normal Financial Management Systems and Procedures manual. The document requires expansion and enhancement in order to make it more effective in terms of guidance to existing and new staff. **Recommendation.** The mission recommends improvement of the existing document into a fully-fledged manual that would contain documented key functions and processes including internal controls, funds flow, disbursements, financial reporting among others. The revised document should be consistent with the IFAD draft that is available to the PMU and the revision should be carried out by 31 December 2013.

42. **Financial management capacity and financial reporting.** The financial management team includes the Financial controller, Assistant Accountant, and a cashier. However the position of the Assistant accountant is vacant and recruitment is in the process. This is negatively affecting the financial management capacity. Earliest finalisation of this recruitment is highly desirable since the Assistant accountant's services are urgently required for assisting in the preparation of SoEs and WAs as well as enhancing other key accounting functions and responsibilities. The management reviewed the semi-annual Physical and Financial Progress reports. **Recommendation.** Financial reports in the project progress reports should include Statements of Revenue and expenditure which balances the surplus with the cash balances. Other financial statements should include the reconciliation of the designated accounts and a budget performance report with the actual costs of the implemented activities during the period are compared with the budget provisions with the significant variances suitably explained.

43. **Statement of Expenditures (SoEs) review.** The mission reviewed 14 expenditure payment items out of WAs 17 and 18. The expenditure items were agreed to the supporting documentation and were found to be eligible for claim from IFAD. However, there is need for improvement in the accountability process for advanced drawn for facilitation, seminars, workshops etc. Accurate analysis

should be attached to bundle of supporting documentation which is not the case now. In addition the documents should be stamped paid to avoid future representation for double payment.

**Table 7: Summary of SoE items tested at random**

Item	WA	WA Amount USD	Summary sheet	Category	Transaction description	UGX '000 Amount	IFAD USD Amount	Consistent with Grant Agreement	Comment
1	17	612 226.58	2	7	Travel To Rome	25 215	10 066	✓	Agreed with supporting documents and GoU authorised rates for DSAs for overseas travel as well AWPB provisions
2			2	7	Staff induction and team building	24 368	9 728	✓	Agreed to the supporting documents and AWPB provisions
3			3	8	Situation Analysis	37 213	14 856	✓	Agreed to the supporting documents and AWPB provisions
4			4	9	PMU Salary for July 2012	57 955	23 163	✓	Agreed to the Payroll and a sample of contacts.
5			4	9	KOPGT Salary for Nov. 12	24 551	9 812	✓	Agreed to the Payroll and a sample of contacts.
6			4	9	Staff Salary Arrears July-Nov. 2011	54 792	21 899	✓	Agreed to the Payroll and a sample of contacts.
7			5	10	KOPGT Fuel Supplies	8 857	3 461	✓	the MV registration numbers agreed to the assets register
8			5	10	Feb salary PMU-16934	8 467	3 461	✓	Agreed to the Payroll and a sample of contacts.
9			5	10	MV repair for KOPGT	10 423	4 161	✓	AWPB provisions as well as the registration mv. Number to the asset
10		545 868	11	5	Maintenance Loans for Kayunga Farmers	150 450	57 957	✓	farmers signatures and bank remittances documents
11			6	5	Maintenance Loans for Beta East farmers Farm	160 200	61 713	✓	Agreed to the supporting documents, farmers signatures and bank remittances documents
12			25	5	Maintenance Loans for Beta West farmers Farm	78 250	30 137	✓	farmers signatures and bank remittances documents
13					Maintenance Loans for Beta West farmers Farm	127 650	49 174	✓	Agreed to the supporting documents, farmers signatures and bank remittances documents
<b>Total</b>		<b>1 158 095</b>				<b>768 391</b>	<b>299 588</b>		

44. **Annual Work Plan and Budget (AWPB) performance.** The Mission carried out the Budget performance review and notes a modest budget utilisation on the overall. For the 12 months period to 30 June 2013, the overall actual performance against the budget was 54.4%. Salaries and operating costs performed at 86% and 60% respectively. Palm oil development category performed at 82.5%. For the two months period to 31 August 2013 the actual cost was UGX 1.4 billion or 7.2% of the 2013/14 budget AWPB of UGX 19.5 billion. Although it is too early in the financial year the mission recommends increased efforts in ensuring increased budget implementation.

45. **Petty cash.** The last mission had identified the need for the project to maintain a petty cash float. These kinds of accounts are not provided for in the GoU financial management procedures. The PMU has been negotiating with the PS MAAIF to authorise the arrangement. The negotiations are still continuing and it is hoped that approval will be provided.

46. **Disbursement.** As at 31 August 2013, the actual total disbursement reflected in the IFAD records up to WA 22, and including the initial deposit amounted to SDR 8.39 million, representing 25% of the total IFAD Loan of SDR 33.5 million. Excluding the initial deposit of USD 4 million, the actual loan utilisation is 17%. However, projected utilisation of funds, including expenditures incurred and not yet submitted to IFAD (total of about USD 1.6 million) is estimated at SDR 6.52 million, equivalent to 21% of the total loan. Consequently, the balance of resources available for the programme is SDR 26.98 million, approximately USD 40.5 million. The future prospects indicate that the utilisation is expected to improve to 23% when the USD 1.3 million worth of commitments are paid for in due course of time. Figures are presented in the Appendix.

47. **GoU counterpart funds.** The mission notes that the Project has received USD 2.94 million from GoU. This represents 21% of the allocation at appraisal of USD 14.1 million. Compared with the approved AWPBs since inception, the amount represents 100% of these budgets. The mission is satisfied with this level of Contribution.



**Table 8: Analysis of contribution from GoU; planned, approved and remitted to the project**

Years	Amount Requested per AWPB	Amount Approved by Govt	Amount Received	Amount Received	% of Approved Amount
	UGX	UGX	UGX	USD	%
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	1 923 608 000	1 923 608 000	779 853 937	305 825	40.54
<b>Total</b>	<b>6 811 610 693</b>	<b>6 805 487 694</b>	<b>7 543 884 401</b>	<b>2 936 623</b>	<b>110.85</b>

48. **Designated accounts (DAs).** The combined allocation of USD 4 million of the two designated accounts is fairly accounted for. The combined cash balance of the designated accounts, operational and sub-accounts amount to USD 2.4 million. The expenditure pending submission of the Withdrawal applications amount to USD 1.3 million while WA for USD 314,000 is undergoing the claim process. While the project has adequate cash flow the level of unclaimed expenditure is significantly high at 33% of the total initial deposit. The mission recommends that submission of WA s be prepared and submitted as soon as the 30% threshold is achieved, and in addition, the DA reconciliation be carried out regularly at the end of each month so as to provide an expenditure monitoring tool.

**Table 9: Summary of the reconciliation of the combined DA's as at 31 August 2013**

	US \$	US \$
1 Total amount Advanced		4 000 000
2 Cash balance in the Special Account	2 259 326	
3 Cash balance at the PMU's Local Bank Account	84 586	
4 Cash balance at the Sub-accounts Local Bank Accounts	33 105	
5 Proceeds of WA 24	314 259	
6 Expenditure pending preparation and submission of WA	1 571 431	
7 Various balances in the Local Bank Accounts	-262 708	
<b>Total amount Advanced</b>		<b>4 000 000</b>

49. **Compliance with loan covenants.** The mission reviewed the compliance of the loan covenants and notes that the following provisions which are undergoing compliance arrangements are yet to have their processes completed:

- a) **Schedule 1. B. 2-**Conclude a framework MoU with NARO and operational MoUs with monitorable outputs with NaCRRi, NaSARRI and COREC
- b) **Schedule 1.C. 4-**The GoU shall up-grade the ferry service between Buvuma and the mainland
- c) **Schedule 3-**Establishment of island offices by KOPGT is subject to prior approval by IFAD
- d) **Schedule 3-A** formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.

50. **Procurement.** The provisions in the Procurement plan for 2013/14 were compared with the underlying provisions in the AWPB. The Motorcycles budget in the AWPB is less by UGX 63 million or USD 25,000. The procurement plan should be consistent with AWPB, and the deficit may require a no objection from IFAD. The mission also reviewed key procurement items carried out during 2012/14 and is satisfied that the procurement of these items followed the laid down procedures. However, the procurement plan require improvement in terms of providing a line for actual updates and monitoring. **Recommendation.** The IFAD template should be adopted and the plan document will be a better tool for monitoring.

51. **Contract register.** So far the PMU has maintained some kind of a Contract register for contracts the Project has entered into since inception. However it lacks the key details that would facilitate effective management and monitoring. It was agreed that the PMU will adopt the IFAD template and record all the contracts entered into since the inception of VODP2 2. Thereafter, it will be accurately and timely maintained.

52. **Asset Register.** The review indicated accurate maintenance of the register, and all assets procured since inception of VODP2 2 have been recorded.

53. **Audit.** The Audit for 2012/13 financial year is underway. The mission reviewed some of the draft financial statements undergoing audit and confirm that they are in order. The full package of the draft Financial statements Accounts and reports for the financial ending 30 June 2013 should have been submitted to IFAD by 31 October 2013, as required by the IFAD General Conditions. The project should finalise the drafts accounts and submit them to IFAD as soon as possible.

#### **KOPGT level**

54. **Business Plan review:** The mission notes and appreciates the considerable efforts that have been spent in the formulation of the current draft, and commends the management of PMU and KOPGT for the work they have carried out. However, the current draft requires strengthening and enhancement with key areas intended to address the core business aspects of the institution with a view of redefining and strengthening adequate structures that ensure focused and result oriented delivery of maximum benefits to the Palm oil smallholder farmers and achieve the objectives of the KOPGT. These should include:-

- a) The legal status of KOPGT requires a review in depth in terms of measurement against the laws that govern businesses and commercial companies. This should assist KOPGT to assess the extent to which the business structures and selected practices of the enterprise are accommodated. The key structures should include the governance structures such as Board of directors, thematic board committees, executive management and the mode of the procedures of their appointments and including enhancement with business oriented persons. Other aspects are management structures, Human resources policy, social responsibility, and financial management and financing Audit and policy development.
- b) Evaluated operational structure that is tailored to accommodate result oriented extension services and input supplies to the smallholder oil palm farmers. Other structures should be financial management and administration. The required human resources, equipment and capacity building investments must be costed with the aim of assessing the financial cost and value for money for the smallholder farmer. This financial costing must be carried out as early as possible so as to assess how it fits with the overall business model, and financial benefits expected to be enjoyed by the farmers. This being the cost of service to the farmers will have to be marketed for acceptability to all the stakeholders.
- c) The plan should include provisions of operational and management systems and procedures, under which the business will operate efficiently and effectively. These should include operational manuals for operations, Financial Accounting, management, monitoring and reporting procedures and audit and procurement.
- d) The roles and responsibilities of the key stakeholders, namely KOPGT, KOPGA, MAAIF, GoU require to be redefined. This process will inform on the roles and responsibilities, which relate to the business and commercial demands so as to make it easier to decide on the best business vehicle to carry them out effectively and efficiently, as well as deciding how the activities of the vehicle will relate to the defined roles of the other key stakeholders. In this regard a dedicated commercial company run by a professional Board of Directors and management is likely to be preferable. The review will also clarify the service activities their costs and among best providers in terms of economy and best value for money.

- e) The cost of services given to the Smallholder farmers by KOPGT or its dedicated entity, as service provider, must be at full cost and without any subsidy from the GoU or KOPGT. However, it must be economical in terms of value for money, and favourably comparable with those, which would be provided by other service providers.

55. **KOPGT staffing.** KOPGT has a full complement of staff except for the Finance Manager. This is a key position and the process of recruitment is underway. KOPGT will soon be undergoing reforms once the Business Plan is finalised and the services of Finance Manager will be required. Even before that, the services are required so as to ensure result-oriented preparation for the audit of KOPGT starting with the Financial 2013/14. The mission recommends that the recruitment process be finalised by 30 November 2013.

56. **Loan tracking system.** The KOPGT uses the PEARL accounting system for tracking the Farmers Loan and interest information. There is a continuous improvement of the system and currently the management with the help of the software developer are enhancing the parameters for accommodating automated inputs of the fertilizers, tools, seedlings and ffb pricing. These improvements are to be finalised by 31 December 2013. The mission reviewed the balances of the farmers' loans and compared these with the balances in the books of KOPGT. There are differences which require reconciliation as at 30 September 2013 and regularly thereafter at the end of each month.

57. **Transport cost model.** The mission reviewed the transport **cost** model whose revenue include recovery of between UGX 30-45 per kilo from the proceeds ffb sales. The recovery rate includes an element for reserves for future replacement of the delivery trucks when they become unserviceable. The proceeds of the recoveries are maintained in a separate account from where the expenditures for fuel, repairs and drivers wages are paid from. The account is properly maintained. However, a number of issues require to be urgently addressed. The trucks are not insured following the policy of the GoU that exempts their assets from insurance. The financing agreement requires that the project assets procured with IFAD funds be insured. Besides this requirement, any major accident of any of the trucks would destabilise the current reliability transport arrangements for the ffb harvests.

58. The other issue is the inadequacy of the reserves for replacement of the trucks when they become unserviceable. The provisions in the Transport account are inadequate, as a result of the rate at which the provision is made, being disproportionate to the current levels of replacement prices. Currently there are 6 trucks. 2 out of these are 3 year old and 4 are under one year old. The current reserve is approximately UGX 15 million while current cost of replacement is UGX 225 million, which requires a provision of UGX 37.5 million per year. **Recommendation.** The mission recommends an urgent review of the transport model and full insurance cover of the trucks with the premium paid from the transport cost provisions.

59. **Preparation for audit of the KOPGT financial statements, accounts and reports:** The mission notes the KOPGT continuing efforts of preparing for the audit of its financial transactions and status. The consultant accountant for advising KOPGT for this activity is in the process of being recruited. The tasks for the assignment will include the review and reformulation of the existing drafts of Accounting and Financial management systems and controls manual, documentation of the internal controls, the installation of the books of account, and formulation of the templates for the financial statements, accounts and reports that are consistent with International Accounting Standards particularly IFRS. Other tasks will be identification of KOPGT assets including shares, land, buildings, motor vehicles and cycles, furniture fittings and, computer and equipment and advise on their inclusion in the books of accounts and in the financial statements of the KOPGT. The mission recommends that the first audit be carried out on the financial statements, accounts and reports for the year ended 2013/14. **Recommendation.** In order to properly prepare for and manage this process effectively and efficiently the KOPGT management should update its assets records, and books of account and ensure accurate reconciliation within these records.

60. **Flow of funds (PMU to KOPGT; KOPGT to farmers; PMU to OPUL).** The flow of funds from PMU to KOPGT and OPUL is being carried out efficiently and no delays were noted. The Flow of

funds from KOPGT to farmers was reported by the farmers' leaders to be having some delays. The delays involved maintenance loans only. The mission looked into these complaints and noted that the delay may have been occurring at the point of review by MAAIF, as a result of involvement of the Internal audit of the Ministry in taking time to travel to the Island to validate loan application documentation. While this process is considered reasonable, every effort should be made to ensure that the flow of these funds is not unduly delayed. **Recommendation.** The mission recommends that the PMU negotiate with MAAIF for reasonable timelines of authenticating the future funds applications.

61. **Reflows from oil palm development loan and interest.** The mission notes that the loan and interest recoveries made to date from the farmers amount respectively to UGX 2.12 billion (approximately USD 845,000) and UGX 218.35 million (USD 87,000). The 30% share for KOPGT as provided for in the Trust is UGX 65.5 million (approximately USD 26,000). These amounts have been invested variously in interest earning deposit and savings accounts which will have yielded a total of UGX 165.2 million (approximately USD 66,000) when a current deposit of UGX 1.4 billion matures. The mission recommends that until the GoU decides on the investment of these recoveries, investing Loan and Interest recoveries in interest earning deposit and savings accounts should continue. In addition, a separate and dedicated interest earning account should be opened in which the 30% of the 10% recovered is held for investment. Also to be transferred into this account is all interest earned from savings and deposit accounts. The interest in this account will be retained for future use by KOPGT and should not be utilised for the time being and should wait policy decision for the future use.

Agreed action	Responsibility	Agreed date
Formulation of Project implementation manual	PM/FC	31 12 13
Improve the Physical and Progress report with additional Financial Statements	FC/M&E/PM	31 12 13
Improve accountability analysis for the facilitation imprests	FC	Immediate
Prepare and submit WA s when the 30% threshold of the DA is achieved	FC	Immediate
Carry out a reconciliation for the DA s at the end of every month	FC	Immediate
Follow-up the completion of compliance processes of various loan covenants	PM	31 12 13
PMU to open and maintain a contract register	PO/FC	Immediate
Submit Draft financial accounts for audit for the 2012/2013 financial year	FC	31 12 13