

Uganda

Vegetable Oil Development Project 2

Supervision Report

Main report and appendices

Mission Dates: 19/02/2018 - 16/03/2018

Document Date: 09/11/2018

Project No. 1100001468

Report No. 4812-UG

East and Southern Africa Division
Programme Management Department

Abbreviations and Acronyms

AWPB	Annual Work Plan and Budget
BOPGA	Buvuma Oil Palm Growers Association
BOPGT	Buvuma Oil Palm Growers Trust
CPO	Crude Palm Oil
COREC	Coffee Research Centre (responsible oil palm)
Danida	Danish International Development Agency
DSIP	Development Strategy and Investment Plan (of MAAIF)
ESIA	Environmental and Social Impact Assessment
FFBs	Fresh Fruit Bunches
PFS	Pay-for-Service
GAP	Group Action Plans
GoU	Government of Uganda
HDI	Human Development Index
HIV/AIDS	Human immunodeficiency virus/Acquired immune deficiency syndrome
IMS	Impact Monitoring System
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 and Economic Development
MoLG	Ministry of Local Government
MOU	Memorandum of Understanding
MTTI	Ministry of Tourism, Trade and Industry
NAADS	National Agricultural Advisory Service
NARO	National Agricultural Research Organization
NaCCRI	National Crops Resources Research Institute (responsible soybean)
NaSARRI	National Semi-arid Resources Research Institute (responsible oilseeds)
NEMA	National Environmental Management Authority
NOPP	National Oil Palm Programme
NSCS	National Seed Certification Service
OPUL	Oil Palm Uganda Ltd
OPV	Open pollinated variety
OSSUP	Oilseed Sub-sector Stakeholder Platform
PMU	Project Management Unit
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernisation of Agriculture
PPM&E	Participatory Planning, Monitoring and Evaluation
PPP	Public-Private Partnership
RFSP	Rural Financial Services Programme
RIMS	Results Impact Monitoring System
RSPO	Round Table on Sustainable Palm Oil
SNV	Netherlands Development Organisation
UNBS	Uganda National Bureau of Standards
USAID	United States Agency for International Development
VODC	Vegetable Oil Development Council
VODP	Vegetable Oil Development Project
VODP2	Vegetable Oil Development Project, Phase 2

A. Project Overview

Region:	East and Southern Africa Division	Project at Risk Status:	Not at risk
Country:	Uganda	Environmental and Social Category:	A
Project Name:	Vegetable Oil Development Project 2	Climate Risk Classification:	not available yet
Project Id:	1100001468	Executing Institution:	not available yet
Project Type:	Agricultural Development	Implementing Institutions:	not available yet
CPM:	Lakshmi Moola		
Project Director:	Connie Magomu Masaba		
Project Area:	National		

Approval Date	22/04/2010	Last audit receipt	30/10/2018
Signing Date	21/10/2010	Date of Last SIS Mission	28/09/2018
Entry into Force Date	21/10/2010	Number of SIS Missions	15
Available for Disbursement Date	21/10/2010	Number of extensions	0
First Disbursement Date	03/06/2011	Effectiveness lag	6 months
MTR Date	not available yet		
Original Completion Date	31/12/2018		
Current Completion Date	31/12/2018		
Financial Closure	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$52,000,000
Domestic Financing breakdown	Beneficiaries	\$3,890,000
	Private sector local	\$70,380,000
	National Government	\$14,140,000
	Other Domestic	\$5,480,000
Co-financing breakdown,	SNV Netherlands Development Organization	\$285,000
Project total financing		\$146,175,000

Current Mission

Mission Dates:	19/02/2018 - 16/03/2018
Days in the field:	13
Mission composition:	Alessandro Marini, Country Director; Willem Heemskerk, Extension and Research Specialist; Billy Ghansah, Oil Palm Specialist; Davis Atugonza, Financial Management Specialist; Pontian Muhwezi, Country Programme Officer.
Field sites visited:	Bugala Island Kalangala, Gulu, Lira

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		5

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	4	Quality of Project Management	4
Targeting and Outreach	4	Knowledge Management	5
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition		Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	

Sustainability and Scaling-up	4	Financial Management and Execution	5
Institutions and Policy Engagement	N/A	Acceptable Disbursement Rate	4
Partnership-building	5	Quality of Financial Management	4
Human and Social Capital and Empowerment	5	Quality and Timeliness of Audit	6
Quality of Beneficiary Participation	4	Counterparts Funds	6
Responsiveness of Service Providers	5	Compliance with Loan Covenants	6
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	5		

Relevance

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. An IFAD implementation support mission was held from 19 February to 16 March 2018 with the objective to review the overall implementation progress of VODP2 and provide implementation support as needed. The mission was conducted in two different phases. One team, composed of the IFAD Country Director, the oil palm specialist and the financial management specialist, reviewed the oil palm investment component between 19 February and 2 March. The team spent six days in the field and visited Bugala island in Kalangala District, where it met and interacted with the local authorities, KOPGT, KOPGA, OPUL, the NARO oil palm research team and a number of oil palm farmers, and Buvuma Island in Buvuma District, where it met with the local authorities and the private sector partner (Bidco Uganda Ltd.). A second team, composed of the IFAD Country Programme Officer (CPO) and the extension specialist, reviewed the oilseeds component between 5 and 16 of March. It spent seven days in the field and visited Gulu and Lira hubs, in particular the districts of Omoro, Lamwo, Agago, Apac, Oyam, Alebtong, Otuke, Kaberamaido and Soroti, where it met and interacted with the local authorities, the Pay for Service Providers (PSPs), as well as with farmer groups, cooperatives and millers. The mission also met with researchers and UCA officials. In Kampala the mission worked extensively with the various units of the PMU and held meetings with senior staff from MAAIF and MFPED, as well as other relevant partners and stakeholders. The mission would like to thank the GoU and all the other partners for their collaboration and support.

The National Oil Palm Project (NOPP), jointly designed by IFAD and the Government of Uganda between November 2016 and July 2017 was approved by the IFAD Executive Board in April 2018 and is currently undergoing the process of approval by Parliament. The project will be implemented by MAAIF over a period of 10 years to scale up to other areas of the country the successful investment in Kalangala under VODP2. Because of the linkages between VODP2 and NOPP, due to the delayed approval of NOPP by the IFAD Executive Board, originally planned for December 2017, it was agreed to postpone the finalization of the aide memoire until after the NOPP approval (April 2018), to duly discuss the transition between the two projects. Further work has been done by the IFAD Country Office and the Government of Uganda in this respect during the first half of June and the results of such work have been incorporated in this Aide Memoire.

Key Mission Agreements and Conclusions

1. Overall, good progress has continued in all major investment components of the project. The project is now on target with respect to its major outputs and outcomes.
2. Planting targets in Kalangala have been achieved at 99% for the nucleus estate and 94% for the smallholders, with the only impediment being the outbreak of blast disease that affected the seedlings in the nursery. Given the new agreement between GoU and Bidco Uganda Ltd. (BUL), the target of 2,500 ha of smallholder plantings in Buvuma has been moved to NOPP.
3. Good progress has been made in strengthening the institutional framework in Kalangala, with notable achievements including: the registration of the growers' association as a primary cooperative (Ssesse Oil Palm Growers Cooperative - SOPGCo); the completion of the first corporate audit for KOPGT; and the achievements in terms of the Operational Self-Sufficiency of KOPGT (84%). Further work is needed, though, in strengthening the financial management system of the institution, notably in the area of credit management. **Agreement:** KOPGT Board will work over the next six months on a plan for gradually introducing a charge on FFB sales by project completion in December 2018.
4. The main area of concern for the oil palm investment remains the supporting infrastructure (road construction and maintenance and the ferry transport services between Bugala and the other islands). While some good progress has been registered in this area in the last few months, it is highly unlikely that any of the major infrastructures will be completed by VODP2 completion date. **Agreement:** expenditures for infrastructure works initiated but not completed under VODP2 will be eligible under NOPP.
5. The oilseeds component continues to show dynamism and steady progress in terms of the number of groups supported to establish linkages with other actors in the value chain, as well as in terms of increases in areas, yields and overall production. The component has largely been able to catch up with the considerable delays accumulated at the beginning of the project. The emphasis is now gradually shifting towards consolidation of the groups. Further time would be required to ensure that a large percentage of the groups supported so far do not risk collapsing once the support of the project ends in December 2018. Further support for group consolidation would also be strategic in preparation for further investment by IFAD in the sub-sector, as requested by the Government in September 2016 and further reiterated in June 2018. **Agreement:** an extension of the VODP2 completion date for the oilseeds component by twelve months (till December 2019) is justified by the dynamism of the sub-sector and by the need to consolidate the outputs and outcomes achieved so far and prepare for the next IFAD investment, which is likely to be ready by end of 2019.

While the disbursement rate has improved from moderately unsatisfactory in September 2017 (55%) to moderately satisfactory as of May 2018 (70%), with project completion in slightly more than six months (31 December 2018) there is still a considerable balance (SDR 6.3 million, equivalent to USD 9.3 million) to be disbursed. Final disbursement is projected to be around 95%, with almost 2.5 million USD unspent, depending on the final decision by IFAD management with respect to the Government's request of extension of the completion date.

D. Overview and Project Progress

COMPONENT 1 – OIL PALM CONSOLIDATION AND EXPANSION

Oil Palm Development in Kalangala

Status of production. The production of Fresh Fruit Bunches (FFBs) from smallholder plantations continues to grow steadily, primarily as a result of the increase of the age of plants and area harvested. The total production for 2017 was 26,884 tons, which represents an increase of 17.2% with respect to the production of 22,906 tons in 2016. The first 5 months of 2018 have seen a record production of 21,082 tonnes which is 59.4% of the annual target of 35,500 tonnes.

FFBs' prices. The local price sub-committee continues to meet regularly. The average price for 2017 was 583 UGX/Kg against an average of 485 UGX/Kg in 2016 and 399 UGX/kg in 2015. However, a declining trend is starting to be observed since the beginning of 2018, with an average price of 552 UGX/Kg for the first five months of the year, driven by declining international prices. KOPGT should continue creating awareness among farmers about this potential downward trend to prepare against complaints from farmers as a result of price drop. On a positive note, the Oil Extraction Rate (OER) for smallholders has been very high in the last few months, leading OPUL to offer an increase of the OER in the pricing formula from 22% to 23% with effect from 1st March 2018. This is expected to compensate, at least partly, for the drop in the international price.

Roll-out plan for new plantings. The remaining plantings in Bunyama (207 ha) and Bubembe (119 ha) will only be completed by mid-June 2019, under NOPP, when the new seedlings, ordered after the outbreak of blast disease, will be ready. A total of 84,000 pre-germinated seedlings arrived in November 2017 and transplanting to main nursery is ongoing as planned. All the sanitary procedures recommended to prevent blast disease are being observed. As VODP2 will be completed in December 2018, completion of plantings for the two outlying islands will be considered as part of the transitional arrangements between VODP2 and NOPP. Any expenditure related to the above remaining plantings that will not be incurred by 31 December 2018 will thus be eligible under NOPP.

Oil palm development in Buvuma

Land purchase for the nucleus estate. A summary of the status of land acquisition is provided in the table below. GoU has so far purchased 7,591 hectares of land, of which 5,114 hectares are free of encumbrances and have been offered to BUL. Clearing of encumbrances on the remaining 2,477 hectares already purchased is taking longer than planned and is expected to be completed by end of December 2018, to be offered to BUL by end of March 2019. Another 603 hectares have been identified and are in the process of acquisition, which is estimated to be completed by June 2019. This will bring the total to 8,194 hectares of land acquired for the project. Considering the hilly and rocky areas, as well as the land required for the buffer zone, the identified HCV and HCS areas, the trading centres and infrastructure development, this should be enough to provide a net of 5,000 hectares of plantable land, which is the basis of the agreement with BUL.

Development of the nucleus estate. BUL has started surveying and opening the boundaries for the 5,114 hectares of land already offered to them. So far a total of 2,850 hectares have been confirmed as suitable for planting. For the development of the nucleus plantation, planned over 4 years between 2018 and 2022, BUL has divided the land in 5 phases. The land planned for phase 1 is estimated to be about 1,400 hectares and is now available, except for the 250 hectares suitable for the nursery, which have been identified and are in final stages of compensation.

Development of smallholder plantations. While the development of 2,500 ha. of smallholder plantations in Buvuma will be done under NOPP starting in the first half of 2020, preparations should start under VODP2, in particular with respect to: (i) the ordering of seedlings, which should be communicated to BUL as soon as possible for proper sizing of the nursery site; (ii) the registration of smallholder farmers, for which a small mobilization team - one agronomist, one community development specialist; one assistant surveyor; and one data officer – is needed; and (iii) the proper planning of smallholder plantations, including farm roads, for which a full hub start-up team is needed. Capacity for institutional development of the farmers' organization will have to be in place by the second quarter of 2019, to start working with the farmers registered as oil palm growers. A detailed road map in this respect has been developed and agreed with the PMU during the mission and key agreed actions are hereby summarized.

Infrastructure development

Road construction in Kalangala. Road development in Bugala has been progressing, albeit at a slower pace than planned, with a total of 48 Kms of new farm roads completed out of the total target (by 31 May 2018) of 100 Kms. Such progress is mainly due to the deployment of the necessary equipment and the operating team from the Agriculture Mechanization Project (AMP) by MAAIF senior management. The team has been operating in Bugala since September 2017, but has now been moved to Bunyama Island, where a total of 7 Kms of access and farm roads have been opened. As soon as road works in Bunyama are completed, the equipment will be moved to Bubembe Island where another 40 km of roads need to be constructed.

The original plan to have two road units operating in Kalangala did not materialize. The district project equipment (grader, dozer, wheel loader and roller), repaired with project funds about twelve months ago, was not availed to carry out the road works as originally agreed. A memorandum of understanding was signed between the project and Kalangala District in April 2018, but when the road equipment was finally released, most of it was in need of major repairs. As a result, road works (including for maintenance) in Bugala are delayed. The project will now have to look for alternative arrangements to complete the road works (construction and maintenance) in Bugala. The easiest will be to use the existing MAAIF

framework contract for provision of road construction services to hire additional road equipment and having it managed by the MAAIF team under the same arrangement as per the current AMP's equipment

Ferry services to Bunyama and Bubembe. The construction of three landing sites and the provision of a ferry to connect Bugala with Bunyama and Bubembe are foreseen under VODP2. The design of two landing sites (Bunyama and Bubembe) has been completed by the Ministry of Works and Transport. The related bidding documents for construction will be sent shortly to IFAD for no-objection. The third landing site to be built at Bugala Island and the ferry to link the three sites are being procured under design and build arrangement and are at contract award stage. The procurement of the consultancy services for supervision for the landing sites is at evaluation stage. All these procurements are delayed by at least 3-4 months and it will be very difficult to complete the related contracts before VODP2 completion date on 31 December 2018.

Fertilizer stores and houses for field staff. A fertilizer store has been built in Kalangala (1,500 MT capacity). Two others (400 MT) are planned for Bunyama and Bubembe, including housing for field staff. The contract is at signing stage.

Infrastructure in Buvuma. The construction of two landing sites (Buvuma and Kiyindi) and the provision of a new ferry are foreseen under VODP2. The procurement of contractors to design and build the ferry landings and the related ferry are at award stage. It will not be possible to complete the related contracts before VODP2 completion date on 31 December 2018. As for the infrastructure in Kalangala, it is agreed that the expenditures for all the above contracts signed under VODP2 and not yet completed by 31 December 2018 will be eligible under NOPP.

COMPONENT 2 – OIL SEEDS DEVELOPMENT

Delivery of services through Pay for Service Providers (PSPs). Currently 11 Pay for Service Providers (PSPs) are providing extension and capacity building services for strengthening FGs in improved oil seeds production (notably sunflower and soybeans); group governance; business development (Farming as a Business, bulking for marketing, value addition, seed production, etc.); access to finance (VSLAs development and linkages to financial institutions); and linking up with input and output markets. The PSPs work with a total of 3,507 FGs, of which close to 1,000 are weaned off and get only minimal support and others have completed at least one year of the planned 2-year training cycle. PSPs are rather effective in their delivery, mainly due to the extension model based Community Based Facilitators and the accumulated experience in training FGs and FLP implementation.

Delivery of services through District Local Governments VODP2 has MoUs with 42 District Local Governments for monitoring PSPs as well for directly supporting oilseeds FGs. DLGs have recruited extension officers, at least one for each sub-county. Most of these have limited resources and means of transport. Cash flow to DLGs is slow due to poor budgeting and accounting, while limited information is available on results achieved and no information on the PSP monitoring role. Hub coordinators report DLGs to be working with 1,804 FGs, but this number was found during the mission to be over reported for some Districts. Some good examples of technology adoption support to FGs by DLGs were however visited. DLG extension staff has been trained by VODP2 notably on oilseeds production technology. UCA is providing training on Cooperative Development and Farming as a Business.

Support to an FG by PSPs costs on average 2.3 million UGX/FG in the first two-year cycle (2014-2016) and 3.7 million UGX/FG in the second cycle (2017-2018), although there is considerable variation among PSPs. Support by DLGs costs an average of 0.9 million UGX/FG, but this does not include fixed costs financed directly by GoU (salaries, offices, some transport etc.). Unfortunately the data on the level of maturity of the FGs are not available, especially for those supported by the DLGs, to assess the efficiency of the two approaches. A proxy indicator, though, is the number of FLPs, which is three times higher for PSPs (1 for every 2.5 FGs) than for DLGs (1 for every 7 FGs). While FGs facilitated by PSPs are provided with a full package of capacity building in agronomic practices, farming as a business, financial literacy and linkages with markets, those supported by DLGs are trained mainly on improved agronomic practices, lacking support in elaborating business plans and establishing contractual arrangements with input and output dealers.

Availability of quality seed of improved varieties All 3,507 PSP-supported FGs have been exposed to the advantage of the use of quality seed of improved varieties in at least two seasons through the hosting of FLPs or attending field days around FLPs. This has resulted in about 70-80% adoption in FGs for PANNAR AGSUN hybrid sunflower seeds and 60-70% adoption of Maksoy 3N soya bean seed, often locally multiplied. Other varieties are less demanded due to poor germination or a lower price at the large mills. Larger millers import their own varieties: NK Ferti (=SY045) by MMP and Mount Meru (30 t/season); PAN 7033 and other by Mukwano (50 t/season), and Agsun 8251 by Ngetta Tropical Holding (40 t/season). Sesun 1H and Sesun 2H are hardly available due to lack of parental lines. Total actual demand and total amount of sunflower quality seed available are not well known.

The main issue for sunflower hybrid seed is timely access. Seed needs to be pre-ordered for import and paid 3 months in advance. Farmers are ready to pay on-delivery for the seed, but are less willing to pay in advance. On the other side, suppliers are not willing to take the risk to import and stock large quantities of seed that may not be bought. Access to quality seed of soybeans is largely through local seed multiplication (LSBs and otherwise), supported by PSPs and DLGs. It is important to ensure that seed production take place on the basis of sound economic principles, as well as in such a way that quality can be easily detected and declared by the District.

Research. The NACRRI/Makerere soybean research team has been instrumental in providing new soybean varieties for FLPs and support (through training and guidance) to the locally contracted production of quality foundation seed. Maksoy 6N is the latest released variety, high yielding, disease resistant and high in protein and oil content. The total production of Foundation Seed in 2017B was 25.5 MT (mostly Maksoy 3N), which was all sold (50% to NGOs/CBOs, 24% to private companies, 18% to GoU and 8% to others). The soybean research team and the National Seed Certification Service

(NSCS) have continued training Local Seed Businesses on local soybean seed production and quality control. NASARRI has identified through multi-locational testing four well performing sunflower varieties, to be submitted for release process by the end of 2018. It has also been testing imported sunflower varieties and has proposed five new hybrid varieties for release (Aguara 6, Aguara 4, Hysun 33, Pannar 7158 and NK Tutwi). No national seed companies have been identified for the production of the new national hybrid sunflower varieties proposed for release under exclusive agreement.

Access to financial services. The interest of financial institutions (FIs) to lend to the sub-sector is growing steadily. While the project had established linkages with only some FIs (Uganda Development Bank, FINCA Uganda, Opportunity Bank, DFCU Bank and Post Bank Uganda), five more (Pride Microfinance, Microfinance Support Center Limited, Centenary Rural Development Bank and Barclays Bank) have now started to work with VODP2-supported groups on their own initiative. The emergence of HLFOs and strong FGs is proving to be an attractive opportunity for FIs as they prefer to lend through groups rather than dealing with individual farmers. The cumulative disbursements from financial institutions to VODP2-supported farmers are worth UGX 3.19 billion to 3,811 farmers (38% women). Repayment rates are overall satisfactory, except for UBD, which is still facing challenges in this respect.

Linkages among value chain actors. Access by farmers to input and output markets is a key focus of the project. Key achievements have been made by PSPs to link farmers to well-established millers for both the supply of improved seed and the marketing of the produce. The most successful schemes are those involving large dealers, notably Mukwano and Ngetta Tropical Holding. Most of the FGs visited indicated accessing seed of improved sunflower varieties from these two sources and improved soya bean varieties from fellow farmers doing seed multiplication. The major challenge regarding access to seed however remains failure by some groups to place their orders well in advance.

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Mobilization team Buvuma Submit ToRs for mobilization team for IFAD No Objection	PMU	07/2018
Ferries and landing sites Award contracts for design and build of ferry and landing sites at Buvuma	PMU	07/2018
Ferries and landing sites Award contracts for design and build of the ferry and landing site at Bugala	PMU	07/2018
Ferries and landing sites Launch bidding process for construction of landing sites in outlying islands	PMU	07/2018
Palm oil seedlings Order seedlings for 1,250 ha smallholders in Buvuma	PMU	08/2018
Road Works Complete road works in Bunyama	PMU	08/2018
Farmers' organizational development Launch procurement for services for farmers' institutional development	PMU	09/2018
Ferries and landing sites Award the contract for supervision of works	PMU	09/2018
Land use planning Sign MoU with MLHUD for physical land use planning	MAAIF/PMU	10/2018
Hub start-up team Launch recruitment of hub start-up team	PMU	11/2018
Land titles for BUL Issue lease titles to BUL for 2,850 hectares (including 250 ha for nursery)	PMU	12/2018
Road Works Complete road works in Bubembe	PMU	12/2018
Road Works Complete road works in Bugala	PMU	12/2018

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 4	Previous rating: 5

Justification of rating

Overall, there is evidence that the project will meet most of its outcomes and outputs at or above 90% (see below). Despite good cumulative achievements, some of the targets for the oil palm component, notably all investment related to Buvuma, have been postponed to NOPP, and the oilseeds component will need an extension to firmly consolidate its achievements. In view of this, effectiveness has been conservatively rated at 4.

Log-Frame Analysis & Main Issues of Effectiveness

- Oil Palm.** The oil palm component continues its steady progress in Kalangala. The nucleus estate remains at 6,440 hectares (99% of target), and smallholder plantations at 4,424 hectares (94%), of which 3,020 hectares have reached the mature stage. The total production of Fresh Fruit Bunches (FFBs) from smallholders is 26,884 tons by December 2017, which is 98% of the projected annual target for 2017 (27,500 tons). The total production by end of May 2018 is 21,082 tonnes, which is 59.4% of the target for the whole year (35,500 tons). In 2017 production increased by 17.3% with respect to the production in 2016. This is still short of design expectations due to the initial delays in planting by smallholder farmers, but fully consistent with revised targets. The total number of farmers registered by KOPGT is stable at 1,810 (37% women), with 1,196 on mature oil palm gardens. Smallholders' annual yields remain low compared to the nucleus estate's, respectively 9 t/ha versus 12 t/ha in 2017, although the gap is narrowing down. High FFB prices (UGX 583/Kg on average during 2017, 20% higher than the average for 2016) have maintained the net annual income at high levels, around USD 1,400/ha. KOPGT financial self-sufficiency stands at 84% as of end of January 2018, which is above the targets as per KOPGT's business plan projections. The progress in road construction continues, with 48 Kms of new roads constructed between September 2017 and May 2018. Land purchase for the nucleus estate continued in Buvuma island, with 5,114 hectares available and free of encumbrances, another 2,477 hectares already purchased and at different stages of the compensation process and further 603 hectares identified for purchase.

Oilseeds. The VODP2 oilseeds component continued to make good progress in 2017, in the context of a dynamic and thriving sector. In season 2017B, the overall area of oilseeds in the project area increased to a reported 67,948 acres of sunflower and 100,829 acres of soybean, which, together with the production of 2017A, represent an 80% and 20% increase with respect to 2016. This is largely due to area expansion, although yields have also gone up to 778 and 730 kg/acre respectively, which is 24% and 7% higher than the previous season. The demand for sunflower grain has led to higher prices during the season, which increased in the Lira hub to 1,300 UGX/kg mill gate in 2017B from 1,000 UGX/kg in 2017A. During the season 2017B the project has maintained support to 5,311 FGs, 3,507 by PSPs and 1,804 by DLGs, representing 106,000 households, and bringing the total up from 3,183 FGs at the end of 2016. The FGs bought a total of 28 MT of certified sunflower seed in season 2017B and 260 MT of locally produced Quality Declared Seeds of soya beans at twice the grain price. This shows good adoption rates with almost 100% of mature FGs (at least 10 members per group) using improved varieties. Through a partnership with the National Crop Resources Research Institute (NACRRI) and Makerere University, soybean foundation seed production has been maintained high with 25.5 MT in season 2017B, while the research team (NACRRI, NSC and ISSD) have supported an increasing number of Local Seed Businesses (LSBs) in partnership with the VODP2 PSPs. Mill capacity utilization of the operational mills has increased to 56%, being the highest in Lira (65%), and lowest in West-Nile (22%). The project has also continued to facilitate linkages with financial institutions (FIs), by brokering loans for oilseed production, with a slight increase in the cumulative value of UGX 3.19 billion to 3,811 farmers (37% women). The number of FIs actively involved in the partnerships brokered by the project has risen from 5 in mid-2017 to 10.

Development Focus		
Targeting and Outreach	Rating: 4	Previous rating: 4

Justification of rating

The project is, overall, reaching out to its intended target group, both in the oil palm and oilseeds areas. Geographic targeting is strictly respected. Quantitative outreach targets are not fully reached.

Gender equality & women's participation	Rating: 4	Previous rating: 4
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Justification of rating

Outreach in terms of gender balance is relatively satisfactory, with approximately 40% of the individuals reached being women. This entails considerable economic empowerment for women, including in terms of control over key productive assets. The project could however do better in promoting women's voice and influence in key rural organizations. Sex-disaggregated data are regularly collected.

Agricultural Productivity	Rating: 4	Previous rating: 4
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Justification of rating

Limited progress is registered in improvement of the average FFB yields in smallholders' oil palm fields, which have remained during 2017 at 9 t/ha, substantially lower than those in the nucleus estate (12 t/ha). In oilseeds, the production of sunflower and soybean in 2017 has increased by 80% and 20% with respect to 2016. This is due to both area expansion and increased yields, which have gone up to 778 and 730 kg/acre respectively, 24% and 7% higher than the previous season.

Main issues

The poor performance of yields in smallholder oil palm fields compared to the nucleus estate is the result of a combination of factors, including the still sub-optimal application of fertilizers and limited adoption of good agronomic practices; the average younger age of smallholders' plantations versus the nucleus estate, with over 1,000 ha of young plants that started to yield only during the second half of 2017; inaccessible farms due to limited road network, which has hindered collection of FFBs; and the long drought experienced between late 2016 and early 2017, which has affected the yields in both the smallholders and nucleus plantations.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Adoption of Best Management Practices in oil palm Implement the Best Management Practices (BMP) demonstrations, including on correct application of fertilizers.	KOPGT	08/2018

Nutrition	Rating:
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Adaptation to Climate Change	Rating: 4	Previous rating: 4
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Justification of rating

Adaptation to climate change is more relevant to the oilseeds component as the effects of climate change are more visible in the northern parts of the country, where such component is implemented. Good progress has been made so far in technology adoption with respect to the use of quality seed, improved varieties, as well as line planting, spacing and time of planting. Adoption rate of technologies more directly related to climate change adaptation has been slower, though.

Main issues

Training and demonstrations on technologies more directly related to climate change adaptation (water and nutrient conservation; minimum and zero tillage; integrated soil fertility management with organic matter and fertilizer use; crop rotation; water harvesting and moisture retention strategies; climate smart agriculture; mechanization; as well as Integrated Production and Pests Management) have been done only more recently and the adoption rate still remains relatively low. The Farmer Learning Platforms in the second year of capacity development should therefore focus on these more complicated technological options.

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: N/A	Previous rating: 4
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Partnership-building	Rating: 5
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Justification of rating

The project has consolidated a solid public-private-producer-partnership for the development of the palm oil sector in Uganda. All partners work together effectively and efficiently and there are clear and transparent mechanisms for

transparent and equitable benefit sharing. The same partners have agreed to invest in other areas of the country under NOPP, starting from Buvuma. In the oilseeds sector, solid partnerships have been established between some millers and smallholders, as well as with some financial institutions, but further work is needed to consolidate such partnerships. The rating of 5 is an average between the highly satisfactory rating for palm oil and the moderately satisfactory rating for the oilseeds component.

Human and Social Capital and Empowerment

Rating: 5

Previous rating: 4

Justification of rating

In the oil palm component the smallholder producers' (and their organizations') capacities have been greatly enhanced to empower them to assume increased ownership and control in the management of the oil palm business in Kalangala. Under the interim leadership elected in September 2016, KOPGA has undergone a thorough process of strengthening and restructuring, supported by UCA, which eventually resulted in its registration, in the first quarter of 2018, as a primary cooperative with the name of Ssesse Oil Palm Growers Cooperative (SOPGCo). The first Annual General Meeting of the newly constituted cooperative is due to take place by the end of June 2018, to kick start the process that will lead to the election of the new leadership by the end of the year. In the oilseeds component, the groups supported by the project have increased their capacity not only to produce more and higher quality products, but, more important, to link and negotiate with processors and financial institutions, as intermediaries for their members. UCA is currently linking these groups to Higher Level Farmers Organizations, such as cooperatives or similar, to further strengthen their capacity to influence policy making and gain access to productive services (input/output marketing and financial services).

Main issues

Following the registration of SOPGCo and in the spirit of gradually increasing the ownership of farmers on the management of the oil palm business, it is expected that the number of farmer representatives in the KOPGT Board will be increased and the number of members from other institutions (Government and NGOs) will be consequently decreased. The Board has deliberated to recruit legal expertise to review the legal documents and suggest the necessary changes.

Since June 2017 UCA has undertaken a number of trainings on cooperative development and Business Model Canvas for PSPs, DLGs' staff and FGs. UCA trained 202 participants from 42 Districts (PSPs and DLGs), assessed 15 HLFOs and held 46 sensitization meetings with clusters of LLFOs, while 8 Area Cooperative Enterprises were trained in oil seed business planning, using the Business Model Canvas. Some (8) HLFOs and LLFO clusters were trained in bulking and marketing, while the target is 40 HLFO and 45 LLFO clusters.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Review of KOPGT legal documents Support KOPGT in the review of the relevant legal documents and propose the necessary amendments	UCA	10/2018
Support to HLFOs and LLFOs in oilseeds areas Accelerate deliverable through deployment of more staff and operating closely with PSPs on FaaB and value chain development (linkages), notably for the LLFOs, with the aim to achieve the project targets	UCA	12/2018

Quality of Beneficiary Participation

Rating: 4

Previous rating: 4

Justification of rating

Beneficiaries participation in the palm oil component is satisfactory, as smallholder farmers contribute (in-kind) as expected for the development of their plantations and, on the other side, repay the development loans following the agreed schedules. Project activities are demand-driven and, especially in oil palm, farmers directly participate in the decision-making related to the business through their substantive voice in the Board of KOPGT. These aspects, are, though, less developed and structured in the oilseeds component. The M&E system does not include participatory methods.

Responsiveness of Service Providers

Rating: 5

Previous rating: 5

Justification of rating

The services provided to oil palm smallholders by either KOPGT or the private sector partner are timely and of good quality. For oilseeds, 11 Pay for Service Providers (PSPs) are providing extension and capacity building services for strengthening FGs using a rather effective extension model based on Community Based Facilitators. District Local Governments directly support oilseeds FGs through public extension agents, who, however, have limited resources and means of transport.

Environment and Natural Resource Management

Rating: 4

Previous rating: 4

Justification of rating

Palm oil investment in Kalangala is done in an environmentally sustainable way. The project has adopted high-standard environmental norms to minimize the impact on the environment. However, more emphasis should be put in the enforcement of the norms to ensure a satisfactory rating in terms of environment and natural resource management.

Exit Strategy

Rating: 4

Previous rating: 4

Justification of rating

The sustainability of the institutions created and/or supported during the project is key for the overall sustainability of the results achieved. In the oil palm investment, the proper institutional arrangements are largely in place, although the next few months will be critical to consolidate them for future sustainability. In oilseeds, while the groups supported show a good degree of dynamism and market orientation, it has become clear that a two-year cycle of support per group, as envisaged at design, may not be enough for ensuring sustainability by building a solid business orientation and the related clustering and cooperative development efforts. Some concerns remain on the capacity by the district authorities to ensure the maintenance of the community access roads built/rehabilitated by the project

Main issues

KOPGT financial sustainability. KOPGT's Operational Self-Sufficiency (OSS), measured as the proportion of its own revenue (commission on loan interest plus transport charges) over its operating costs for the FY 2016/17 was 96%, which was above the expected target. The first seven months of 2017/18 have seen a drop in OSS to 84%, though still in line with projections, due to a salary increase for KOPGT staff. After 31 December 2018, KOPGT will have to finance 100% of its operating costs. KOPGT's share in interest income (30%) is the main source of revenue as long as the loan portfolio exists, but on a declining basis. This should therefore be gradually replaced by a charge on FFB sales. Given the current projections of FFB sales and costs, it would take a charge of UGX 85-90/kg of FFB for farmers to cover all the costs of KOPGT. The fee on FFBs would decrease as FFB harvests increase. In the medium term, members should be able to finance all KOPGT-related costs through a charge of around UGX 65-70/kg, representing between 10 to 20% of the FFB price, depending on the international price trends.

KOPGT has already built an endowment fund from their share of interest rates to the tune of UGX 959 million under the sustainability bank account. Given that the annual administrative costs for KOPGT are UGX 864 million, while reasonable charge on farmers FFB sales is an important step to assure KOPGT sustainability, it can be introduced gradually at a reasonable pace to finance the medium to long term costs.

There is however room for improving the operational efficiency by KOPGT, to further reduce the incidence of its costs on the farmers' revenue. IFAD will finance a technical and operational review of KOPGT operations. The review will focus on the efficiency, effectiveness and cost of the services provided to the farmers by KOPGT. It will thus assist in the planning and structuring of a financing model to cover the cost of these services.

Road maintenance. With the delays accumulated in road construction, no further maintenance will be done in Bugala before project completion, yet a number of these roads require major maintenance before handing-over to the District (access roads) or KOPGT (farm roads). A road maintenance plan needs to be elaborated urgently, assessing the length of roads to be maintained before hand-over and a realistic time frame; the exact length of access vs farm roads; and proposing a realistic arrangement to ensure the maintenance of roads after project completion, taking into account the capacity limitations at District level and the need for KOPGT self-financing of farm roads maintenance through a levy system. Subject to the elaboration of the road maintenance plan, a decision will be taken during the next supervision mission about the eligibility of road maintenance works in Kalangala under NOPP.

Sustainability and exit strategy in oilseeds investment. During the upcoming months emphasis will be given to building sustainability for: (i) extension service provision (e.g. role of DLGs, lead farmers, value chain actors in extension, etc.); (ii) quality seed distribution (role of HLFOs in pre-ordering, LSBs and DLG quality control); and (iii) marketing (HLFO's Commercial Marketing Committees, bulking and storage centres). The key will be to consolidate the inclusive business models supported during the project. While the main millers (MMP/Mount Meru Ltd, Mukwano and NTH) have their own, vertically-integrated, sustainable business models, all other medium/small millers buy directly from individuals with deferred payment. With the promotion of cooperatives and higher lever organizations the project is creating the pre-conditions for the sustainability of the supported FGs in doing their business.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Road maintenance plan Elaborate a detailed road maintenance plan for Kalangala District	PMU	08/2018
KOPGT sustainability Conduct a technical and operational review of KOPGT	IFAD	11/2018

Potential for Scaling-up

Rating: 5

Previous rating: 5

Justification of rating

Government, private sector and IFAD have already agreed to scale up the successful experience of oil palm investment in Kalangala through the NOPP, approved by the IFAD Executive Board in April 2018. The Government is actively promoting the same model for replication to other commodities and other areas of the country. Prospects for scaling up of the oilseeds investment into a National Oilseeds Programme are also being discussed with the Government. Such scaling up looks justified by the results achieved under VODP2 and the conducive market conditions in the sector.

c. Project Management

Quality of Project Management

Rating: 4

Previous rating: 4

Justification of rating

The PMU is almost fully staffed with the exception of: (i) the Oilseeds Coordinator, whose position has been pending since October 2017 following the demise of the officer, although a suitable replacement has been identified from within the PMU to fulfil this position ad-interim; and (ii) the Monitoring and Evaluation (M&E) Officer, whose recruitment has been pending for long time, although the current senior M&E Officer has managed to maintain the M&E system fully operational and efficient. Depending on the approval of the extension of the VODP2 project completion date (see below), the position of Oilseeds Coordinator should be advertised as soon as possible. The recruitment of three new officers (one Environment, Health and Safety – EHS – Officer, one M&E Officer and one Sociologist) in preparation for NOPP and in order to fast-track the implementation in Kalangala of some key activities related to the mitigation of social and environmental risks has not yet started. The recruitment of all NOPP-related positions should now be dealt as part of the overall recruitment for the NOPP PMU. The Project Steering Committee has last met in December 2017, as planned. The Project continues to operate under centralised processes in MAAIF for final approval of contracts and payments with lead times that make it sometime difficult to achieve satisfactory budget execution rates. The payment processes are sometime too slow for a project of this magnitude.

Knowledge Management

Rating: 5

Previous rating: 4

Justification of rating

For the oilseeds component, Fact Sheets, FAQs, user manuals (Sunflower, Soybean, Simsim, FaaB), a success stories booklet and radio messages have been produced. For the oil palm component, videos and agronomic flip charts were produced. A particularly important KM product for the oil palm component was the Local Economy Wide Impact Evaluation (LEWIE) study done in collaboration with the University of California-Davis to establish and document the economic impact of the oil palm project, in particular to unveil the considerable indirect impact and spillover effects of oil palm investment on the local economy of Kalangala, as well as the distribution of impacts across households. The report was presented at an event organized in March 2018 by the PMU, which was attended by various stakeholders. At the same event, the oil palm Impact Evaluation carried out by MAAIF was also presented. The relevance of both studies deserves to be disseminated outside Uganda.

Main issues

The MAAIF website (www.agriculture.go.ug) has been redesigned and is currently being tested. This includes a section for the project, which will have to be properly populated. Similarly, the KOPGT website (www.kopgt.co.ug) is being redesigned with support from the project. Overall, there has been increased visibility of the project and engagement of key stakeholders over the last few months, in preparation for the completion of VODP2 and the transition to NOPP. Key communication messages on specific were developed as per the agreed NOPP Communication Strategy, including the production of brochures, FAQs, fliers, radio and television messages, e-newsletter and social media messages for efficient internal and external communication.

Agreed Action	Responsibility	Agreed Date
Project Management		
Knowledge Management events on palm oil Two events on the impact of the palm oil investment (based on the LEWIE and impact study by MAAIF) should be organized, one in Rome and one in Asia	IFAD / GOU	12/2018

Value for Money

Rating: 4

Justification of rating

This rating is mandatory. Given that not enough data is available to give a proper assessment of this rating, we would suggest a default 4.

Main issues

This rating is mandatory. Given that not enough data is available to give a proper assessment of this rating, we would suggest a default 4.

Coherence between AWPB and Implementation

Rating: 3

Previous rating: 5

Justification of rating

The 2016/17 AWPB execution rate was moderately satisfactory at 79%, which was a considerable improvement compared to previous financial years, especially with respect to the oilseeds component. Budget execution for 2017/18 as of 31 May, though, is far less than satisfactory. Out of a budget of UGX 90.5 billion, the actual realised expenditure is UGX 25.4 billion, equivalent to 28%, with only one month to the end of the fiscal year.

AWPB Inputs and Outputs Review and Implementation Progress

AWPB Review

The moderately unsatisfactory performance in terms of AWPB execution is a combination of a very ambitious AWPB 2017/18 to absorb a large amount of undisbursed funds and the delays in procurement for large infrastructure, which weighed over 70% of the total AWPB. The main mitigation measure to improve the AWPB execution rate in the next years is to be more realistic at the time of planning. Procurements that will not be concluded under VODP2 will be eligible for completion under NOPP.

Performance of M&E System

Rating: 4

Previous rating: 5

Justification of rating

The M&E system is acceptable and regularly reports at different levels for the oil palm component, while for the oilseeds component some shortcomings remain.

M&E System Review

M&E system Review

Under the oil palm component, the MIS is fully updated with information on FFBs' production, prices, value of production, registered farmers and area planted by the smallholder farmers. The data on smallholder farmers has been captured and entered in a GIS based database, with details on the year of planting, size of their gardens, land tenure status and other basic social-economic characteristics. Under the oil seeds component, the service providers are now regularly submitting the beneficiary action plans in the correct formats, but are only capturing information from about 20% of the beneficiaries. Furthermore, there is some lack of uniformity in reports submitted by the different hubs. Very limited progress reporting is done by DLGs, which have also not been included in hub reports.

Agreed Action	Responsibility	Agreed Date
Project Management		
Adequate reporting on oilseeds component Ensure that reporting from all PSPs and, especially the DLGs, be submitted at the appropriate time and following the appropriate template	Hub coordinators	

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating:

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$3,890,000		
	Private sector local	\$70,380,000		
	National Government	\$14,140,000		
	Other Domestic	\$5,480,000		
Co-financing breakdown,	SNV Netherlands Development Organization	\$285,000		

Acceptable Disbursement Rate

Rating: 4

Previous rating: 3

Justification of rating

The disbursement rate at the time of the mission was a 3

Main issues

- As at end of May 2018, IFAD has processed a total of 57 Withdrawal Applications (WAs) under the loan for an amount of SDR 23.3 million (USD 34.1 million), meaning an overall disbursement rate of 70%. This is moderately satisfactory, compared to the disbursement profile of similar projects in the overall IFAD portfolio. Including 2 pending withdrawal applications and other expenditures incurred but not yet claimed, the overall disbursement rate is projected at 82%. With project completion in slightly more than 6 months (31 December 2018) there is still a considerable balance (SDR 6.3 million, equivalent to USD 9.3 million) to be disbursed. While some few major works (landing sites, ferries and fertilizer stores in particular) will start soon, they have been delayed and they are unlikely to be completed before VODP2 completion date. Given the expected execution of these major works and the projections for other expenditures, it is realistic to assume that the final disbursement rate will be around 95%, with almost 2.5 million USD unspent
- The IFAD grant of USD 1 million to SNV (OSSUP) has been 100% disbursed. The GoU contribution has reached 129%. OPUL was to contribute USD 70.8 million but this is at 0% as no investment for Buvuma took place during VODP2 and has been postponed to NOPP. Disbursement by the Trust is at 0%, as loan reflows have not been used to co-finance VODP2 and have been remitted to Treasury (UGX 15.3 billion, equivalent to USD 4.2 million). KOPGT has also disbursed at 0% as no KOPGT revenue has been used so far, although the institution has built an endowment fund of UGX 0.96 billion (USD 260,000).

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Revision of workplan for infrastructure projects Any infrastructure projects that cannot be completed before 31 December 2018 should be dropped. Work out realistic timelines backwards from 31 December 2018	PCU	04/2018
Reallocation of funds Request for a reallocation of funds under the IFAD loan.	PCU	05/2018
Remittance of KOPGT funds KOPGT to continue to remit any reflows to Ministry of Finance until such a time when the funds will be needed for investment in oil palm development and there is an agreed financial framework for this.	KOPGT	

Fiduciary Aspects

Quality of Financial Management **Rating: 4** **Previous rating: 5**

Justification of rating

PMU FM is very strong, KOPGT on the other hand is quite weak, so the PSR score is a type of weighted average

Main issues

Refer to separate section on KOPGT financial management issues

- **There is a strong financial management environment at the PMU with three dedicated well qualified finance staff who are versatile in the use of the accounting software (tally). However, SOEs are still done in excel. Management of liquidity is satisfactory: as of 31 January 2018, of the Authorised Allocation, 53% (USD 3.2 million) could be traced to bank accounts, 25% (USD 1.5 million) being WA in pipeline and 30% (USD 1.8 million) amount withdrawn not yet claim. This is amount withdrawn is still on high side and will need to be managed. Internal audit is undertaken by the MAAIF internal auditors who also do pre-audits of all payments. The last formal audit was done in August 2017: there is need for the internal auditors to perform more regular formal audits even though they are obliged by MAIF to undertake pre-audits.**

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Preparation of WA Collate all expenditures incurred but not yet claimed into a WA to IFAD	PCU	06/2018

Quality and Timeliness of Audit **Rating: 6** **Previous rating: 5**

Justification of rating

The audited financial statements were of high quality

Main issues

The VODP2 audited Financial Statements for the year ended 30 June 2017 were audited by the Auditor General of Uganda. The financial statements were prepared according to IPSAS cash basis and audited according to International Standard of Auditing, both standards being fully acceptable to IFAD.

The auditor provided three unqualified opinions on the Designated Account, the Financial Statements, and the Statement of Expenditure and provided additional unqualified opinions on internal controls and compliance with the Financing Agreement. The Financial Statements were presented in a very clear and complete manner, facilitating a full audit coverage. IFAD was pleased to note that the cut-off error at the preceding year-end, whereby two direct payments had been included in the 30 June 2016 Financial Statements although they pertained to July 2016 transactions, has not been repeated and it proved straightforward to reconcile to IFAD records.

The auditors did not provide a stand-alone Management Letter, however, the key control issues were included in the body

of the report. The issues were similar to those raised in 2016 relating to operational rather than financial management matters: low absorption of funds; the delayed procurement of land in Buvuma island with associated lack of land title; and failure of the Project Steering Committee to meet since March 2016. IFAD's preference would have been to have received a stand-alone Management Letter providing insights for the project to improve its internal controls and to allow space for a management response.

Counterparts Funds	Rating: 6	Previous rating: 6
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Justification of rating

GoU 129%

Compliance with Loan Covenants	Rating: 6	Previous rating: 5
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Justification of rating

The project is in full compliance with the provisions of the loan agreement.

Procurement

Procurement	Rating: 4	Previous rating: 4
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Justification of rating

The procurement unit is adequately staffed and overall the procurement systems are solid. The Procurement Plan and other key documents, though, should be updated more regularly. The quality of documentation for No Objection is only moderately satisfactory. Substantial delays have been noted in the procurement of key infrastructures, which are due more to over ambitious planning than actual inefficiencies in the procurement processes.

Procurement Review

Procurement Review

The procurement unit consists of one Procurement Officer (PO) and one Procurement Assistant (PA). The full accountability of procurement decisions, however, rests with the MAAIF Permanent Secretary, irrespective of the values involved, with no delegation of authority to the Project Manager, which in some instances may affect the pace of implementation.

The execution at mid-April (two months before the end of the AWPB) was below 50%, primarily because of the delays in the procurement of ferries and construction of landing sites:

- Goods: US\$ 3,408,000 out of US\$ 10,147,000 (33.6%)
- Works: US\$ 1,055,000 out of US\$ 5,055,000 (20.9%)
- Consultancy US\$ 4,579,000 out of US\$ 4,618,000 (99.2%)
- Non-Consultancy US\$ 888,000 out of US\$ 1,251,000 (71.0%)

TOTAL: US\$ 9,930,000 out of US\$ 21,071,000 (47.1%)

1. The Procurement Plan (PP) is well structured, although it is not regularly updated with actual and revised dates. Updating the PP should be a core function of the unit, as a key tool for monitoring of the procurement processes by the whole PMU, including the Project Manager, especially in a project like VODP2, which suffers from chronic delays in this area.
2. Overall, the procurement systems used at the PMU are solid. ToRs/Specifications are produced by the originators and duly reviewed by the Procurement Officer before a procurement action is initiated. Bidding documents are usually well prepared. The opening of bids is carried out appropriately, keeping all the signatures (both bidders and opening committee members) in the file. The evaluation reports are generally well prepared. Overall, though, more care should be put in how this whole documentation is organized and transmitted in the requests of no objection to IFAD. Files are well prepared and classified, with all the required documentation readily available, with the exception of the unsuccessful bids, which are separately stored. The project uses framework contracts by the Ministry for general items such as fuel, tyres, venue for events (hotels), which is commendable in terms of value for money. In those cases where single sourcing is justified, a request for no objection is duly submitted to IFAD and the government authorities.
3. The contract register is prepared correctly, listing all the contracts issued. Some MOUs, though, are yet to be included. The PO could consider further improving the contract register by including the contract duration, payment milestones and bank guarantees. Each contract is assigned to a staff as contract manager. A government form (Contract Management Plan), which is more detailed than the IFAD Contract Monitoring Form, is used to monitor each contract and updated regularly.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Updating of Procurement Plan Update the Procurement Plan with actual and revised dates and thereby maintain it regularly updated	PMU	06/2018
Updating of Contract Register Update the Contract Register to include all MOUs involving payments	PMU	06/2018

e. Additional Aspects

Follow-on investment in oilseeds

On 4 June 2018, the Government requested IFAD to extend the completion date of VODP2 by twelve months to 31 December 2019. Among the justifications for the request, the Government mentions the need to consolidate the results achieved by VODP2 in the oilseeds sub-sector and allow time for the Government and IFAD to examine the options to continue supporting the vegetable oilseeds sub-sector through a new investment programme, without disrupting the ongoing investment. This follows the discussions held between the two institutions over the last two years, starting from the request by the Government in September 2016 for IFAD to consider additional financing for the overall vegetable oil sector, both oil palm and oilseeds.

In the Aide memoire of the mission of September-October 2016 for the identification of investment opportunities for the vegetable oil sector, the Government and IFAD agreed on a phased investment strategy. Priority was given to a programme dedicated to scale up oil palm investment at national level under the lending cycle for 2016-18. Scaling up of investment under oilseeds would be considered in the planning for the following lending cycle (2019-21), based on the results achieved under VODP2 and the prevailing market conditions at the time. It was further agreed that for the transition between the ongoing investment in oilseeds under VODP2 and any future investment, appropriate options would be considered to ensure continuity of financing while an investment programme for further oilseeds development is prepared, depending on the availability of funds as well as on the achievements with respect to the envisaged targets.

Since the end of 2016, considerable progress has been made in the oilseeds component of VODP2 (see above), which has largely been able to catch up with the considerable delays accumulated at the beginning of the project. Nevertheless, a consolidation of the achievements is required, including preparing for a next investment, which is strongly justified by the dynamism of the sub-sector. Financial resources are available under VODP2 for an extension of the oilseeds component for twelve months. Such extension is, therefore, fully justified. The financing of oil palm infrastructure under an extension of VODP2, instead, does not seem justified, as this could be absorbed by NOPP, whose entry into force is expected soon. Agreed action: IFAD to respond to Government's request of extension of VODP2 completion date by 15 July 2018

Transition with and start-up of the National Oil Palm Project (NOPP)

IFAD financing (a loan of US\$ 75.8 million and a grant of US\$ 1.2 million) for the NOPP was approved by the IFAD Executive Board in April 2018. The Project is currently at the last stage of approval by the Parliament, which is expected by end of August 2018. The Financing Agreement should thus be signed in September 2018. The Government should therefore start working on the key conditions of withdrawal to speed up disbursement and implementation after entry into force:

- **Appointment of the Project Manager (PM) and the Finance and Administration Manager (FAM).** As agreed in the Financing Agreement (Schedule 1, par. 8.1), staff members for the NOPP PMU will be selected from the PMU of VODP2 if an objective assessment of the candidates' performance, acceptable to IFAD, confirms their suitability for the PMU position. Given the importance of the two positions of PM and FAM as conditions of withdrawal, it is agreed to fast-track the process for their recruitment. **Agreed actions:** (i) MAAIF to submit the ToRs of the positions of PM and FAM of NOPP for IFAD No Objection by 15 July 2018, with the aim to finalize their recruitment by end of October 2018; (ii) MAAIF to submit the ToRs of all the other PMU positions of NOPP for IFAD No Objection by 15 August 2018, with the aim to finalize their recruitment by end of November 2018.
- **Establishment of the Holding Account in USD.** The flow of funds for NOPP will follow the Treasury Single Account (TSA) arrangements to the extent that they have been implemented and can adequately identify, protect and report on project funds. A Holding Account will be held at Bank of Uganda, in USD, to receive the proceeds of financing for the IFAD country portfolio financing. **Agreed action:** MoFPED to formally communicate the NOPP Holding Account to IFAD by end of September 2018.
- **Commitment of investment by private sector.** As agreed in the Financing Agreement, no IFAD funds can be used for investment in a given hub before a firm commitment by a private partner to invest in the necessary complementary investment (processing capacity and nucleus estate as appropriate). The current agreements with BUL foresee an investment in Buvuma to establish a nucleus estate with 6,500 ha of oil palm plantations and a crude palm oil mill. The agreement reached during design was to reduce the size of the plantation to a maximum

of 5,000 ha. **Agreed action:** Government to request confirmation, in writing, from BUL of the revised target of 5,000 hectares for the plantation in Buvuma by 30 August 2018.

A number of loan covenants are foreseen in the NOPP Financing Agreement, which Government should start preparations for, including: (i) the Environmental and Social Impact Assessment for the second hub (Mayuge); (ii) the establishment of an Environmental and Social Management System; (iii) the elaboration of a mechanism for ring-fencing of VODP2 loan reflows to finance investment under NOPP; (iv) the elaboration of a MoU with NARO for the establishment of an oil palm research programme; (v) the undertaking of baseline surveys; (vi) the establishment of a Planning, Monitoring and Evaluation system; and (vii) the procurement of a project accounting software.

It is agreed that the expenditures for the following activities, initiated under VODP2, will be eligible under NOPP in case they will not be completed by completion date (31 December 2018): road works and fertilizer stores in Kalangala; landing sites and ferries in Kalangala and Buvuma; office facilities in Buvuma and Kalangala; completion of plantings in Bunyama and Bubembe (up to a total of 40 ha. in each island); and completion of development loans for oil palm in Kalangala.

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Mobilization team Buvuma Submit ToRs for mobilization team for IFAD No Objection	PMU	07/2018
Ferries and landing sites Award contracts for design and build of ferry and landing sites at Buvuma	PMU	07/2018
Ferries and landing sites Award contracts for design and build of the ferry and landing site at Bugala	PMU	07/2018
Ferries and landing sites Launch bidding process for construction of landing sites in outlying islands	PMU	07/2018
Palm oil seedlings Order seedlings for 1,250 ha smallholders in Buvuma	PMU	08/2018
Road Works Complete road works in Bunyama	PMU	08/2018
Farmers' organizational development Launch procurement for services for farmers' institutional development	PMU	09/2018
Ferries and landing sites Award the contract for supervision of works	PMU	09/2018
Land use planning Sign MoU with MLHUD for physical land use planning	MAAIF/PMU	10/2018
Hub start-up team Launch recruitment of hub start-up team	PMU	11/2018
Land titles for BUL Issue lease titles to BUL for 2,850 hectares (including 250 ha for nursery)	PMU	12/2018

Road Works Complete road works in Bubembe	PMU	12/2018
Road Works Complete road works in Bugala	PMU	12/2018
Development Effectiveness		
Adoption of Best Management Practices in oil palm Implement the Best Management Practices (BMP) demonstrations, including on correct application of fertilizers.	KOPGT	08/2018
Sustainability and Scaling Up		
Road maintenance plan Elaborate a detailed road maintenance plan for Kalangala District	PMU	08/2018
Review of KOPGT legal documents Support KOPGT in the review of the relevant legal documents and propose the necessary amendments	UCA	10/2018
KOPGT sustainability Conduct a technical and operational review of KOPGT	IFAD	11/2018
Support to HLFOs and LLFOs in oilseeds areas Accelerate deliverable through deployment of more staff and operating closely with PSPs on FaaB and value chain development (linkages), notably for the LLFOs, with the aim to achieve the project targets	UCA	12/2018
Project Management		
Knowledge Management events on palm oil Two events on the impact of the palm oil investment (based on the LEWIE and impact study by MAAIF) should be organized, one in Rome and one in Asia	IFAD / GOU	12/2018
Adequate reporting on oilseeds component Ensure that reporting from all PSPs and, especially the DLGs, be submitted at the appropriate time and following the appropriate template	Hub coordinators	
Financial Management & Execution		
Revision of workplan for infrastructure projects Any infrastructure projects that cannot be completed before 31 December 2018 should be dropped. Work out realistic timelines backwards from 31 December 2018	PCU	04/2018
Reallocation of funds Request for a reallocation of funds under the IFAD loan.	PCU	05/2018

Updating of Procurement Plan Update the Procurement Plan with actual and revised dates and thereby maintain it regularly updated	PMU	06/2018
Updating of Contract Register Update the Contract Register to include all MOUs involving payments	PMU	06/2018
Preparation of WA Collate all expenditures incurred but not yet claimed into a WA to IFAD	PCU	06/2018
Remittance of KOPGT funds KOPGT to continue to remit any reflows to Ministry of Finance until such a time when the funds will be needed for investment in oil palm development and there is an agreed financial framework for this.	KOPGT	

Vegetable Oil Development Project 2

Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2017)	Cumulative Result (2017)	Cumulative Result % (2017)	Source	Frequency	Responsibility	
Outreach Total Project Outreach	1.b Estimated corresponding total number of households members										
	Household members	0			18 014	18 014					
	1.a Corresponding number of households reached										
	Households	0		30 200	18 014	18 014	59.6				
	1 Persons receiving services promoted or supported by the project										
	Males	0		94 300	62 940	62 940	66.7				
	Total number of persons receiving services	0		136 000							
	Females	0		41 700	27 130	27 130	65.1				
	Groups receiving project services										
	Groups	0		5 900	3 183	4 413	74.8				
Goal Contribute to sustainable poverty reduction in the project area	Percentage of households with improvements in assets ownership index at project completion.							RIMS Baseline, and Completion Surveys.	Baseline and completion		Oilseeds and oil palm continue to be a strategic crop for the Government.
	Oil Palm Buvuma			50							
	Oil Seeds - West Nile			50							
	Oil Seeds - Northern			50							
	Oil Seeds - Eastern			50							
	Oil Seeds - Lira			50							
	Oil Palm Kalangala			50							
	20% reduction in the prevalence of child malnutrition							Uganda Bureau of Statistics			
	Oil Palm Kalanagala - weight/height - boys										

	Oil Palm Kalanagala - weight/age - girls						
	Oil Seeds - weight/age - boys						
	Oil Seeds - weight/height - boys						
	Oil Palm Buvuma - weight/age - girls						
	Oil Palm Buvuma - weight/height - boys						
	Oil Seeds - height/age - boys						
	Oil Seeds - weight/height - girls						
	Oil Palm Kalanagala - weight/height - girls						
	Oil Seeds - height/age - girls						
	Oil Palm Buvuma - weight/height - girls						
	Oil Palm Kalanagala - weight/age - boys						
	Oil Palm Buvuma - weight/age - boys						
	Oil Seeds - weight/age - girls						
	Oil Palm Kalanagala - height/age - girls						
	Oil Palm Buvuma - height/age - girls						
	Oil Palm Buvuma - height/age - boys						
	Oil Palm Kalanagala - height/age - boys						

Objective Increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets	Increased level of vegetable oil self-sufficiency						UBOS statistics on Ugandan vegetable oil production database.			Absence of external and internal economic shocks; Data available from private sector producers.	
	Level of Self-Sufficiency	30		60							
	Increased domestic oilseeds production						UBOS statistics on Ugandan vegetable oil production database.				
	oilseeds production	70 000		150 000	267 931	480 882					320.6
	Increased per capita vegetable oil consumption in kg/capita						UBOS statistics on Ugandan vegetable oil production database.				
	Per capita vegetable oil consumption in kg/capita	5.6		15	10	10					66.7
	Oil palm and oilseeds profitably produced by smallholders.						UBOS statistics on Ugandan vegetable oil production database.				
	yes = 1, no = 0	0		1	1	1					100
Outcome 1.0 An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers.	Increased in crude palm oil annual production						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			Liberal economic policies continue; OPUL maintains its commitment to oil palm development in Uganda; No drastic price changes in the international vegetable oil market.	
	Annual crude palm oil production	0		30 000	24 927	52 125					173.8
	Smallholders earning net incomes per ha per year from year 4 of development						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies				
	smallholder net income per ha per year			1 500	200	1 425					95

	Operational self-sufficiency of KOPGT in 2018						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			
	Level of Self-Sufficiency			100	5	67		67		
Output 1.1 Kalangala Oil Palm Scheme completed and producing	Oil palm plantations identified, planted and planted by smallholders by 2018						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			Ferry service established to outlying islands; GoU able to purchase sufficient area of land for nucleus estate on Buvuma; Ferry service to Buvuma upgraded; No extreme climate or disease events affect palms; Trial planting successful and identified areas have land in blocks suitable for nucleus estate and smallholder development; More smallholder demand than estimated, project financing is not enough
	Area planted			20 000	0	6 500		32.5		
	Plantations identified			40 000	259	19 501		48.8		
	Area planted by smallholders			7 000	124	4 424		63.2		
	Hectares of nucleus estate planted in Kalangala by 2016						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			
	Hectares of land			6 500	0	0		0		
	Hectares planted by smallholders in Kalangala by 31 Dec 2017						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			
	Hectares of land			4 700	124	4 424		94.1		
	Number of smallholders served by KOPGT						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			
	Smallholders served			1 800	110	1 810		100.6		

KOPGT re-structuring agreement signed by 31 Dec 2017							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies		
Re-structuring agreement signed			1	0	0	0			
Fertilizer store constructed							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies		
In Bunyama			1	0	0	0			
In Bugala			1	0	1	100			
In Bubembe			1	0	0	0			
2.1.5 Roads constructed, rehabilitated or upgraded							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies		
Kalangala - Bunyama			40	0	0	0			
Kalangala - Bugala			310	98	358	115.5			
Kalangala - Bubembe			40	0	0	0			

Output 1.2 Sustainable Oil Palm Development	Island environmental monitoring plans for smallholder oil palm completed and being implemented.							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			Ferry service established to outlying islands; GoU able to purchase sufficient area of land for nucleus estate on Buvuma; Ferry service to Buvuma upgraded; No extreme climate or disease events affect palms; Trial planting successful and identified areas have land in blocks suitable for nucleus estate and smallholder development; More smallholder demand than estimated, project financing is not enough
	Plans			2	0	2	100				
Output 1.3 Buvuma Oil Palm Scheme established	Smallholder land planted by 2018 in Buvuma							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			Ferry service established to outlying islands; GoU able to purchase sufficient area of land for nucleus estate on Buvuma; Ferry service to Buvuma upgraded; No extreme climate or disease events affect palms; Trial planting successful and identified areas have land in blocks suitable for nucleus estate and smallholder development; More smallholder demand than estimated, project financing is not enough
	Hectares of land			2 500	0	0	0				
	Farmers served by BOPGT.							Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies			
	Farmers served			1 250	0	0	0				

	All oil palm activities (plantation, mill & refinery) are in compliance with NEMA regulations.						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies				
	Percent of NEMA-compliant activities			100	0	0				0	
	2.1.5 Roads constructed, rehabilitated or upgraded						Project progress reports and M&E database; OPUL and KOPGT databases; KOPGT reports; BOPGT progress reports; Special studies				
	Buvuma			200	0	0				0	
Output Component 1 RIMS	Apex organizations formed/strengthened						RIMS	Annually			
	Apex organizations				0	1					
	2.1.6 Market, processing or storage facilities constructed or rehabilitated						RIMS				
	Storage facilities constructed/rehabilitated				1	2					
	Market facilities constructed/rehabilitated				1	2					
	Processing facilities constructed/rehabilitated				1	2					
	Value of gross loan portfolio										
	Value of gross loan portfolio				444	11 944					
Outcome 2.0 Continued upscaling of Lira to a modern agro industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production.	Mill capacity utilization increased								No disease outbreaks; Farmers increase production of soybean; Industry coping with 1 in 5 yr extreme weather event		
	Mill capacity utilization	30		85	38.7	38.7				45.5	
	Farmers growing oilseeds with net cash earning per ha per season of US\$350 increased by 10% each year in each hub										
	annual percent increase										
	N. of farmers in Lira Hub					37 700					

N. of farmers in Northern Uganda					26 940				
N. of farmers in Eastern Hub					20 540				
N. of farmers in West Nile Hub					21 040				
Oilseeds production of sun flower and soya bean increased by 10% each year									
increase in sun flower production				80	80				
increase in soy bean production				20	20				
Number of secondary farmer organisations operational/ functional									
Secondary farmer organisations				10	25				
Number of farmers using purchased quality controlled seed									
Number of farmers using purchased ground nuts									
Number of farmers using purchased sesame				10 321	27 595				
Number of farmers using purchased soybean				21 369	21 369				
Number of farmers using purchased sunflower				12 488	12 488				

Output 2.1 Production of certified good quality seed and oil	MT of each of foundation/ breeder seed of hybrid parental lines of sunflower, ground nuts and soybean produced annually by NARO						"OSSUP reports NaSARRI/ NaCRRRI/ MAAIF Seed Certif. Rep. UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using • Info. from millers, UBOS and UNBS reports, and mobile service provider"			NaSARRI and NaCRRRI release new Ugandan varieties. If not, millers/seed companies import hybrids; Continued satisfactory security in Northern and Eastern regions; NAADS and VODP2 collaborating for extension; Millers and other private operators willing to undertake extension provision on a cost sharing basis	
	MT sesame produced			10							
	MT soybean produced			20	49	69					345
	MT ground nuts produced			10							
	MT sunflower produced			20	8.4	30					150
	Percent of oilseed growers buying quality controlled seed by 2017						"OSSUP reports NaSARRI/ NaCRRRI/ MAAIF Seed Certif. Rep. UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using • Info. from millers, UBOS and UNBS reports, and mobile service provider"				
	farmers buying sunflower seed			90							
	farmers buying soybean			90							

10% annual increase in the hectares under oil seeds cultivation in each regional hub							"OSSUP reports NaSARRI/ NaCRRRI/ MAAIF Seed Certif. Rep. UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using • Info. from millers, UBOS and UNBS reports, and mobile service provider"		
hectares of soybean under oil seeds cultivation					100 829				
hectares of sunflower under oil seeds cultivation					67 948				
Number of farmers reporting an average yield of 1.7 t/ha for sunflower and 1.1t/ha for soybean							"OSSUP reports NaSARRI/ NaCRRRI/ MAAIF Seed Certif. Rep. UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using • Info. from millers, UBOS and UNBS reports, and mobile service provider"		
Number of farmers reporting an average yield of 1.7 t/ha for sunflower									
Number of farmers reporting an average yield of 1.1t/ha for soybean									

	Farmer groups with 30% participation of women receiving extension services from the project by 2018							"OSSUP reports NaSARRI/ NaCRRRI/ MAAIF Seed Certif. Rep. UBOS reports DAO quarterly report NAADS tech. report Impact assessments and surveys VODP2 progress reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using • Info. from millers, UBOS and UNBS reports, and mobile service provider"			
	Farmer groups with 30% participation of women receiving extension services from the project by 2018			3 798	1 615	4 413	116.2				
Output 2.2 Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers	Farmer groups bulk selling by 2017							"DAO quarterly reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using information from millers, UBOS and UNBS reports, and mobile service provider"			Increased crushing material attracts new investment in hubs; Guarantee fund established; Voluntary miller compliance with UNBS standards; Acceptance of new market information dissemination system.
	Farmer groups bulk selling by 2017			1 000	170	670	67				

	Percent of the medium/large-scale millers attain UNBS quality certification by 2018.						"DAO quarterly reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using information from millers, UBOS and UNBS reports, and mobile service provider"		
	Percent of the medium/large-scale millers attain UNBS quality certification by 2018.			90	30	70	77.8		
	Amount of credit facility disbursed to value chain actors by participating financial institutions						"DAO quarterly reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using information from millers, UBOS and UNBS reports, and mobile service provider"		
	Amount of credit facility disbursed in billions				200	1 000			
	Number of beneficiaries of the credit facility.						"DAO quarterly reports MAAIF farm survey reports Impact assessments and surveys VODP2 progress reports using information from millers, UBOS and UNBS reports, and mobile service provider"		
	Number of beneficiaries of the credit facility.				1 011	3 604			
Output Component 2 RIMS	1.1.5 Persons in rural areas accessing financial services								
	Indigenous people in rural areas accessing financial services - credit								
	Total persons accessing financial services - credit								

Not young people in rural areas accessing financial services - savings						
Not young people in rural areas accessing financial services - credit						
Women in rural areas accessing financial services - credit				0	2 021	
Non indigenous people in rural areas accessing financial services - credit						
Men in rural areas accessing financial services - savings				1 420	34 393	
Non indigenous people in rural areas accessing financial services - savings						
Men in rural areas accessing financial services - credit				1 420	34 393	
Women in rural areas accessing financial services - savings				0	2 021	
Young people in rural areas accessing financial services - savings						
Indigenous people in rural areas accessing financial services - savings						
Young people in rural areas accessing financial services - credit						
Total persons accessing financial services - savings						

Agricultural/livestock production groups formed/strengthened									
Agricultural/livestock production groups formed/strengthened				1 198	4 413				
Financial institutions participating in project									
Financial institutions participating in project				8	8				
Government officials and staff trained									
Males				173	185				
Females				74	78				
People in agricultural/livestock production groups									
Males				61 782	61 782				
Females				26 478	26 478				
1.1.4 Persons trained in production practices and/or technologies									
Young people trained in fishery									
Total persons trained in crop									
Men trained in forestry									
Total persons trained in forestry									
Non indigenous people trained in forestry									
Not young people trained in fishery									
Non indigenous people trained in fishery									
Indigenous people trained in livestock									
Non indigenous people trained in crop									
Women trained in crop				27 130	27 130				

Men trained in fishery						
Indigenous people trained in fishery						
Total persons trained in livestock						
Men trained in livestock						
Total persons trained in fishery						
Women trained in livestock						
Women trained in forestry						
Indigenous people trained in crop						
Men trained in crop				62 940	62 940	
Not young people trained in crop						
Young people trained in crop						
Women trained in fishery						
Non indigenous people trained in livestock						
Not young people trained in livestock						
Young people trained in livestock						
Young people trained in forestry						
Indigenous people trained in forestry						
Not young people trained in forestry						
People trained in financial services						

	Males				2 523	2 523					
	Females				1 081	1 081					
	Staff of service providers trained										
	Females				30	88					
	Males				46	170					
	Value of gross loan portfolio: enterprises										
	Value of gross loan portfolio: enterprises				527	12 027					
Outcome 3.0 Project Management helping farmers to provide growing amounts of crushing material for processing in edible oil & earning better incomes	IFAD loan 55% disbursed by 30 June 2015 and 100% by 31 June 2019							"VODP2 progress reports. IFAD loan disbursement report Audit reports in line with IAS."			IFAD Financing is available
	IFAD Loan disbursed			100	69.5	69.5	69.5				
Output 3.1 Project Management fully operational	Full staff of qualified professionals							Audit reports			PCO staff are dynamic and competent.
	yes = 1, no = 0				1	1					
Output 3.2 Oilseed subsector platform (OSSUP) providing forum for stakeholders	Percentage of actions that OSSUP platform meetings agreed upon that have been implemented							"Audit reports PMU financial reports • VODP2 project progress and M&E reports"			Stakeholders buy into project-supported activities.
	Actions that OSSUP platform meetings agreed upon that have been implemented			100	0	100	100				
	Timely preparation and execution of AWPB (budget performance by financial year).							"Audit reports PMU financial reports • VODP2 project progress and M&E reports"			
	yes = 1, no = 0			1	1	1	100				
	Timely submission of mandatory reports							"Audit reports PMU financial reports • VODP2 project progress and M&E reports"			
	yes = 1, no = 0			1	1	1	100				
	Timely submission of withdrawal requests							"Audit reports PMU financial reports • VODP2 project progress and M&E reports"			
yes = 1, no = 0			1	1	1	100					

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Vegetable Oil Development Project 2

Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 19/02/2018 - 16/03/2018

Document Date: 09/11/2018

Project No. 1100001468

Report No. 4812-UG

East and Southern Africa Division
Programme Management Department

Appendix 1: Financial: Actual financial performance by financier; by component and disbursements by category

Table 2A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Percent disbursed
IFAD loan	52,000	33,852	65%
IFAD Grant	1,086	1,086	100%
Government of Uganda	15,000	19,284	129
Oil Palm Uganda Ltd (OPUL)	70,380	0	-
Trust	4,440	0	-
KOPGT	1,040	0	-
Farmers	3,900	4,355	118
SNV cofinancing	340	255	75
Total	148,186	58,833	40

IFAD loan disbursement amount includes USD 7,000,000 initial deposit

The percentage is 69.53% when SDR is used

Table 2B: Financial performance by financier by component (USD '000)

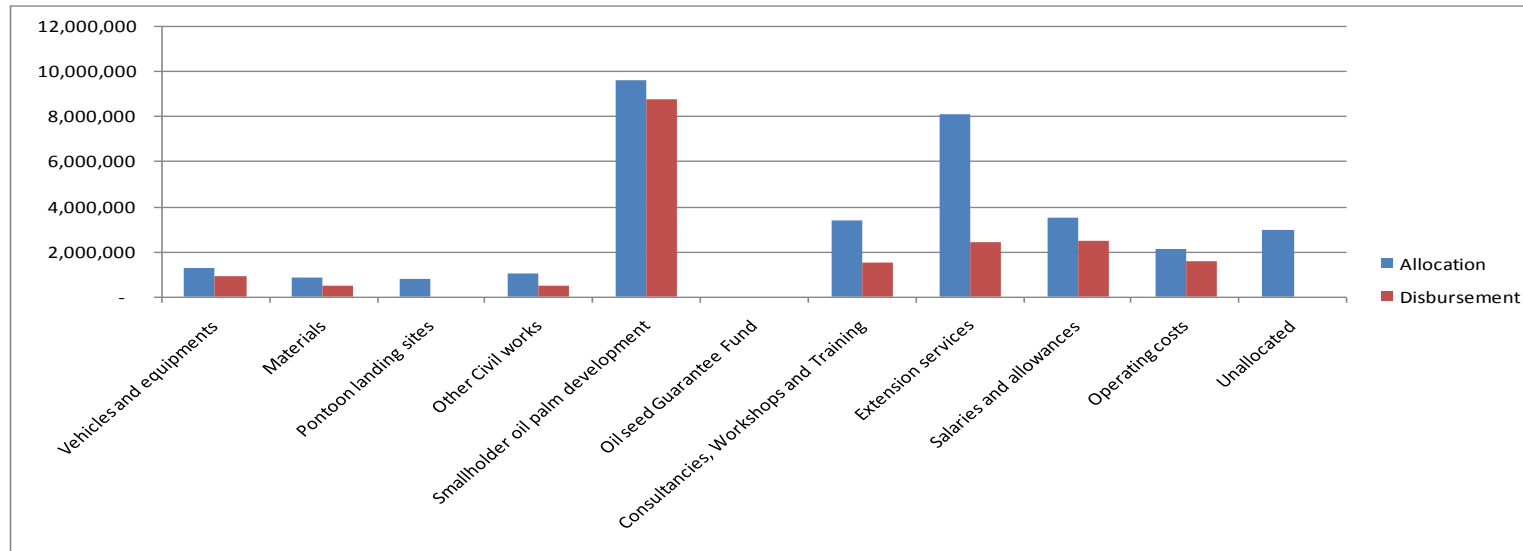
	IFAD Loan			IFAD grant			Government			OPUL			Trust			KOPGT			Farmers			SNV cofinancing			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Oil Palm Development																											
Consolidation and Expansion- Kalangala	8,608,100	14,462,310	168%				3,250,000	-	0%										933,000	4,355,127	467%				12,791,100	18,817,438	147%
Support to KOPGT	4,482,801	3,462,024	77%				-																		4,482,801	3,462,024	77%
Mobilisation- Buvuma	4,028,000	-	0%				-																		4,028,000	-	0%
Development- Buvuma	9,217,299	564,300	6%				10,490,000	18,474,542	176%	70,380,000	-	-	4,440,000	-	-	1,040,000	-	-	2,967,000	-	0%				98,534,299	19,038,842	19%
Identification of new areas	673,000	270,646	40%					1,954																	673,000	272,600	41%
Sub total Oil Palm Development	27,009,200	18,759,281	69%	-	-		13,740,000	18,476,496	44%	70,380,000	-	-	4,440,000	-	-	1,040,000	-	-	3,900,000	4,355,127	112%	-	-		120,509,200	41,590,904	35%
Oil Seeds Development																											
Seed Production	2,019,600	871,766	43%																						2,019,600	871,766	43%
Extension for Farmer Groups	12,830,200	5,553,967	43%				188,841																		12,830,200	5,742,807	45%
Other Value chain Activities	1,849,200	62,890	3%	1,085,832	1,085,832	100%																340,000	255,000	75%	3,275,032	1,403,722	43%
Sub total Oil Seeds Development	16,699,000	6,488,622	39%	1,085,832	1,085,832	100%	-	188,841		-	-		-	-		-	-		-	-		340,000	255,000	75%	18,124,832	8,018,295	44%
Project Management																											
Project Management	8,291,800	5,421,553	65%				1,260,000	807,954	64%																9,551,800	6,229,507	65%
Sub total Project Management	8,291,800	5,421,553	65%	-	-		1,260,000	807,954	61%	-	-		-	-		-	-		-	-		-	-		9,551,800	6,229,507	65%
Total	52,000,000	30,669,456	59%	1,085,832	1,085,832	100%	15,000,000	19,284,450	129%	70,380,000	-	-	4,440,000	-	-	1,040,000	-	-	3,900,000	4,355,127	112%	340,000	255,000	75%	148,185,832	55,649,865	38%
Initial Deposit- unspent		3,183,023																								3,183,023	
TOTAL	52,000,000	33,852,479	65%																						148,185,832	58,832,888	40%

The figures exclude commitments

Table 2C: IFAD loan disbursements (SDR, as at 31 May 2018)

Category		Allocation	Disbursement	%	W/A in pipeline: 57 & 58	Expenditures Not yet claimed	Subtotal	%age	AWPB for 6months upto 31/12/18	Total	% Disb	Balance at 31/12/18
118389	Vehicles and equipments	1 270 000	926 388	73%	9 907.28	48 541.55	984 836	82%	2 223 796	3 266 693	257%	- 1 996 693
118390	Materials	830 000	459 534	55%	211 534.39	39 940.06	711 008	87%	57 393	780 493	94%	49 507
118391	Pontoon landing sites	810 000	-	0%	-	-	-	0%	875 030	875 030	108%	- 65 030
118392	Other Civil works	1 040 000	502 552	48%	82 741.25	1 878.98	587 172	56%	616 794	1 203 966	116%	- 163 966
118393	Smallholder oil palm development	9 560 000	8 746 633	91%	139 741.01	128 177.41	9 014 552	94%	1 417 513	10 432 065	109%	- 872 065
118394	Oil seed Guarantee Fund	-	-		-	-	-		-	-		-
118395	Consultancies, Workshops and Trai	3 360 000	1 500 948	45%	310 262.46	347 169.44	2 158 380	66%	1 539 961	3 748 273	112%	- 388 273
118396	Extension services	8 080 000	2 391 824	30%	899 221.48	706 622.95	3 997 668	53%	1 359 250	5 659 036	70%	2 420 964
118397	Salaries and allowances	3 510 000	2 474 986	71%	287 817.14	232 102.56	2 994 905	85%	426 856	3 421 761	97%	88 239
118398	Operating costs	2 100 000	1 561 977	74%	276 070.70	160 915.92	1 998 964	96%	319 362	2 337 595	111%	- 237 595
	Unallocated	2 940 000		0%	-	0	-		-	-	0%	2 940 000
	Total	33 500 000	18 564 842	55%	2 217 296	1 665 349	22 447 487	68%	8 835 954	31 724 912	95%	1 775 088
	<i>Initial Deposit</i>		4 726 810				4 726 810					
	TOTAL	33 500 000	23 291 653	70%	2 217 296		27 174 297	82%				

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



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Appendix 2: Physical progress measured against AWP&B

Mission Dates: 19/02/2018 - 16/03/2018

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Project No. 1100001468

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East and Southern Africa Division
Programme Management Department

APPENDIX 2

NOT APPLICABLE

Uganda

Vegetable Oil Development Project 2

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 19/02/2018 - 16/03/2018
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East and Southern Africa Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section E.1	The Project Manager for the Project Management Unit (PMU) and the Financial Controller, both acceptable to the Fund, shall have been appointed;	Withdrawal condition	Complied, May 2012	
	MAAIF shall have constituted a Contracts Committee and shall have delegated authority to it to undertake procurement review and selection;	Withdrawal condition	Complied, April 2012	
	Draft guidelines for oilseeds and oil palm development and a Project operations and financial management manual shall have been submitted to the Fund.	Withdrawal condition	Complied, May 2012	
Schedule 1, II.A.2	A Project Steering Committee will be established, chaired by MAAIF and composed of NARO, MFPED, OPUL, representatives of large scale oilseeds millers, OSSUP, UNFFE and UOSPA, with the PMU as the Secretariat. The PSC will meet quarterly.		Complied, Sep 2012	
Schedule 1, II.B.2	Conclude a framework MoU with NARO for the research on oil palm and oilseeds as well as operational MoUs with monitorable outputs with NaCRRi, NaSARRI and COREC		Complied, Dec 2014	Research institution in charge of oil palm is NaCRRi, no longer COREC. FA amended in this respect.
Schedule 1, II.B.2	Conclude MoUs with NCSC and UNBS		Complied, Dec 2014	MoU with NCSC not needed (intra-ministerial)
Schedule 1, II.B.3	Conclude MoU with NAADS		Not applicable	Not applicable. NAADS has been restructured and mandate changed. FA amended.
Schedule 1, II.B.4	IFAD will provide a grant to SNV for the continuation of OSSUP		Complied, Dec 2011	Grant completed.
Schedule 1, II.C.2	KOPGT shall ensure that 20% of its staff are women and special measures are put in place to encourage women to plant oil palm.		On-going	
Schedule 1, II.C.3	KOPGT to become self-sustaining in operational costs by 31 December 2018	31 Dec 2018	Not yet due, overall on target	Deadline for this loan covenant postponed (31 Dec 2018). OSS currently at 84%.
Schedule 1, II.C.4	GoU to ensure regular ferry barge service on the outlying islands	Within 5 years from first planting	Not yet due, but not on track.	Sizeable planting done by end-2012. Works severely delayed and will be completed under NOPP
Schedule 1, II.C.5	GoU to up-grade ferry service between Buvuma and the mainland		Not yet due	Investment in Buvuma postponed to NOPP
Schedule 1, II.C.6(a)	NaSARRI and NaCRRi will produce foundation seeds and hybrid parent		Complied	

	lines for sale to seed companies for multiplication (to be certified by NSCS).			
Schedule 2, cat. 5	The first expenditure for new oil palm development on the outlying islands and Buvuma by farmers is subject to prior approval by IFAD		Complied	Planting in outlying islands ongoing. No IFAD funds will be spent in Buvuma.
Schedule 3, par. 2	No new oil palm development shall be undertaken on the outlying islands or Buvuma until EIAs have been conducted and NEMA has issued its compliance certificate		Complied	NEMA certificate received for outlying islands in time for planting; Buvuma certificate already issued
Schedule 3, par. 3	Ensure that repayment of loans by farmers to KOPGT are re-cycled to finance further loans for oil palmer growers in Kalangala and other districts of Uganda		Not yet due	Loan repayments have not been utilised and are not needed under VODP2. UGX 15.3 billion (USD 4.1 million) of loan recoveries remitted to Treasury.
Schedule 3, par. 4	Changes in the conditions of loans to farmers to grow oil palm is subject to prior approval by IFAD		Complied	
Schedule 3, par. 5	Oil palm development techniques supported by KOPGT will be those used by OPUL and compliant with RSPO		Complied	
Schedule 3, par. 6	Establishment of island offices by KOPGT is subject to prior approval by IFAD		Complied	
Schedule 3, par. 7	Disbursement of any IFAD Loan funding for oil palm smallholders development in Buvuma is subject to formal commitment from OPUL to develop the nucleus estate.		Complied	Loan covenant modified in Sep. 2016: no disbursements of IFAD Loan funds instead of no disbursement of funds in general for Buvuma.
Schedule 3, par. 7	BOPGT to be registered	Within 6 months of OPUL's commitment to nucleus estate	Not yet due	
Schedule 3, par. 8	No loan funds for smallholders to be disbursed to BOPGT until it has a computerised accounting system in place		Not yet due	
Schedule 3, par. 9	Ensure the import of sufficient quantities of hybrid seeds by the private sector if NaSARRI and NaCRRRI do not provide sufficient breeder and foundation seeds for multiplication		Not applicable	Project has no mechanism to ensure import
Schedule 3, par. 10	Borrower to ensure provision of financial resources for achieving target of planting 2,500 ha of smallholder plantations in Buvuma	31 Dec 2018	Not yet due, but not achievable	Planting of smallholder plantations in Buvuma postponed to NOPP.
Schedule 3, par. 11	GoU to exempt the proceeds of the Loan from all taxes, to the fullest extent possible. Any taxes/duties paid, to be reimbursed.		Complied	

