

Republic of Uganda

Mission Dates: 24-jun – 3-jul 2014
Document Date:
Project No. UG-1486
Report No: 3501-UG

East and Southern Africa Division
Programme Management Department

Vegetable Oil Development Project – Phase 2

Supervision report

Main report and appendices

Contents

Abbreviations and acronyms

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



Investing in rural people

Aide Memoire

Republic of Uganda
Vegetable Oil Development Project – Phase 2
Supervision mission: 24 June – 3 July 2014

A. Introduction¹

1. The objective of the mission was to review the overall implementation progress of the project, with particular emphasis on: oil palm consolidation and expansion in Kalangala, with a focus on institutional issues, and under the oil seeds component. Oil palm agronomy and the Buvuma sub-component will be subject of a separate mission, scheduled for August 2014. The mission visited Bugala Island, where it interacted with the relevant stakeholders including: Kalangala Oil Palm Growers Trust (KOPGT), Kalangala Oil Palm Growers Association (KOPGA), Kalangala District Local Government (KDLG), the Resident District Commissioner, Oil Palm Uganda Limited (OPUL) and held meetings with farmers. Under the oilseeds component, the team visited the hubs of Arua, Gulu and Lira, where they interacted with the stakeholders, and discussed programmatic issues with the PMU and hub coordinators, as well as with District Focal Persons. The team interacted with farmers (individuals, groups, associations, cooperatives), as well as millers, traders and processors, and input suppliers. Special interaction took place with district extension and the to-be contracted Pay-for-Service Providers. The mission also assessed the implementation of the Oilseeds Subsector Platform (OSSUP), implemented through an IFAD grant to SNV. The mission was accompanied by staff of the Project Management Unit (PMU), who played a strong role in the successful undertaking of the mission. The mission wishes to thank all partners who contributed.

B. Overall assessment of project implementation

2. The project has made considerable steps since the last mission of September 2013, and the FY 2014/15 is expected to show major results of the second phase investments under the oil seeds component. However, developments under oil palm, amongst others, is putting the project at risk of reaching the development objectives.
3. Oil palm development in Kalangala is overall satisfactory, a total of 3,863 ha planted on Kalangala by 1610 farmers. 479 farmers have started harvesting, and have sold more than 27 000 tonnes of FFB to the mill, earning UGX 7.3 billion (USD 3 million). However, a dependency syndrome has developed for Government support and farmers are yet to see farming as a business. This is evident in the continued requests for additional loan support and in implementation of agronomic recommendations (such as laxity towards fertilizer application and maintenance of gardens), as well as in maintaining farm roads. KOPGA must be strengthened to increase ownership of the development and ensure representativeness in farmer leader structures, as KOPGT moves towards self-sustainability. A detailed road map for development on the outlying islands has been developed, with another 500 ha expected to be planted by April 2015. Government has committed funds for the establishment of ferry services to compliment the investments.

¹ Mission composition: Alessandro Marini, IFAD Country Programme Manager and Line Kaspersen, IFAD Associate Professional Officer lead the mission which also comprised: Marian Bradley, economist and institutional specialist; Willem Heemskerk, Extension specialist; Godfrey Wanjohi, Financial Management Specialist; and Ann Turinayo, KM&COM specialist.

4. In May 2014, the private sector indicated that they were not longer interested in establishment of a nucleus estate in Buvuma, but that they maintain their commitment to Government of Uganda to support oil palm development. This poses a challenge for implementation of the sub-component, which depends on services (particularly in terms of inputs and technical support) from the private sector. At the current stage, there is no plan in place for further development, and the mission questions the possible investment under this component. However, it also poses an opportunity to develop a purely smallholder model, where more farmers would directly benefit from the model. There is an urgent need to develop an implementation plan for usage of the land acquired by Government, cooperation with the private sector and any expectations of developing a smallholder scheme for oil palm development.
5. The oilseeds component is still considered to be in its start-up phase. Progress has been made in developing implementation strategies, partnership agreements and contractual arrangements with the hub-specific service providers, farmer learning platforms, and the finalization of oil seed guidelines, as well as demonstration guidelines and value chain strategic plans. Logistically vehicles have become available and hub-offices have been established and furnished. Specific agreed actions have been implemented especially in establishing relations with processors and millers, as well as with seed companies and agro-dealers. Some follow-up is still needed for finalization of the value chain strategic plans and making information available on the web-site. The recruitment of Pay for Service Providers (PFS) is nearing completion. Important outstanding actions include signing of the MoU with NAADS (although the future remains unclear), value chain analysis overview formats, communications actions such as a one-page brochure on the VODP2 approach and the website which is not easily accessible, and the 2013 report on demonstrations and field days.
6. A mid-term review (MTR) is scheduled for November 2014, which will require dedicated effort of staff to ensure that needed documentation is in place to assess modifications needed, especially in terms of financing. While financing of the oil palm component is expected to be sufficient for the starting financial year of 2014/15, the financing gap is expected to be USD 11 million for oil palm development. On top of this is a financing gap for the establishment for farm roads under oil palm, and the increased costs incurred under oil seeds service provision. With the developments on Buvuma, compromising the achievements of the development objective, adequate attention must be paid to preparing for the re-design envisaged at MTR.

C. Outputs and outcomes

7. Oil palm development in Kalangala continues to show results, both in terms of income to oil palm farmers, and in economic development of the district, where water pipes and power lines are currently under establishment. The asset base of oil palm farmers continues to increase, with 479 farmers having reached the harvesting stage. An accumulative of 27 000 tonnes of fresh fruit bunches (FFB) have been provided to the mill, fetching farmers an income of UGX 7.3 billion, or USD 3 million after loan repayment; corresponding to USD 6300 per farmer. This has translated into increased school attendance and business investments. Loan repayment has reached UGX 3 billion, corresponding to roughly 10% of the loan disbursed. An oil palm growers SACCO has been established, and the value of farm land continues to increase, and is now at UGX 3 million an acre. The general capacity of both staff and oil palm farmers has increased, showing an increased demand for forward planning.
8. Under oil seeds, 1,600 farmer learning platforms have been established, building the capacity of 34,000 people in improved agronomic practices and varieties. Due to these FLPs, the demand for sunflower seeds in 2013 has increased, which resulted in an increase in the number of seed companies importing hybrid seeds, as well as agrodealers stocking the seed. Louis Enterprises in Gulu and Meena Industries in Kaberameido reported increased access to crushing materials, and the milling companies of Shirva and Nile-Agro in Lira, as well as Louis Enterprises in Gulu entered into agreements with groups of purchasing sunflower for a price not

below UGX 1,000 and 1,200, respectively. VODP2 supported two farmer associations Lira and Moyo to submit two loan applications to Uganda Development Bank Limited for a value of UGX 336 million (USD 132 000) for 2182 acres of oil seeds production; the same Bank financed another group with production over 261 acres in season B.

D. Project implementation progress

COMPONENT 1 – OIL PALM CONSOLIDATION AND EXPANSION

STATUS OF DEVELOPMENT ON BUGALA

9. **Status of land development – Bugala.** A total of 3,863 ha have been planted by 1610 oil palm farmers, achieving 95% of the targeted 3,900 ha on the island. This is in addition to 6,225 ha planted by the private sector. A total of UGX 32 billion in development loans have been disbursed, with 3.1 billion (USD 1.2 million) recovered. The remaining 37 ha on Bugala, as well as gap filling is expected to be finalised by March 2015, simultaneously with planting on the outlying islands (see below). **Agreed action.** KOPGT will identify the need for gap-filling on the island, with priority given to those who did not receive seedlings due to blast disease in the nursery. Planting will be completed by March 2014. No amendments to farmer loan conditions will be made.
10. **Yield and pricing trends.** A 3 year drought and generally cool night temperatures have caused yield decreases and some stunting in the 2010 plantings, reaching an estimated 5 % decline in yields; smaller than the decrease observed at the nucleus estate. So far, the annual price average is higher than the past 2 years, shielding the smallholders from the full effect of the fluctuation. However, increased rejection rates have been noted at the mill (increased from 1 to 2.5 %). Farmers have been trained on harvesting and grading standards by OPUL and KOPGT, but need to increase monitoring of labourers who are most often paid per kg harvested, to ensure that bunches are not cut prematurely. **Agreed action.** Field officers will support farmer unit level monitoring of harvesting and call OPUL management in case there are any disagreements on the standards. Similarly, farmers will ensure that no foreign objects (such as stones and unripe fruits) end up in the harvest, as this leads to increased production costs for OPUL and possible breakdowns of the mill. KOPGT will continue to monitor and record the extent of the problem and provide input to the August technical support mission.
11. **Theft and side selling.** The mission was informed that theft and side-selling has continued, including theft of fruits from farmers and OPUL; side-selling of fruits and crude and selling of fertilizer for quick cash. It has been noted that some farmers collect (on loan) more fertilizer than they actually need, the remainder of which is sold off at a low cost (to the mainland). Due to low financial literacy, the farmers do not adequately realise the consequences of this. **Agreed action.** Clear communications messages will be developed on these issues of financial literacy, and to capture the moral flaws. The district is in the process of drafting by-laws against processing of crude.
12. **Road development/maintenance.** Roads on the island are not up to standard, which has become visible following the last rainy season and poses a risk to timely and safe delivery of FFBs to the mill. The main road, under UNRA, is currently being upgraded by KIS. Under VODP2, 25 km of road upgrade are planned in all 6 blocks, mainly targeting farmers who are currently harvesting but have no access to the road network. Designs for upgrading 50 km of community access roads are ongoing, with works expected to commence by 31 August 2014, after which they will be handed over to the district. Design of the remaining 40 km will begin in August 2014, with construction expected to commence in November, using force account. 80 km remain to be constructed on the outlying islands, for which a detailed plan is in place. **Agreed action.** Upgrade of community access roads will be completed by December 2014, and construction of the remaining 40 kms by June 2015. This will complete the road activities on Bugala.

- 13. Fertilizer savings system.** During previous missions, it was observed that farmers reaching the commercial stage, were having difficulty paying for the fertilizer needed to maintain their gardens. In this respect, a fertilizer scheme was initiated at KOPGT, to allow purchase by farmers of fertiliser to be paid in three instalments. In April 2013, the supervision mission recommended that purchase of fertilizer was to be paid by farmers through monthly deductions of fertilizer proceeds. Purchase of fertiliser happens on a quarterly basis, and it was agreed that the payment would be executed over a 3 month period. This recommendation was amended by a KOPGT board decision on 11 December 2013, where it was recommended to increase the deduction period to 4 months, without consideration of the carryover financial liability and timing for the settlement. Deducting quarterly fertilizer consumption over a 4 month period, leaves the farmer in arrears at the end of every quarter, and is not sustainable. At the same time, KOPGT does not accumulate sufficient funds to pay for the fertilizer supplied by OPUL. **Agreed action.** KOPGT will deduct fertilizer costs in 3 equal monthly instalments to ensure timely recovery of the fertiliser payment. To reduce the arrears already incurred, KOPGT will recover the balances from the farmers in question by 30 September 2014, through deduction from the proceeds from harvesting incomes. KOPGT will agree on a payment model with OPUL by 15 July 2014, ensuring that the orders for fertilizer for farmers in the commercial phase are made directly from KOPGT to OPUL.
- 14. Fertilizer store.** A 700m² fertilizer store is under construction at a cost of Ugx 1.05bn and is expected to be completed by the end of December 2014. Some modification were made on the substructure by introduction of a retaining/shear wall to support the excess loads that will be generated by the excessively high fill material and weight of the fertilizer. These modifications are within the 15% contingency. It has been observed that the current designs have no provisions for the washrooms and special storage for chemicals (herbicides and pesticides). The Project Engineer will ensure that modifications to cater for the washrooms and the pesticide/herbicide storage be made and incorporated in the designs. A related issue is worker and farmer safety when handling agricultural chemicals and messages about this should be developed for farmers by the oil palm expert for extending by KOPGT. **Agreed action.** The additional modifications will be costed and, if beyond the contingency, be sent to IFAD for non-objection by 31 July 2014.

Agreed action	Responsibility	Agreed date
Plant remaining 37 ha on Bugala	KOPGT	31 Mar 2015
Identify need for gap filling and plant	KOPGT	31 Mar 2015
Improve unit level monitoring of harvesting standards	KOPGT	Continuous
Provide information on extent of 2010 yield losses	KOPGT	31 Aug 2014

STATUS OF DEVELOPMENT – OUTLYING ISLANDS.

- 15. Roll-out plan for planting.** About 102,000 seedlings are currently maturing in the nursery, and are expected to be ready for planting by January 2015. The mission worked closely with KOPGT and the PMU engineer to develop a detailed roll-out plan for development on 400 ha on Bunyama in 2015 and 400 ha on Bubembe in 2016. Prior to planting, roads and the bufferzone will be demarcated. Logistics of transport of the seedlings to the islands has been agreed upon with OPUL, and KOPGT will hire fisherboats for the exercise. Community mobilisation will start immediately, and farmers will be organised to develop contiguous areas of 16 to 25 ha units (“bubondo”). Similarly, protection of the buffer zone and pledges of land for roads by the community will be undertaken. It will be paramount for farmers to supervise the planting process in order not to damage the seedlings. An order for the remaining 400 ha of development will be placed in August 2014. OPUL has informed the mission that it will be seeking certification from smallholder farmers that the environmental guidelines are respected for all new plantings. **Agreed action.** A communications, sensitization and registration

campaign will be carried out and the procurement KOPGT supervision boats will be fast tracked. KOPGT will liaise with OPUL to ensure that plantings live up to environmental protection standards.

- 16. Provision of ferry services.** Ministry of Works is in final stages of evaluation of a consultancy to design the construction of landing sites and ferry services to the outlying islands. The contract is expected to be awarded by 31 August 2014, and finalised by 28 February 2015. **Agreed action.** Ministry of Works will: 1) support VODP2 in the procurement process for construction of landing sites; and 2) procure ferry services to the outlying islands. The cost of establishing 3 land sites is estimated at USD 1.8 million of which VODP2 has resources for about 2/3. Ferry services will be in place by 31 December 2017, in time for FFB harvesting. MFPED will make the resources available for topping up project funds for landing sites and for the ferry services.
- 17. Environmental Impact Assessment.** The EIA for Bunyama and Bubembe is in its final stage of review and comment, and overall is of good quality. The critical follow-up action required is to hold the public discussion on the islands and to obtain the NEMA certificate by 1 November 2014 so that land preparation on Bunyama can start as planned. **Agreed action.** The PMU will support the NEMA in undertaking the stakeholder workshop to ensure approval of the report by 1 November 2014.

Agreed action	Responsibility	Agreed date
Initiate planting campaign	KOPGT	Immediate
Plant 400 ha on Bunyama	KOPGT	31 Mar 2015
Fast-track procurement of boats	PMU	Immediate
Liaise with Ministry of Works to complete transportation study	PMU	28 Feb 2015
Support NEMA in approval of EIA	PMU	1 Nov 2014

CROSS-CUTTING ISSUES

- 18. Encroachment into the buffer zone.** Despite several recommendations to quantify the degree of encroachment into the buffer zone by smallholder farmers and develop a mitigation strategy, the extent of encroachment is still unclear. The main issues are:
- (a) The need to respect the buffer zone for environmental reasons and to ensure compliance with NEMA (and to contain the reputational risk of KOPGT)
 - (b) The mission noted at least one specific case, where a farmer was given a loan under the assumption that a NEMA certificate of dispensation (reducing the buffer zone from 200 to 100 metres), but never applied. Similarly, at that stage of project implementation, KOPGT did not have adequate knowledge and support of GPS and other measurement equipment to adequately assess the 200 metre buffer
 - (c) Increasing international pressure on Wilmar has led to adoption of a new environmental policy and in particular the requirement that all suppliers must live up to the same policy. OPUL is therefore aggressively pursuing encroachments into the buffer zone, which has a risk of leading to land disputes and court cases, of which two are already on-going.
- 19. Agreed action.** Ensuring KOPGT compliance to the buffer zone regulations is of high priority. The PMU will update the project maps using satellite images currently under procurement to establish of the extent of encroachment and then develop a mitigation strategy. Lessons must be captured from this for the upscaling to outlying islands and Buvuma, including enforcement, monitoring and appropriate incentive structures for environmental protection. Recommended steps include tree planting campaigns, as also promoted by BIDCO.
- 20. SACCO.** The Ssesse Oil Palm Growers SACCO (SOPAG) held its establishing AGM in August 2013, following start-up support received from RFSP and KOPGT (in terms of equipment) and

UCSCU and the PMU (for technical backstopping). Since its registration, it has established a savings account at Stanbic and recruited a manager and a cashier and two support staff. The SACCO has 224 members (67F; 157M) with a mobilized share capital of 295 shares or UGX 8.85 million. Total savings have reached UGX 13,326,200 with 30 harvesting farmers having received UGX 13,700,000 in loans. It was recommended that the SACCO work closely with KOPGT and KOPGA in mobilization, and continue to operate on the basis of volunteerism and on a “savings first” approach. While there are long term perspectives of the support the SACCO can provide (for example fertilizer savings), the mission recommends caution in this approach, to allow the SACCO to establish itself. There is a perception that the SACCO is part of the oil palm project governance structure; it must be clearly communicated to all parties that the main role for the SACCO is in the economic development of the island and for the farmers, but not as part of the governance structure.

- 21. HIV/AIDS, gender and rights mainstreaming.** PMU and KOPGT have supported gender sensitisation trainings through KDLG and HIV/AIDS awareness and testing through Kalangala Forum for People Living with HIV and AIDS (KAFOPHAN). Specific risks for disease spread related to the nature of the oil palm development have been identified, including: predominance of male labourers of the sexually active age due to the nature of the plantation work and the need to promote gender empowerment to combat gender based violence amongst oil palm farming households as incomes increase. Market days are identified as an appropriate targeting avenue also for oil palm labourers. However, the overall reorientation of fishing communities towards farming is believed to have reduced HIV/AIDS prevalence. A number of KOPGT workplace policies were recommended, including child protection policies. **Agreed action.** KOPGT will elaborate a child protection policy (focusing on prevention of labour by children below 18 years of age), as also required by BIDCO CSR policies. The policy will be in place prior to planting on outlying islands, i.e. by December 2014. KOPGT will continue the support to KAFOPHAN.

Agreed action	Responsibility	Agreed date
Ensure respect of the buffer zone for all new plantings	KOPGT	30 Nov 2014
Identify extent of encroachment of buffer zone and develop mitigation strategy	PMU	31 Mar 2015
Ensure elaboration of policies on cross-cutting issues	KOPGT	31 Dec 2014

GOVERNANCE AND INSTITUTIONAL ISSUES

- 22. KOPGT staffing.** KOPGT Secretariate is not yet fully staffed. After the appointment of a finance manager and recruitment of an accounts assistance, an accountant is still outstanding. KOPGT has the capacity to respond to the challenges faced as Bugala farmers enter full production and harvest, and as the outlying islands will begin development. The mission noted that the majority of KOPGT staff contracts expire in December 2014 and wishes to reiterate that any dismissals or renewals are subject to PMU no objection, to be submitted together with the staff appraisal. Staff appraisals are to be carried out by the KOPGT General Manager. The KOPGT Board have approved the HR and Credit manuals, and should now apply the agreed upon policies. Some cases of absenteeism amongst Field Officers has been noted, both in terms of active working days and in presence in the field. This undermines the role of KOPGT in supporting farmer development. The mission was informed of some cases of mis-conduct by some KOPGT Secretariat staff. Such issues pose a risk to the reputation of KOPGT. **Agreed action.** KOPGT Management will assess the performance of staff in the half year appraisals, and act according to the HR manual. Disciplinary measures will be taken for all instances of staff lack of attention to duty issues.

- 23. KOPGT strategic plan / road map to sustainability.** GoU has agreed with Bidco under its memorandum of understanding that there will be a technical organisation which will be the intermediary between OPUL and farmers for as long as the investment is in place. Operating costs and the investments needed by KOPGT can be paid from the earnings of FFBs. In the business planning exercise, it is estimated that a fee of the gross annual earnings of FFBs of about 1.5% will entirely cover the cost of operating the organisation. Now all stakeholders are beginning to understand that the mechanisms need to be put in place so that KOPGT can become self-financing. The Mission reviewed the Strategic and Business Plan as presented by KOPGT, and notes and appreciates the efforts that have been contributed by KOPGT Secretariat, KOPGT Board and KOPGA leadership. The draft requires adequate proposals for deepening, enhancement and resetting of the existing structures, and for building additional new ones. The structures should be aimed in addressing the strategic core business of KOPGT, as a dedicated institution that is focused and result oriented in delivery of maximum benefits to the Oil Palm smallholder farmers and achievement of the set objectives of the organisation.
- Agreed action.** The business plan will include estimates of financial flows and costing, while at the same time ensuring KOPGT capacity to deliver adequate and relevant services to farmers. As KOPGT moves to become self-financing it will have to continue strengthening its internal operations in all areas: credit provision supervision and accounting, internal organisation accounting, management of field officer and the technical training and monitoring that they are responsible for with farmers, particularly with regard to the delivery of inputs and seedlings.
- 24. KOPGT governance.** HR and credit manuals were approved by the board in 2014. A draft finance manual is yet to be approved, while a board manual is expected to be drafted by 31 October 2014. Yet, there continues to be a lack of clarity between the KOPGT Boards and KOPGA Board roles. The mission received information of interference of KOPGT and KOPGA board members in management issues, thus overstepping its mandate. The mission reviewed the minutes of all board meetings since 2009, which lead to three main observations: 1) the participation of MAAIF and Government representatives has decreased over time; 2) there are no term limits for KOPGT board members; and 3) the quality of discussions at Board meetings has decreased over time, shifting from farmer and oil palm development issues to issues of allowances and roles. A detailed draft road map for developing a clear organogram has been developed. **Agreed action.** The PMU will have to devote enough staff attention to the sub-component and ensure that clear messages are sent to all stakeholders on the continued role of KOPGT and the KOPGT Secretariat will develop a clear timeline of the planned meetings. PMU will ensure that there is effectiveness and participation in the board and support the capacity development of the farmer representatives. MAAIF, NARO, MFPED, MoJ will ensure active participation in KOPGT Board meetings. The board will expedite the process of approving the finance manual, and KOPGT Management will ensure that the Board Manual is presented for board approval by 30 September 2014.
- 25. Pricing committee.** It was reported to the mission that the pricing committee does not sit regularly, partly because the term of the MAAIF representative (the KOPGT Manager) has expired, and partly due to logistical difficulties of the members to travel to the island on a monthly basis for a meeting of short duration and limited discussions. The mission also observed that the price is updated on a monthly basis following the agreed upon principles, by the KOPGT Manager and OPUL, and communicated efficiently to farmers. **Agreed action.** MAAIF will renew the term of the KOPGT Manager on the pricing committee, and develop a structure which ensures sufficient oversight and transparency of the price setting, in a more implementable set-up.
- 26. Strengthening of KOPGA.** The mission wishes to re-emphasise the ownership required by farmers towards the project for long term sustainability but expresses concern about the representativeness and communication channels between the KOPGA leaders and individual farmers. The mission therefore recommends acceleration of the process of providing technical

assistance for capacity building of KOPGA in particular and farmers in general. **Agreed action.** The PMU will conduct a needs assessment of such support.

Agreed action	Responsibility	Agreed date
Assess performance of staff	KOPGT	31 Aug 2014
Develop business plan	Consultancy / KOPGT	31 Aug 2014
Devote sufficient attention to KOPGT institutional issues	PMU	Immediate
Develop plan of board meetings	KOPGT	Immediate
Ensure active participation on KOPGT board	PMU	On-going
Ensure active participation of MAAIF, NARO, MFPED and MoJ on KOPGT Board	PMU / MAAIF	Immediate
Expedite approval of finance manual	KOPGT	31 Aug 2014
Submit draft Board Manual to KOPGT Board	Consultancy / KOPGT	31 Oct 2014
Renew the term of the KOPGT General Manager on the pricing committee	MAAIF	Immediate
Conduct needs assessment of KOPGA strengthening	PMU	31 Oct 2014

KOPGT OPERATIONAL ISSUES

27. **Payment for fertilizer in the commercial stage.** After 5 years of receiving fertilizer on loan, farmers are expected to finance fertilizer from their harvest proceeds. However, the mission has noted inconsistencies in record keeping on the side of KOPGT. Between April 2013 and May 2014, commercial farmers purchased fertilizer to the tune of UGX 223.7 million, while payment was only made at UGX 165.3 million, leaving a balance of UGX 58.3 million unrecovered. This amount was paid to OPUL through a direct payment from the PMU, although fertilizers in the commercial phase are not eligible under the IFAD loan. **Agreed action.** The PMU will ensure recovery of the funds spent on fertilizer for commercial farmers through a deduction of the payments of the next maintenance loan payment to KOPGT. KOPGT will in turn ensure that the expenditure is properly recorded on the farmer loan and fertilizer savings statements.
28. **Roll-out of loan statements.** All farmers have received their first statement and 450 have had their statements reconciled. The secretariat continues to engage the farmers with the aim of correcting any discrepancies. **Agreed action.** KOPGT and farmers will validate the remaining loan statements by 31 August 2014, after which farmers will receive statements bi-annually.
29. **Transport cost model.** The mission reviewed the tiered transport cost recovery model, in which UGX 30-45 shillings per kilo of FFB sales are deducted from farmers. The proceeds are deposited into two separate accounts; one for operating costs and one for vehicle replacements. The accounts are being separately maintained, however, the deductions for operations are only adequate for truck operations for a month with no significant reserve for unforeseen emergency vehicle accident expenses. The mission therefore considers the deductions too low for efficient and effective operation of transport activities. The balance of the replacement account is UGX 61.1 million while the cost of replacement of the current fleet of 6 trucks is estimated at UGX 225 million, requiring an annual provision of UGX 37.5 million per year. 2 of the KOPGT trucks are 4 years old, while 4 are still below 2 years old. **Agreed action.** KOPGT will engage farmers with the aim of upwards adjustments to ensure an operation expenditure revision of minimum 3 months, for adequate provision of replacement of a minimum operations fleet and to cater for inflationary conditions.
30. **Insurance.** The mission has noted that, in accordance with Government policy, the KOPGT vehicles are not insured. However, the mission has been informed that MAAIF has approved that KOPGT be insured, to safeguard against replacement needs in the future. **Agreed action.** KOPGT will proceed with insurance of the vehicle fleet.

- 31. Communications.** Radio programmes with Ssesse Radio are not happening regularly, but KOPGT is actively pursuing opportunities when they arise, including with national radio stations. A strong common view of issues related to sustainability will be required to further update the communications templates for sharing with stakeholders. **Agreed action.** KOPGT will explore the possibility of using local radio stations (Kalangala, Masaka) for sensitisation against theft and fertilizer sales off the island and for sensitisation in relation to upcoming planting. The PMU will continue its support to development of a vibrant webpage to meet the information demands of a multitude of stakeholders who continue to display interest in the project.

Agreed action	Responsibility	Agreed date
Recover fertilizer funds from commercial farmers	KOPGT	31 Aug 2014
Recover fertilizer payments to VODP2	KOPGT / PMU	31 Sept 2014
Implement 3 month fertilizer payment schedule	KOPGT	Immediate
Complete validation of farmer loan statements	KOPGT	31 Aug 2014
Conduct review of transport recovery account	KOPGT	31 Oct 2014
Insure vehicle fleet insurance	PMU	31 Dec 2014
Continue radio and web page development	KOPGT	Continuous

PREPAREDNESS FOR FIRST AUDIT

- 32.** KOPGT continues to use the PEARL accounting system for loan tracking and interest rate calculations. The mission noted that the financial management consultancy for preparing KOPGT for a trial audit has been contracted and will start work on the island on 1 July 2014. Whilst undertaking the first external audit, KOPGT will remain accountable to Government audits. **Agreed actions.** The PMU will support KOPGT in ensuring that the outputs of the consultancy will be achieved including the outputs analysed below. The PMU will also ensure that the auditor (to be appointed by the Finance Committee of the KOPGT Board) lives up to IFAD and Government Requirements. Once the fertilizer store is constructed and computer equipment is in place, the accounting system will be expanded for full automation for direct input of stores.
- (a) **Prepare adequate financial statements.** The financial statements of KOPGT are not accurate and reflect the current lack of preparedness for an audit.
 - (b) **Balance books of account.** The mission reviewed the farmer loan balances between the KOPGT and PMU books. There are significant differences (of UGX 5.5 million currently), which are not explained. **Agreed action.** In future, reconciliation of the loan ledger in the books of account will be carried out on a monthly basis alongside other reconciliations of the KOPGT books of account.
 - (c) **Accounting software.** Accounting of KOPGT is not up to standards. One of the reasons is the use of Excel spread sheets, which is not reliable as an accounting software. **Agreed action.** The financial management consultancy will recommend a simple accounting software, which will be implemented by KOPGT.
 - (d) **Loan tracking system.** An effort should be made to assess the possibilities to acquire standardized packages for calculations. Lessons should be captured for the Buvuma model, to ensure efficient implementation, which might require alterations to the loan repayment model.
- 33. Loan repayment proceeds.** The loan and interest repayment deductions from farmers' loans from their proceeds of their ffb sales have been going on without any issues. As at 31 May 2014 the cumulative deductions of principal and interest is UGX 3.08 billion or USD 1.2 million, and representing 10% of the outstanding loans. This amount is in a fixed deposit account,

renewable on a yearly basis. The mission re-iterates that the account cannot be used for any KOPGT expenditures. **Agreed action.** The PMU will budget usage of the reflows in the AWPB FY14/15 for oil palm development and request clearance from MAAIF and MFPED to transfer the funds 31 September 2014.

- 34. Taxation issues.** In the FY 2014/15 Budget speech of June 2014, Government announced the introduction of VAT on agricultural inputs, which has worried the farmers. The mission held talks with OPUL, who confirm that they will pay taxes on inputs such as fertilizer. The taxation will follow the policy that if inputs are VAT'able, the outputs are. KOPGT would thus have to have a VAT registration and calculate VAT on both the fertilizer and on the sales of FFB. The net impact on the farmers is expected to be 0. **Agreed action.** The PMU and MAAIF will seek clarification from MFPED on the implementation of the tax.

Agreed action	Responsibility	Agreed date
Ensure adherence to road map towards first independent audit	KOPGT / PMU	31 Aug 2014
Include budgeting of reflows for oil palm development in AWPB FY2014/15	KOPGT	31 July 2014
Provide clearance for usage of reflows by VODP2 for oil palm development	MAAIF	31 Sept 2014
Seek clarification on input taxes	MAAIF	Continuous

OIL PALM DEVELOPMENT – BUVUMA

- 35. Status of land acquisition.** The total land cleared of encumbrances and ready for development is 4,199.5 ha. Boundary roads have been opened with the use of equipment from Ministry of Works and Transport, for a total of 30 kms. The project has undertaken several land mobilization and tenant sensitization meetings amongst the communities, and have paid a total of UGX 5.04 billion (USD 2 million) to land lords and tenants.
- 36. New developments.** In May 2014, the private sector partner, BIDCO, officially informed Government of Uganda that it does not wish to pursue the establishment of a nucleus estate on Buvuma, but maintained the commitment of establishing an palm oil mill. The private sector commitment is a pre-condition of the sub-component investment, which will therefore need complete re-design. The developments pose a risk to the investment as a whole, and thus affect the likelihood of the project reaching its development objectives. Despite this development, Government has decided to continue the process of land acquisition on the island. **Agreed action.** An IFAD mission will be fielded in August 2014 to agree on a way forward, which will include development of a model and the costing involved.
- 37. Environmental Impact Assessment.** The draft EIA for Buvuma is currently under review by the PMU, before final submission to NEMA for approval, by 31 July 2014.

Agreed action	Responsibility	Agreed date
Submit EIA to NEMA for approval	PMU	31 Jul 2014
Field implementation support mission	IFAD	31 Aug 2014

Identification of new oil palm areas

- 38. Oil palm research.** The mission has noted that oil palm trials are being carried out successfully in various parts of the country, and that an MoU with NARO is in place, covering issues specific to oil palm. It has been a long standing recommendation to ensure adequate research capacity in the country, but the mission has noted that that appointments have not been made for oil palm researchers, following the retirement of the only oil palm researcher in Uganda. **Agreed action.** MAAIF will appoint minimum one designated oil palm researcher by 30 October 2014.

Agreed action	Responsibility	Agreed date
Appointment of oil palm researcher	MAAIF	30 Oct 2014

COMPONENT 2 – OIL SEEDS DEVELOPMENT

- 39. Farmer learning platforms.** In 2013 VODP2 established 1600 farmer learning platforms involving 6801 households organized in 315 farmer groups with demos on oil seeds varieties and agronomic practices. Based on the new demonstration guidelines, in 2014 smaller sized demonstrations with different varieties and other treatments were established in a host farmer's field, representing a group of farmers. Field days with farmers, millers and agro-dealers and seed companies were organized in some locations. Apart from these, some larger plots were also established with VODP 2 provided seed in order to test oil content of different varieties, make partial crop budget analysis (land and labour productivity) and produce seed. The FLPs are a key knowledge sharing tool, and farmer field days have been planned to bring groups together to learn from each other. The planned number of demos for 2014 is 5199 for an average of 3 farmer groups per sub-county. **Agreed action.** The 2013 demo data will be analysed and compiled in one report. VODP2 will develop a demonstration strategy to ensure that VODP2 is seen for what it is, and not as a project for free hand outs. Farmers sharing will be further enhanced through farmer field exchange visits.
- 40. Situation analysis.** The situation analysis reports have been finalized, published and shared but lack an overview analysis with actor specific analysis of benefits, challenges, required services, actor links, enabling environment and priority actions. These overviews will summarize the situation analysis reports and facilitate the participatory development of the value chain strategic plans. **Agreed action.** Overview tables will be developed, summarizing the situation analysis reports, to facilitate the participatory development of value chain strategic plans and for easy reference, updating and publishing on the website.
- 41. Value chain strategies.** Draft detailed five-year value chain specific strategic development plans have been developed for different oilseeds priorities in each of the four hubs. Not all of the resulting hub-specific and value chain specific strategic development plans were made available. The plans involve mostly the primary actors of the produce value chain, but chain support services and value chain enablers also need to part of the plan. Not all plans are value chain specific or have been quantified, nor validated in OSSUP meetings. Some plans (Gulu) have been quantified in an OSSUP validation meeting but will need some critical analysis of the numbers. **Agreed action.** The plans will be updated to ensure that: 1) reports are hub and value chain specific; 2) expected outputs be quantified, based on the VODP2 outcome; 3) service providers and enablers (e.g. Districts) be included. The plans will be validated in OSSUP meetings with the involvement of the hub facilitators by 31 October 2014, to ensure ownership of the plans.
- 42. Pay-for Service Providers (PSP).** The six to be contracted PSPs have been identified (one each in Arua and Gulu and two each in Lira and Mbale), negotiations have taken place, and reports have been submitted to the contracts committee. For two of the proposed PSPs, IFAD has provided a No Objection (NO), and these two have subsequently been submitted to the Ministry of Justice (Solicitor General) for final clearance, the other four are still with the contracts committee. The PSPs for Arua (WENIPS/NilePro Trust/Arudifa Consortium) and Lira (AFSRT) are in the final stages of contract preparation and were found to have the required capacity and to be ready to start operations.
- 43. The 2014/2015 work plan** indicates that farmer groups through the PSPs and district extension services (MoU with DLGs) and with NAADS's Farmer Institutional Development component will be supported. The seed value chain will be addressed with support for production of foundation seed and hybrid parental lines (MoUs with NaSARRI and NaCCRI), while the National Seed Certification Services (joint work plan) on support for a quality controlled seed production by developing local (district) capacity for seed quality control (pre- and post-harvest),

as well as on testing the seed quality in various stages of the chain. The NSCS is also involved in training district staff for seed quality control. UNBS (MoU) will be involved in the project implementation and notably provide services to the millers and processors in the chain. VODP2 will provide support for farmer links with financial services e.g. for scaling their production through land preparation; and farmer associations (based on business plans) and links with agro-input dealers for their access to financial services. **Agreed action.** VODP2 will work closely with the PSPs and District Focal Persons to develop a workplan based on the completed value chain development plans, the PSP proposals, and other District programmes. The workplans will be finalised within four weeks of signing of the contracts; and are expected to be in place by 31 July 2014 for Lira and Arua hubs.

44. **Access to seed.** The access to quality seed remains a main issue in the oilseeds sector although it is very value chain specific. Through the National OSSUPs seed declaration and the District Seed Resolutions, emphasis is being given to local seed multiplication through contracts with seed companies, as well for direct local marketing. **Agreed action.** Hub-level existing activities of coordination and interaction with ISSD will be expanded, to include training of PSPs and District Focal Points on local quality controlled seed entrepreneurship.
45. **Household mentoring, gender and youth.** The to-be contracted PSPs will have an important role in using gender approaches (Gender Action Learning System, GALS), for visioning, role analysis and action planning, as well as household mentoring. DLSP trainers will provide training to VODP2 staff and the contracted PSPs.
46. **Communication and knowledge management.** The VODP2 communication strategy is built on sharing information as interactively as possible through radio programmes, websites and through the OSSUP platforms. The latter mechanism is functioning well, and oilseed sector stakeholders are being reached, although the website is not yet operational. VODP2 has started a preliminary collaboration with the New Vision Media Group for the development of radio programmes and messages. VODP2 is involved in learning case documentation as is OSSUP. **Agreed action.** VODP2 will publish all relevant documents and cases on the website. For the radio programmes, an effective line-up of topics should be prepared, based on key messages and in accordance with the farming activities cycle. A template for tracking farmer issues as they call in will be developed, and used for updating messages.
47. **Exploiting the mobile phone opportunity.** The mission observed that almost every household has a mobile phone. This is an important opportunity to exploit in sharing key agricultural and market information with farmers through bulk short messages (sms). The mobile phone messages can also be used to support the radio programme in two different ways – to alert listeners of the upcoming radio programme, and to share a summary of the key messages from each programme.
48. **Access to financial services.** After an analysis of the demand and supply of financial services in the four hubs, the PMU has elaborated a strategy to address the issue of access to financial services. As there is a considerable number of professional financial service providers increasingly interested in investing in the oilseeds value-chain, the main constraints seem to be on the demand side, in terms of the capacity to elaborate viable projects and link up with the financial service providers. The project will therefore focus on assisting the actors at the different stages of the value chain to elaborate solid business plans and on brokering the relationship with financial service providers. This is already being pilot tested with a limited number of farmers groups, in partnership with some financial institutions such as the Uganda Development Bank and Opportunity Bank. The PMU should consider extending this approach to other key actors of the value chain, in particular small and medium processors. Lessons emerging from this pilot will allow elaborating a strategy for scaling up this approach. **Agreed action.** The PMU will prepare a proposal in this respect to be discussed and validated by the Mid Term Review.

OSSUP GRANT TO SNV

- 49. OSSUPs (Oilseed Sub-Sector Uganda Platforms).** As part of the VODP2 design, a grant has been provided to SNV for the facilitation of autonomous national and hub-level stakeholder platforms. SNV has subcontracted the service provision of OSSUP to hub level facilitators to service providers (2 NGOs and 2 private companies). The interaction between the OSSUP and VODP 2 has been outlined in an MoU.
- 50.** The regional platforms are expected to develop a comprehensive but hub specific oilseed sector strategic plan for the platform, these will be based on the finalized VODP 2 value chain strategic Plans. OSSUPs (and hence the facilitating agencies) are also involved in: (i) the coordination and harmonization of the different extension approaches and services in the oilseed crop sector; (ii) learning about the different marketing and bulking models and arrangement; (iii) the development of national and local seed multiplication of quality controlled seed, as well as on communication (incl. website, events and field days) and oil seed sector monitoring (dashboard).
- 51.** The OSSUP facilitation (SNV and subcontracted service providers) is concerned about the sustainability of the (public sector supported) platforms, as well as notably the project-supported facilitation and brokering functions. The current arrangement might crowd out local private sector brokering initiatives. **Agreed action.** The OSSUP facilitators and VODP2 will develop strategies for sustaining the platforms and the facilitation function.
- 52. Financial Management.** The grant at design was allocated at USD 1.1 million, plus SNV co-financing and to date USD 644,000 has been disbursed, through two withdrawal applications. The financial return as of to date record an expenditure of USD 490,858 leaving a cash balance of USD 143,142. The mission reviewed a sample of financial statements and invoices in the SNV office and confirms appropriate accounting records. In addition a sample of SoEs was reviewed and confirmed these with supporting documents and receipts. The only issue was procurement through single sourcing of the two consultancies selected. Although justification was reported to be based on the selected consultants having been working on the similar activities during the period, the mission felt that comparative costs should have been sought so as to ensure that competitive advantage was not lost. **Agreed action.** The mission recommends that goods and services being procured on single source method will also be justified with comparison of costs from competitive service providers.

Agreed action	Responsibility	Agreed date
Develop a one-page brochure with a message for farmers and other actors on the VODP 2 approach ²	PMU	Immediate
Finalize, quantify value chain overviews and strategic plans (VCSP), validated in hub-specific stakeholder meetings (OSSUP) ²	Hub-coordinators	Immediate
Collect quantitative and qualitative data on the 2013 season and report on this ²	Hub-coordinators	Immediate
Develop a VODP 2 led work plan for the PSPs based on VCSP and PSP proposals	Hub-coordinators	30 Sept 2014
Develop with OSSUP facilitation the strategies for sustaining the OSSUP platforms and the facilitation functions.	PMU/OSSUP-SNV	30 Sept 2014
Expand and develop coordination and interaction with ISSD on local seed production based on quality controlled local seed businesses	PMU	30 Sept 2014
Use relevant practical material on oilseeds and seed of oilseeds production on website and in radio programmes ²	PMU	30 Sept 2014
Ensure cost efficiency of single sourcing	SNV	On-going

Component 3 – Project Management

² Repetition of the September 2013 AM agreed actions

- 53. Staffing of hub offices.** Although IFAD provided its no objection to the recruitment of 4 hub administrators; 4 office attendants and 4 drivers on 9 September 2013 to support the 4 hub coordinators, clearance has not been forthcoming from MAAIF. The mission is informed that MAAIF is concerned with the size of the field offices which are to remain liaison offices. **Agreed action.** It has been agreed with the PS/MAAIF that the PMU will proceed with the recruitment of a driver and an office attendant, whose duties will include cleaning. The functioning of the hub offices will be assessed following the next 6 months of operation.
- 54.** The project continues to operate under laid down systems and procedures which are consistent with those of the GoU. These include Financial Planning through AWPB, Accounting, Financial reporting, Funds flow, Auditing and Procurement. The mission appreciates the strengthening of the internal controls and checks through the additional oversight of the PS of MAAIF and the internal audit unit of the Ministry. They have been applying intensified oversight over all the expenditures incurred by the Project. However, the project has not documented these systems fully but in form of guidelines, which is an abridged version of a normal Financial Management Systems and Procedures manual. The document requires expansion and enhancement in order to make it more effective in terms of guidance to existing and new staff. In the past missions improvement of the existing document into a fully-fledged manual had been recommended. These were to include documented key functions and processes of internal controls, funds flow, disbursements, financial reporting templates among others consistently with the IFAD PIM template. **Agreed action.** The revision work is on-going and will be completed by 30 September 2014.
- 55. Annual Workplan and Budget Performance.** The Mission carried out the Budget performance review and notes a modest budget utilisation on the overall. For the period of 1 July 2013 to 15 June 2014, the overall actual performance of UGX 14.1 billion against the budget of UGX 23.5 billion was 60%. Of the budgeted expenditure of the IFAD loan of UGX 18 billion (USD 7 million), UGX 8.8 billion was spent (UGX 10.5 billion including commitments), leading to a budget performance of 48% (58%). Government counterpart funding of UGX 5.5 billion was budgeted and forthcoming, leading to a performance of 96%. Operating costs performed at 82%. Palm oil development category performed at 58% as planting was budgeted prior to maturity of the seeds. Other notable performances are Buvuma oil palm development at 91 %, and reflect 1796 ha of land acquisition out of the budget of 2000 ha. Delays were encountered under oilseeds where the PFS are not yet on board, in retendering for motor bikes, delayed construction of a fertilizer store, delayed signing of MoUs for research and for completion of the EIAs. Invoices from OPUL and from seed providers have delayed and thus funds are not yet disbursed.
- 56. Monitoring and evaluation.** Project data accuracy and quality of reporting is increasing by each mission, and documentation is still to be mainstreamed to the new activities coming on board. An interim M&E database is in place, to be upgraded in the upcoming financial year. The project has piloted an innovative tool for monitoring and impact assessment, with support from GLTN. Participatory processes have proven to create a high demand for mapping of smallholder gardens in Kalangala. Satellite imagery for the project areas has been identified from the Regional Centre for Mapping Resources in Nairobi, of which Uganda is a member. However, the MoU has not been identified, as needed for sole sourcing. **Agreed action.** The PMU will contact Ministry of Lands to expedite the procurement of satellite imagery.
- 57. Baseline and impact survey.** Three major baseline studies are being undertaken, all of which will be RIMS compliant and include additional VODP2 specific baseline data. For oilseeds, the MAAIF statistical department, in collaboration with UBOS is undertaking a household level survey, with a high integration of national statistics, while companies have been contracted to undertake baseline studies of Kalangala and Buvuma, respectively. This will be supplemented. The studies are at inception report stage, and are so far of high quality. A desk review of oil palm impact is yet to be undertaken. **Agreed action.** The PMU will work closely with the ministerial team to ensure high quality and timely delivery of the surveys by 30 September

2014. In the field, they will interact with the OSSUP facilitators to ensure harmonized data collection approaches, and develop a dissemination strategy of the results. The PMU will work closely with Ministry of Lands to acquire the satellite imagery on basis of the existing membership of the Regional Centre.

- 58. Mid-term review.** The procurement of the FAO Investment Centre for undertaking of a mid-term review has been initiated. The PMU will have to prepare analysis of all aspects of the project, including documentation of project activities, gaps and economic analysis to provide adequate information for the MTR. Special attention will have to be paid to emerging issues on Buvuma, oil palm and KOPGT income projection, as well as finalised oil seeds value chain strategies under oil seeds. **Agreed action.** The mid-term review will be finalised by 31 December 2014 to ensure the necessary loan amendments are in place prior to exhaustion of the oil palm development category.
- 59. Communication.** The PMU has made efforts to set up a physical resource centre for sharing information with the public. The project webpage is in place, but has some inactive links and other missing information. **Agreed action.** VODP2 will develop an on-line repository of information, targeting both internal and external audiences. The webpage will be updated with documents, information on events (upcoming and completed) as well as stories from the field and key messages. Interns could be used to update the webpage.
- 60. Knowledge management.** In previous missions, emphasis has been put on the internal sharing of progress in the field and what is generally happening in the different project areas to keep the whole PMU team abreast with project operations. The above online repository of documents is similarly a key tool to ensure that all staff members are aware of documentation and strategies available. A number of trainings have been undertaken for various stakeholders on issues of knowledge management and learning. **Agreed actions.** The previously agreed upon e-newsletter will be given priority for internal knowledge sharing. A detailed plan for sharing and training events will be developed, ensuring that technical aspects relevant to the stakeholders are adequately addressed (such as governance, agronomic practices etc).

Agreed action	Responsibility	Agreed date
Proceed with recruitment of hub support staff	MAAIF	31 July 2014
Finalise PIM revision	PMU	30 Sept 2014
Expedite procurement of satellite imagery	PMU	Immediate
Finalise baseline surveys	PMU	30 Sept 2014
Harmonize data collection approaches with OSSUP SNV facilitation	PMU/OSSUP-SNV	31 Dec 2014
Undertake and finalise MTR	PMU	31 Dec 2014
Develop on-line document repository and complete web-page	PMU	Continuous
Develop newsletter	PMU	31 July 2014
Develop plan for sharing and training events	PMU	31 July 2014

E. Fiduciary aspects

- 61. Financial management capacity and financial reporting.** The financial management team includes the Financial controller, Accountant, and a cashier. The team is complete and is equipped with the requisite computers and software. The management reviewed the semi-annual Physical and Financial Progress reports. **Agreed action.** Financial reports will be improved with the Statements of Revenue and expenditure, which balances the surplus with the cash balances. Other financial statements will include the reconciliation of the designated accounts and a budget performance report, where the actual costs of the implemented activities during the period are compared with the budget provision, and the signification variations suitably explained.

- 62. Statement of expenditures (SoEs) review.** The mission reviewed 17 expenditure payment items out of WAs 24, 25, and 26. The expenditure items were agreed to the supporting documentation and were found to be eligible for claim from IFAD.
- 63. Register of assets.** The mission reviewed the register of assets. It is well maintained and a random test of a sample of assets indicate a timely update of the register.
- 64. Designated account.** The combined allocation of USD 4 million of the two designated accounts is fairly accounted for. The combined cash balance of the designated accounts, operational and sub-accounts amount to USD 1.21 million. The WAs pending settlement by IFAD account for USD 1.65 million, while expenditure pending WA submission account for USD 1.39 million representing 35%. Included in the operational account are GOU funds for land acquisition amounting to USD 242,888. **Agreed action.** WAs will be prepared and submitted as soon as the 30% threshold is achieved, and in addition, the DA reconciliation be carried out regularly at the end of each month so as to provide an expenditure monitoring tool.
- 65. Ministry processes and flow of funds.** The flow of funds for KOPGT activities was rated satisfactory given that there have not been any issues of delays of disbursement from PMU and or GoU and of accountability by KOPGT. In addition there were no complaints from the farmers for any delays in disbursement from KOPGT.
- 66. Disbursement.** As at 15 June 2013, the actual total disbursement reflected in the IFAD records up to WA 25, and including the initial deposit amounted to SDR 8.39 million, representing 27% of the total IFAD Loan of SDR 33.5 million. Excluding the initial deposit of USD 4 million, the actual loan utilisation is 19%. However, projected utilisation of funds, including expenditures incurred and not yet submitted to IFAD (total of about SDR 2.34 million equivalents) is estimated at SDR 8.7 million, equivalent to 26% of the total loan. Consequently, the balance of resources available for the programme is SDR 24.8 million, approximately USD 37.6 million.
- 67. Counterpart funds.** The mission notes that the Project has received USD 5.52 million from the GoU. This represents 39% of the allocation at appraisal of USD 14.1 million. Compared with the approved AWPBs since inception, the amount represents 115% of these budgets. The mission is satisfied with this level of Contribution and commends the Government for fulfilling its commitments.
- 68. Compliance with loan covenants.** The mission reviewed the compliance of the loan covenants and notes that the following provisions which are undergoing compliance arrangements are yet to have their processes completed:
- a) **Schedule 1. B. 2:** Conclude a framework MoU with NARO and operational MoUs with monitorable outputs with NaCRRi, NaSARRI and CORE
 - b) **Schedule 1.C. 4:** The GoU shall up-grade the ferry service between Buvuma and the mainland
 - c) **Schedule 3:** Establishment of island offices by KOPGT is subject to prior approval by IFAD
 - d) **Schedule 3:** A formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.
- 69. Procurement.** The mission reviewed procurement process since the last mission. A large number of key goods and services planned in the 2013/2014 plan and budget were not procured and were carried over to the 2014/15 AWPB and procurement Plan. The key items procured during the period were motor vehicles and the mission is satisfied that the laid down procedures were followed.
- 70. Contracts register.** A review of the contracts register reveals a well maintained record. A sample test of a number of contracts indicates a timely update of the procured contracts.

- 71. Statutory audit.** The audit function of the Programme Financial accounts, statements and reports is up-to-date. The last audit as at 30 June 2013 was carried out within the set timelines and the audit financial statements and reports were rated with unqualified opinions, and submitted to GoU and IFAD by the 31 December Deadlines. The mission reviewed the management letter by the auditors and notes that the Programme is following up the few issues raised, though not major. The quality of the financial statements was reviewed and the mission notes their high quality in terms of presentation, accuracy and adequate details in the disclosures in the notes to the accounts.
- 72. Internal audit.** The mission is pleased to note the internal audit unit of MAAIF is adequately mainstreamed in the internal controls and checks in the approval and authorisation processes of the financial payments and procurement. This has strengthened the internal controls of programme financial management and is highly appreciated.

Agreed action	Responsibility	Agreed date
Carry out quarterly financial statements	PMU	30 Sept 2014
Prepare special account reconciliation monthly	PMU	31 July 2014
Submit WA to IFAD upon reaching 30% threshold or end of 90 days	PMU	Immediate
Follow-up all the issues in the Loan Covenants compliance	PMU	immediate
Give priority to the procurement of items related to Bunyama	PMU	15 July 2014

F. Conclusion

- 73.** This Aide Memoire was discussed and agreed upon in a wrap up meeting on 4 July 2014, chaired by Mr Vincent Rubarema, Permanent Secretary of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) at the Ministry in Entebbe. The mission members, as well as the PMU, KOPGT staff and relevant officers from MAAIF also participated. IFAD and the Government of Uganda endorsed the findings of the supervision mission.

Alessandro Marini
Country Programme Manager
IFAD

4 July 2014
Date

Mr. Vincent R. Rubarema
Permanent Secretary
MAAIF

4 July 2014
Date

Appendix 1: Summary of project status and ratings

Project 1468 [806] Vegetable Oil Development Project 2

Basic Facts

Country	Uganda	Project ID	1468	Loan/DSF Grant No.	806
Project	Vegetable Oil Development Project 2			Top-up Loan/DSF Grant	
Date of Update	08-Jul-2014				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	2		
Last Supervision	04-Oct-2013	Last Implementation Support/Follow-up mission	28-Apr-2013		

USD million Disb. rate %						
Approval	22-Apr-2010			Total financing	145.89	
Agreement	21-Oct-2010	Effectiveness lag	6.1	IFAD Total	52.00	
Entry into force	21-Oct-2010	PAR value	-----	IFAD loan	52.00	27
First disbursement	03-Jun-2011			DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	31-Dec-2018	Last audit	03-Jan-2013	Domestic Total	93.89	
Current completion	31-Dec-2018			Beneficiaries	3.89	55
Original closing	30-Jun-2019			Government (National)	14.14	21
Current closing	30-Jun-2019			Other Domestic	5.48	0
No. of extensions	0			Private Sector Local	70.38	0
				External Cofinancing Total	0.00	

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	3	3
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Oil palm development	3	3	1. Institution building (organizations, etc.)	4	4
2. Oilseeds development	3	3	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4

4. Responsiveness of service providers	4	4
5. Exit strategy (readiness and quality)	4	4
6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

Quality of project financial management at PMU satisfactory: audit unqualified, full staff in place and flow of funds efficient. KOPGT financial unit fully staffed and, although no specific KOPGT audit was undertaken, project audit found no issues. Procurement systems/capacity in place, quality improving in spite of cumbersome Government processes, but effort needed to speed up key processes (e.g. oilseeds service providers). Project management is not proactive in addressing implementation issues, which, coupled with the high complexity of the project, is among the main causes of the serious delays in implementation. Government counterpart funding (land acquisition) timely disbursed. Some loan covenants not yet fully met (some MoUs and KOPGT business plan). M&E systems in place and well designed: logframe reviewed, profiling of indicators completed and GIS technologies being incorporated. Poverty focus/targeting enhanced with introduction of ceiling on max acreage/household for oil palm. Rating for main investment components moderately unsatisfactory, little progress made during last year. The only investment for the second phase visible on ground is the planting of 368 ha of oil palm on Kalangala. For outlying islands, the transport study has not yet started. Less than 60% of the target of 6,500 ha of land for the nucleus estate in Buvuma have been secured. Procurement of oil seeds service providers is in the final phases for only 2 out of 5 envisaged contracts, while the other 3 have been re-tendered. Government continues to show strong interest in up-scaling the PPP model; important lessons are being extracted from the project for the discussions of inclusive business models. Sustainability in oil palm in Kalangala is still moderately satisfactory: important actions are being taken in this respect (KOPGT strategic planning and institutional strengthening of KOPGA), but they need to be fast-tracked.

Overall Assessment and Risk Profile

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

Rationale for implementation progress rating

While the very good progress in the consolidation of the outputs and achievements of phase 1 continues, implementation is substantially below target when looking at the main investment areas for phase 2: oil palm in Kalangala outlying islands and Buvuma island and oilseeds in the four hubs in the Northern Region. The project has already lost more than 3 years of implementation and even in the best scenario the remaining implementation time will be less than 4 years. At this speed, it is realistic to expect that less than 50% of the outputs and outcomes will be realised by project closure. Some of the issues behind the implementation delays can be, and are partly being, addressed by project management although more proactiveness would be needed to catch up with the time lost and revert to a satisfactory implementation progress. The issues causing the delays in oil palm investment in Buvuma, however, are beyond the capacity of the project unit. Land issues on the island revealed much more complex than envisaged at design, which caused huge delays in securing the land for the nucleus estate. These delays have now induced the private sector investor to reconsider the terms of its engagement in the partnership. While the commitment to invest on the processing side remains, BIDCO is no more interested to invest in the nucleus plantation in Buvuma. This substantially changes the partnership model as envisaged at design and entails a suspension of the project investment in smallholder development in Buvuma, for which the establishment of the nucleus estate (and mill) was a necessary pre-condition.

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

Rationale for development objectives rating

The likelihood of the project to achieve its development objectives is seriously at stake, due to the long delays accumulated. Urgent measures are needed to considerably improve implementation, but slower progress than expected has been done during the last year to address the key outstanding issues, which still remain unresolved or have, in some cases, further worsened. With the necessary corrective actions already identified a year ago and more proactiveness by project management in pursuing them, the situation can still be redressed with respect to the investment in oilseeds as well as oil palm in Kalangala. For oil palm in Buvuma, however, the decision of the private sector to withdraw from investing in the nucleus estate has definitely compromised the possibility for the project to reach the expected outcomes and objectives of this sub-component by the current completion date. It is therefore necessary to revisit the whole investment plan for Buvuma, to first assess the viability of a pure smallholder model with no nucleus estate and then design a new investment proposal, which will certainly require additional financial resources and time. The MTR planned for the last quarter of this year will be key in this respect.

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

Fiduciary aspects	Considerable financial gap (above USD 11 million) identified for the oil palm component due to underestimation of costs at design: co-financing will need to be identified and project costs (and economic analysis) adjusted at mid-term review.
Project implementation progress	(a) Limited capacity of existing service providers for oilseeds component, in particular to facilitate viable partnerships for farmers groups with private sector operators; (b) very slow progress of Ministry of Works to complete the study on water transport for Kalangala outlying islands might jeopardize investment.
Outputs and outcomes	(a) The uncertainty about the viability of 'pure' smallholder model might result in cancelling the investment in oil palm in Buvuma after the decision of BIDCO to withdraw from investment in nucleus

	estate; (b) changes of economic viability of oilseeds crops on ground.
Sustainability	(a) Trade-off between financial sustainability of KOPGT and capacity to provide high-quality services to smallholders on a cost-recovery basis (need of clear business plan); (b) Limited capacity of KOPGA to play a positive and constructive role in future development of KOPGT towards sustainability; (c) Lack of interest/capacity by private sector (millers and seed companies) to establish commercial partnerships with farmers groups/organizations for oilseeds development.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Project start-up	Government should finalise the procurement of the firm for PMU staff recruitment.	30 May 2011	Done
Project start-up	The PMU (on board since early May 2012) should prepare a time-bound implementation plan (including a procurement plan)	Mid-June 2012	Done
Oilseeds development plans	Finalize the hubs' value-chain development plans to feed into the AWPB 2013/14	30 June 2013	Done (delayed)
Recruitment of service providers	Finalize the recruitment of service providers for the oilseeds component	31 December 2013	Not yet finalized, after 6 months postponement of deadline
Staffing of KOPGT	Finalize recruitment of financial manager and accountant	30 June 2013	Done (with delay)
Financial sustainability of KOPGT	KOPGT Board to approve a business plan towards financial sustainability	30 June 2014	Deadline not yet reached (after 6 months' postponement)
Investment in Kalangala outlying islands	Undertake study of viability of investment in Kalangala outlying islands and decide on future development plans	30 September 2013	No yet done
Investment in Bugala island	Government to hand-over at least 3,000 ha of land, free of encumbrances, to BUL (private sector operator) for nucleus estate.	30 June 2013	Not done. BUL has withdrawn.
Staffing of PMU	An accountant (rather than an accounts assistant) needs be recruited as soon as possible	15 April 2013	Done (with delay)
KOPGA	Undertake diagnostic study and elaborate plan for capacity building and institutional strengthening	31 December 2013	Not done. Delayed.
Oil palm Buvuma	Assess the viability of 'pure' smallholder model and re-design the sub-component as necessary	31 December 2014	

Additional observations

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

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

Narrative Summary	Key Performance Indicators	Progress	Means of verification	Assumptions/risks	Comments
1.0 Contribute to sustainable poverty reduction in the project area.	1.1 50% of households with improvements in assets ownership index at project completion (*) 1.2 20% reduction in the prevalence of child malnutrition, by gender (height/age, weight/age, weight/height) (*)	1.1 Baseline to be established 1.2 Baseline to be established	• Baseline and completion surveys (oil palm) • Uganda Bureau of Statistics (oil seeds)		
Project Development Objective: 2.0 Increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets.	1.3 Level of vegetable oil self-sufficiency increased from 30% (2008 baseline) to over 60% by project completion (2018). 1.4 Increased per capita vegetable oil consumption from 5.6 kg/capita in 2008 year to 7.0 kg by 2018. 1.5 Oil palm and oilseeds profitably produced by smallholders 1.6 Households receiving project services (*)	1.3 – 1.6: Baseline and target values to be established	• UBOS statistics on Ugandan vegetable oil production • Project M&E database • Baseline studies and PCR • FAO food balance sheet	• Absence of external and internal economic shocks • Increased incomes will lead to more demand for vegetable oils	•
Outcome 1: Oil palm consolidation and expansion 3.0 An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers.	1.7 Crude palm oil annual production increases from 0mt in 2009 to 35 000mt by 2018. 1.8 Smallholders earning incomes of USD 1 500 per ha per year at full development 1.9 Operational self sufficiency of KOPGT in 2016 and BOPGT in 2018 (*)	1.7 Baseline and target to be established 1.8 Updated farm model shows gross incomes of USD 1 500 already at year 5; or in year six if loan servicing is considered 1.9 Target dates to be adjusted	• OPUL and KOPGT databases • KOPGT reports • BOPGT reports • Project M&E database	• Oil palm production begins in Buvuma by 2013 • Liberal economic policies continue • Smallholders receiving import parity prices • OPUL and GoU maintain their commitment to oil palm development in Uganda • No drastic price falls in the international palm oil market	• Oil palm production will not start in 2013; risk of not reaching outcomes in Buvuma by end of project. • GoU highly committed to oil palm; counterpart funding is forthcoming and additional pledges have been made
Outputs: 4.0a New oil palm areas identified 4.0b Sustainable oil palm development 4.0c Kalangala oil palm scheme completed and producing 4.0d Buvuma oil palm scheme established	4.1 140,000 ha identified for oil palm plantations by 2018 4.2 6,500 ha of nucleus estate planted in Kalangala by 2016 4.3 4,700 ha planted by smallholders in Kalangala by 2016 4.4 1,800 smallholders served by KOPGT (*) 4.5 KOPGT re-structuring agreement signed by 31 December 2013 4.6 Four island environmental monitoring	4.1 About 20,000 ha identified 4.2 6,225 ha nucleus estate planted in Kalangala 4.3 3,864 ha planted by smallholders in Kalangala 4.4 1,610 smallholders serviced by KOPGT 4.5 Date to be postponed 4.6 EIA for outlying islands to be submitted to NEMA by	• Project progress reports and M&E database • OPUL and KOPGT databases • KOPGT reports • BOPGT reports • BOPGT progress reports	• Identified areas have land in blocks suitable for nucleus estate and smallholder development • Transport established to outlying islands • GoU able to purchase sufficient area of land for nucleus estate on Buvuma • Ferry service to Buvuma	• Funding for transport study made available by Ministry of Works and funding for transport services by Ministry of Finance. • Land acquisition in Buvuma still on-going.

Narrative Summary	Key Performance Indicators	Progress	Means verification of	Assumptions/risks	Comments
	<p>plans for smallholder oil palm completed and being implemented (*)</p> <p>4.7 6,500 ha nucleus estate planted by 2017 in Buvuma</p> <p>4.8 83,500 ha smallholder land plated by 2018 in Buvuma (*)</p> <p>4.9 1,100 farmers served by BOPGT</p> <p>4.10 All oil palm activities (plantation, mill and refinery) are in compliance with NEMA regulations</p> <p>4.11 Km of farm roads constructed/rehabilitated (*)</p>	<p>1 November 2014</p> <p>4.7 Nucleus estate cancelled</p> <p>4.8 Smallholder planting not begun</p> <p>4.9 BOPGT not established</p> <p>4.10 Buffer zone encroachment to the estimated for Kalangala</p> <p>4.11 80 KM for Kalangala still pending</p>	<ul style="list-style-type: none"> • Special studies • District Local Government reports 	<p>upgraded</p> <ul style="list-style-type: none"> • No extreme climate or disease events affect palms 	
<p>Outcome 2: Development of Oilseeds</p> <p>5.0 Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production</p>	<p>5.1 Mill capacity utilization increased from 30% in 2009 to 85% by 2018</p> <p>5.2 Farmers growing oilseeds increased from 55 000 in 2008 to 140 000 by 2018, with net cash earning per ha per season of US\$350</p> <p>5.3 Domestic oil seeds production of sunflower and soya bean increased from 70,00 tonnes in 2008 to 150,00 tonnes by 2018 of which 70% is from the new hubs of Gulu, Eastern Uganda and West Nile</p> <p>5.4 Number of farmers adopting improved varieties</p> <p>5.5 Number of agricultural production groups operational/functional</p> <p>5.6 Number of farmers using purchased oil seed varieties</p>	<p>5.1– 5.6: Baseline and target levels to be established</p>	<ul style="list-style-type: none"> • Millers study • Baseline study, completion report • Farm models • Production statistics from MAAIF • M&E system • UOSPA/UNFFE/OSS UP statistics • Mid-term/project completion reports 	<ul style="list-style-type: none"> • No disease outbreaks • Farmers increase production of soya bean 	•
<p>Outputs:</p> <p>6.0a Production of certified good quality seed and oil</p> <p>6.0b Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers</p>	<p>6.1 Two improved varieties for each oilseed crop submitted to the Variety Release Committee by NaSARRI and NaCRRI annually</p> <p>6.2 90% of oilseed growers buying certified seed by 2014</p> <p>6.3 Number of hectares under oil seeds cultivation increased to 140,000 ha by 2018, up from 80,000 ha in 2008</p> <p>6.4 Number of farmers reporting an average yield of 1.1 t/ha</p> <p>6.5 5,900 farmer groups (with 30% participation of women) receiving extension services from the project by</p>	<p>6.1 – 6.9: Preparatory activities on-going. Baseline levels and targets to be established.</p>	<ul style="list-style-type: none"> • OSSUP reports • NaSARRI/NaCRRI/MAAIF Seed Certification Agency reports • UBOS reports • District Agricultural Officers quarterly reports • NAADS technical reports • Impact assessments and surveys 	<ul style="list-style-type: none"> • Millers and other private operators willing to undertake extension provision on a cost sharing basis • Increased crushing material attracts new investment in hubs 	•

Narrative Summary	Key Performance Indicators	Progress	Means verification of	Assumptions/risks	Comments
	2018 6.6 1,000 farmer groups bulk selling by 2015 6.7 90% of the medium/large-scale millers attain UNBS quality certification by 2018 6.8 Amount of credit facility disbursed to value chain actors by participating financial institutions 6.9 Number of beneficiaries of the credit facility		<ul style="list-style-type: none"> • MAAIF farm survey reports • VODP2 progress reports using information from millers, UBOS, UNBS and mobile service providers 		
Outcome 3: Project management 7.0 Project Management helping farmers to provide growing amounts of crushing material for processing in edible oil and earning better incomes	7.1 IFAD loan 55% disbursed by 30 June 2015 and 100% by 31 June 2019	7.1 27 % of loan disbursed to date.	<ul style="list-style-type: none"> • VODP2 financial statements • IFAD loan disbursement reports • Audit reports in line with IAS 	<ul style="list-style-type: none"> • Continued comment to the project by GoU and IFAD 	<ul style="list-style-type: none"> •
Outputs: 8.0a Project Management fully operation 8.0b Oil seeds subsector platform (OSSUP) providing forum for stakeholders.	8.1 Full staff of qualified professionals 8.2 Percentage of actions that OSSUP platform meetings agreed upon that have been implemented 8.3 Timely preparation and execution of AWPB 8.4 Timely submission of mandatory reports 8.5 Timely submission of withdrawal requests	8.1 PMU staff recruitment completed. 8.2 To be established. 8.3 AWPB 2013/4 budget performance at 58% (incl commitments) 2012/13 executed at 54.4%. 8.4 + 8.5 On track.	<ul style="list-style-type: none"> • Audit reports • PMU financial reports • VODP2 project progress and M&E reports 	<ul style="list-style-type: none"> • Stakeholder buy into project-supported activities • Low staff turnover 	<ul style="list-style-type: none"> •

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

Action Area	Action Agreed	Whom	Date
Oil palm development – Kalangala	Plant remaining 37 ha on Bugala	KOPGT	31 Mar 2015
	Identify need for gap filling and plant	KOPGT	31 Mar 2015
	Improve unit level monitoring of harvesting standards	KOPGT	Continuous
	Provide information on extent of 2010 yield losses	KOPGT	31 Aug 2014
	Initiate planting campaign	KOPGT	Immediate
	Plant 400 ha on Bunyama	KOPGT	31 Mar 2015
	Fast-track procurement of boats	PMU	Immediate
	Liaise with Ministry of Works to complete transportation study	PMU	28 Feb 2015
	Support NEMA in approval of EIA	PMU	1 Nov 2014
	Ensure respect of the buffer zone for all new plantings	KOPGT	30 Nov 2014
	Identify extent of encroachment of buffer zone and develop mitigation strategy	PMU	31 Mar 2015
	Ensure elaboration of policies on cross-cutting issues	KOPGT	31 Dec 2014
KOPGT institutional issues	Assess performance of staff	KOPGT	31 Aug 2014
	Develop business plan	Consultancy / KOPGT	31 Aug 2014
	Devote sufficient attention to KOPGT institutional issues	PMU	Immediate
	Develop plan of board meetings	KOPGT	Immediate
	Ensure active participation on KOPGT board	PMU	On-going
	Ensure active participation of MAAIF, NARO, MFPED and MoJ on KOPGT Board	PMU / MAAIF	Immediate
	Expedite approval of finance manual	KOPGT	31 Aug 2014
	Submit draft Board Manual to KOPGT Board	Consultancy / KOPGT	31 Oct 2014
	Renew the term of the KOPGT General Manager on the pricing committee	MAAIF	Immediate
	Conduct needs assessment of KOPGA strengthening	PMU	31 Oct 2014
	Recover fertilizer funds from commercial farmers	KOPGT	31 Aug 2014
	Recover fertilizer payments to VODP2	KOPGT / PMU	31 Sept 2014
	Implement 3 month fertilizer payment schedule	KOPGT	Immediate
	Complete validation of farmer loan statements	KOPGT	31 Aug 2014
	Conduct review of transport recovery account	KOPGT	31 Oct 2014
	Insure vehicle fleet insurance	PMU	31 Dec 2014
	Continue radio and web page development	KOPGT	Continuous
	Ensure adherence to road map towards first independent audit	KOPGT / PMU	31 Aug 2014

	Include budgeting of reflows for oil palm development in AWPB FY2014/15	KOPGT	31 July 2014
	Provide clearance for usage of reflows by VODP2 for oil palm development	MAAIF	31 Sept 2014
	Seek clarification on input taxes	MAAIF	Continuous
Oil Palm - Buvuma	Submit EIA to NEMA for approval	PMU	31 Jul 2014
	Field implementation support mission	IFAD	31 Aug 2014
	Appointment of oil palm researcher	MAAIF	30 Oct 2014
	Develop a one-page brochure with a message for farmers and other actors on the VODP 2 approach ³	PMU	Immediate
	Finalize, quantify value chain overviews and strategic plans (VCSP), validated in hub-specific stakeholder meetings (OSSUP) ²	Hub-coordinators	Immediate
Identification of new areas	Collect quantitative and qualitative data on the 2013 season and report on this ²	Hub-coordinators	Immediate
Oil seeds	Develop a VODP 2 led work plan for the PSPs based on VCSP and PSP proposals	Hub-coordinators	30 Sept 2014
	Develop with OSSUP facilitation the strategies for sustaining the OSSUP platforms and the facilitation functions.	PMU/OSSUP-SNV	30 Sept 2014
	Expand and develop coordination and interaction with ISSD on local seed production based on quality controlled local seed businesses	PMU	30 Sept 2014
	Use relevant practical material on oilseeds and seed of oilseeds production on website and in radio programmes ²	PMU	30 Sept 2014
	Ensure cost efficiency of single sourcing	SNV	On-going
	Proceed with recruitment of hub support staff	MAAIF	31 July 2014
	Finalise PIM revision	PMU	30 Sept 2014
	Expedite procurement of satellite imagery	PMU	Immediate
	Finalise baseline surveys	PMU	30 Sept 2014
Project management	Harmonize data collection approaches with OSSUP SNV facilitation	PMU/OSSUP-SNV	31 Dec 2014
	Undertake and finalise MTR	PMU	31 Dec 2014
	Develop on-line document repository and complete web-page	PMU	Continuous
	Develop newsletter	PMU	31 July 2014
	Develop plan for sharing and training events	PMU	31 July 2014
	Carry out quarterly financial statements	PMU	30 Sept 2014
	Prepare special account reconciliation monthly	PMU	31 July 2014
Fiduciary	Submit WA to IFAD upon reaching 30% threshold or end of 90 days	PMU	Immediate
	Follow-up all the issues in the Loan Covenants compliance	PMU	immediate
	Give priority to the procurement of items related to Bunyama	PMU	15 July 2014

3 Repetition of the September 2013 AM agreed actions

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

Area	Agreed Action	Whom	Date	Progress	Status
Oil Palm - Kalangala	Suspension of interest for farmers that have not received seedlings	KOPGT	Immediate	Interest was suspended	Done
	EIAs outlying islands finalized and sent to NEMA	PMU	31 Nov 2013	Final draft ready for submission to NEMA	Done
	Confirm commitment for financing investment on transport to outlying islands	MFPEd	31 Oct 2013	Letter confirming financing of investment has been received from Ministry of Finance, Planning and Economic Development	Done
	Firm up agreement with OPUL for fertilizer payments and present new system to board for approval	KOPGT	31 Oct 2013	There was a need to first confirm the commercial farmers fertilizer needs, thereafter an agreement will be entered into with OPUL	New rec provided
	Place order for seedlings for 800 ha on outlying islands	KOPGT	30 July 2012	Order placed in August 2013 with OPUL for 150,000 seedlings to be delivered in three lots of 50,000 each (enough for 500 ha will be available by January 2015). Order for remaining 400 ha to be placed by August 2014.	New rec provided
	Complete 40 km of roads that need improvement from phase 1	PMU/K DLG	31 Mar 2014	Mapping of all VODP funded farm roads carried out, consultative meeting with block and unit leaders on priority leaders carried out, road works underway at Class III standard. Farmers have committed to provide gravelling for the roads.	Carry forward
	Improve 50 km of roads to CAR standards and hand-over to District	PMU/K DLG	30 Jun 2014	Designs for the roads reviewed, maintenance works underway	Carry forward
	Design roads for new 400 ha in Bugala and start works	PMU/K DLG	30 Sept 2014	Survey of new farms has started	Carry forward
	Undertake KOPGA diagnostic study	IFAD	31 Dec 2013	Proposal not available on time for commitment of funds	New rec provided
	Mobilize additional resources for KOPGA capacity building	IFAD	31 Jun 2014	On-going	New rec provided
	Prepare KOPGT Strategic Plan through wide consultative process	KOPGT	31 Jun 2014	Version 2 is available, following consultations with KOPGT board, KOPGA and Backhouse	New rec provided
	Recruit KOPGT Financial Manager and Accounts Assistant	PMU/M AAIF	31 Dec 2013	Positions have been filled (Finance manager internally, Accounts assistant externally)	Done
	Submit to IFAD for NO the final evaluation report for fertilizers' store	PMU	31 Oct 2013	Done and work has commenced	Done
	Launch procurement process for truck insurance services	PMU	30 Nov 2013	Process on-going; with PS for signature	New rec provided

Review transport costs charges	KOPGT	30 Nov 2013	Transport account will be subject to the strategic business plan. It is the farmers understanding that the cost caters for FFB transport and motor vehicle repairs as compared to vehicle replacement	New rec provided
Submit to IFAD for No Objection evaluation report for KOPGT backstopping in financial management	PMU	30 Nov 2013	Submitted, and the consultancy (Backhouse) has commenced)	Done
Create separate accounts for Government and KOPGT shares of loan repayments and interests	KOPGT	31 Dec 2013	Done. A fixed deposit in Finance Trust holds KOPGT funds while Stanbic holds the Government funds. Communication has been made to the PS through the PMU.	Done
Fill the communications templates with key messages for farmers	KOPGT	31 Dec 2013	Done at KOPGA level and translated into Luganda, e.g. the FFB pricing formula	Done
Start applying fertiliser deductions for commercial farmers	KOPGT	1 Sept 2012 1 January 2013	KOPGA/KOPGT consultative meeting of March 2013 agreed to use the method of invoices to commercial farmers. Amounts on invoices are deductible in three instalments from FFB sales. A stocking challenge has been encountered; OPUL has agreed to help	New rec provided
Complete posting and final verification of loan data	KOPGT	30 Sept 2012	95% posting of data complete. Farmers loan statements issued out to all blocks. Verification and updating on going.	Carry forward
Completion of 40 kms of roads on Bugala	KDLG	Immediately	Action taken. Roads opened and shaped. Plans to compact and murram difficult areas. Newly recruited project Engineer has visited to assess status.	New rec provided
Planting of 400 ha to commence on Bugala once new conditions are defined	KOPGT	31 March 2013	Action taken. A total of 368 ha planted by end of August and all available seedlings distributed and planted; but not enough seedlings available due to high mortality rate. An order of 200,000 seedlings have been ordered of which 100,000 are expected next month. Planting to complete when seedlings have matured (in 2014). 169.4 hectares planted between July and October 2012 and another 359 between March and August 2013 (92.5% of target). 37 ha remaining, to be planted in January 2015	New rec provided
Shortlist for the two KOPGT positions will be sent to IFAD for NO; No Objection will be provided by 30 April.	PMU	15 April 2013	Short-list finalised. Awaiting internal clearances prior to submission of NOs.	Done
Expedite process for the delivery of the 4x4 trucks for KOPGT	MAAIF	15 April 2013	Trucks delivered in April and payment effected in August. Transport of FFBs greatly improved.	Done
Consultations with the farmers on the new conditions and provide feedback to the PMU	KOPGT	15 April 2013	Consultations undertaken and new loan conditions effected. Some challenges faced but dialogue is continuing. Consultations were done at all levels and agreed positions were reached in March 2013. A Memorandum was signed by all parties, which is guiding the roll-out.	Done

	Bidding documents for KOPGT fertilizer store sent to IFAD for No Objection	PMU	15 April 2013	Construction has commenced.	Done
	Revised bidding documents for roads in Kalangala District submitted to IFAD for No Objection	PMU	30 April 2013	As above.	New rec provided
	KOPGT develop an independent website to share relevant information with the external audiences.	KOPGT	30 August 2013	Web-site developed and up and running in August; pending full payment of service providers. www.kopgt.co.ug	Done
	Start plating of 800 ha in outlying islands	KOPGT	1 Jan 2014	Awaiting EIAs, maturity of the seedlings and road demarcation	New rec provided
	Ensure adherence to road map for self-sustainability	KOPGT / PMU	Continuou s	HR and credit manuals approved by board; finance manual pending and board manual to be developed. Draft strategic plan developed, and roll-out plan for re-structuring and institutional strengthening is in place.	New rec provided
Buvuma	Hand over 3,000 ha land to BUL	MAAIF	31 Dec 2013	No longer valid since BIDCO has pulled out	New rec provided
	At least 3,000 ha., free of encumbrances, handed over to BUL	MAAIF	30 June 2013	Target of handover to BUL no longer relevant	New rec provided
	Negotiations and compensations for the additional 2,500 ha already surveyed will be given maximum priority to have maximum land available for hand-over	MAAIF	31 August 2013	Ha now available.	New rec provided
OP	MoU with NARO to cover issues specific to oil palm	PMU	30 Nov 2013	MoU finalised	Done
Oil seeds	Validate value chain development plans in hub stakeholder meetings	PMU	31 Dec 2013	Strategic plans for Lira, Gulu and Mbale hubs were validated and final documents available. Validation of West Nile Hub draft strategic plan report planned for early July.	Carry forward
	Collect quantitative and qualitative data on the 2013 FLPs and report on this	PMU	28 Feb 2013	Data collected and incorporated into project reports	Done
	Develop demonstration guidelines	PMU	31 Dec 2013	A demonstration guideline was developed and shared with Hub Coordinators and subsequently used to train Focal Point persons and Field Extension workers in field layout and planting.	Done
	Update oilseeds guidelines	PMU	31 Mar 2014	Guidelines revised as proposed	Done

Send to IFAD for NO joint evaluation report and draft contract for PFS	PMU	31 Oct 2013	No objection obtained for 2 PFS providers for West Nile and Lira. Final evaluation and negotiations finalized for 4 more PFS to cover Lira, Gulu and Eastern Uganda Hubs.	Carry forward
Complete study on financial mechanisms	PMU	31 Mar 2014	In house review completed	Done
Sign MOUs with NARO, DLG and UNBS (following IFAD NO)	PMU	30 Nov 2013	MoUs signed with 29 DLGs, UNBS and MoU with NARO awaits signing by PS, MAAIF	Carry forward
Sign MOUs with NAADS and NCSC (following IFAD NO)	PMU	30 Dec 2013	Draft MoU developed and shared with NAADS officials, Focal Point person from NSCS has been appointed to liaise with VODP2 PMU in developing and implementation for activity work	Carry forward
Develop a one-pager with a message for farmers and other actors	PMU	31 Dec 2013	Fact sheets for farmers developed	Done
Engage processors/millers and seed companies/agri-dealers through MOUs and organise joint field visits	PMU	Immediate	On going. So far, have been able to link an agro-dealer to Mukwano to access seed for farmers. Continuing discussions with Mukwano in order to ensure seed is available in different hubs. Meetings have been held with millers (10), MFIs (5), agro-input dealers (9) and a number of other actors. However, no MoUs signed yet.	New rec provided
EOI's shortlist for recruitment of pay for service providers submitted to IFAD for No Objection, with response within 5 working days	PMU	30 March 2013	2 of 5 PFS on board	Done
Ensure availability of seeds for demonstrations and make available to farmers	PMU	15 April 2013	Seed for Farmer Learning Platforms was secured and distributed in 2 nd , 3 rd and 4 th weeks of April 2013; seeds arrived late, especially simsim. Some farmers did not plant due to irregular rains and subsequent early onset of dry season. Retained seed was planted early in Season B. Additional seed has been delivered for season B.	Done
RFP documents for Quality Based Selection, incl. general framework agreement, revised TORs for No Objection	PMU	30 April 2013	As above.	Done
Relations between service providers, districts and NAADS clearly spelt out in MoUs; MoU with NARO finalized	PMU	30 April 2013	Relations between service providers, districts and NAADS have been clearly spelt out and harmonized in the MoUs with PFS, District and NARO. MoUs are at a final stage; review of the solicitor general. Draft MoU with NAADS and NSCS under review.	Done
Prepare a five year value chain development plan for each hub and present it to OSSUP platforms for	PMU	30 May 2013	Five year value chain development plans have been drafted for each hub, but are not yet complete. Will be shared at OSSUP platform meetings for validation by December 2013.	New rec provided

Project management	validation				
	Send to IFAD request for NO for recruitment of accountant	PMU	31 Dec 2013	Accountant recruited and has reported for duty	Done
	Improve existing financial management guidelines into a manual	PMU	28 Feb 2014	On-going	Carry forward
	Confirm that available information for oilseeds is sufficient for RIMS impact	IFAD	31 Oct 2013	Decision taken to undertake oil seeds baseline survey, pre-test complete. Household listing and main study commences in July 2014. Fully RIMS compliant	Done
	Send request for NO to IFAD for bidding documents for baseline surveys	PMU	15 Nov 2013	No received, contracts signed, inception report received and reviewed. Studies to be completed by August 30, 2014	Done
	Work more closely in assisting KOPGT on communication issues	PMU	Continuous	Conducted knowledge management and learning workshop	New rec provided
	Prepare first issue of e-newsletter	PMU	31 Oct 2013	Not yet done	Carry forward
	Advertise for an accountant	PMU	15 April 2013	Done, accountant has reported for duty	Done
	Advertise for hub administrators and drivers	PMU	30 April 2013	No has been received, but approval process stalled within MAAIF	New rec provided
	Launch procurement process for staff insurance	PMU	30 April 2013	Staff are now fully insured	Done
	Agreement reached with IFAD for on impact baseline studies	PMU	30 April 2013	Agreements reached, and studies in progress	Done
	Bidding documents for procurement of imagery of oil palm areas submitted to IFAD for No Objection	PMU	30 April 2013	Regional Centre for Mapping and Resources Development in Nairobi have imagery available, but procurement process causes challenges	Done
	Updated log-frame submitted to IFAD for No Objection	PMU	31 May 2013	No provided	Done
	Concept for web-portal developed	PMU	31 May 2013	Webpage active at VODP2.agriculture.go.ug	Done
	Recruit consultant for financial management	PMU	30 June 2013	Backhouse contracted	Done
	Final draft PCR submitted to IFAD	PMU	27 March 2013	Report approved by IFAD.	Done
	Improve progress report as per recommendations provided	PMU	Continuous	Recommendations incorporated in progress reports	Done

Fiduciary	Prepare and analysis of accountabilities in line with the repositions	PMU	Continuous	Done	Done
	Submit WAs more regularly (30% of initial deposit or every 3 months)	PMU	Continuous	Is being done	Done
	PMU to maintain updates contract register	PMU	Continuous	In place	Done
	Reconcile the DAs monthly	PMU	Continuous	Done	Done
	IFAD send to the Auditor General its guidelines on audit	IFAD	30 April 2013		

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

	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%	Comment
Component 1 Oil palm consolidation and expansion								
Outcome 1: An integrated oil palm industry to supply national and export markets in compliance with modern environmental standards and providing equitable returns to smallholder producers								
Output 4.0c: Kalangala oil palm scheme completed and producing								
<i>Indicator: 4,700 ha planted by smallholders in Kalangala by 2016</i>								
Plant 571 hectares of oil palm divided as 171 hectares to achieve the VODP2 phase 1 target of 3,500 hectares under small holder/ out growers, and 400 hectares as part of the phase 2 target of 1,200 hectares.	ha	571	536	94%	3,864.8	4,200	92%	Planting target not achieved due to disease outbreak in nursery
Implement start up activities specifically Environmental and Social Impact Assessments in the outlying islands of Bunyama and Bubembe.	EIA awaits stakeholder consultation prior to submission to NEMA. Roll-out on Buyama to commence contract awarded in May 2013. First batch of new plantings undertaken on Bugala Islands. Ministry of Works in final stages of contract award for ferry design study							
<i>Indicator: 1,800 smallholders serviced by KOPGT (*)</i>								
Provide extension services and credit for fertilizers and maintenance of the small holder/ out grower farmers gardens.	KOPGT is continuously providing quality services to its members							
Negotiate the transfer of out growers' gardens from OPUL to KOPGT then to farmers in a phased manner	All gardens fully handed over							
Clear all outstanding payments to OPUL for maintenance of the out growers' gardens and supply of fertilizers.	100%							
Output 4.0d: Buvuma oil palm scheme established								
<i>Indicator: 6,500 ha nucleus estate planted by 2017 in Buvuma</i>								
Providing the required 4,100 hectares of land to BUL for an oil palm nursery and start activities on the Nucleus Estate.	ha	4,100	0	0%	0	6,500	0%	4200 HA available, but BUL pulled out
Ensure that tenants on the land acquired for the project are fairly compensated.	Compensations started in March 2013. As landlords were not fairly compensating tenants, the project took on that task, before executing payment.							
<i>Indicator: 3,500 ha smallholder land planted by 2018 in Buvuma (*)</i>								
Mobilize and sensitize farmers on the benefits of oil palm growing and environmental protection.	Farmers mobilized and prepared for oil palm development							
Component 2 Oil seeds								
Outcome2 : Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of Eastern Uganda, Gulu and West Nile as hubs for oilseed production								
<i>Indicator: Domestic oil seeds production of sunflower and soya bean increased from 70,000 tonnes in 2008 to 150,000 tonnes by 2018 of which 70% is from the newhubs of Gulu, Eastern Uganda and West Nile</i>								

Establishment of physical presence (offices) in the four regional hubs.	Offices established in all four hubs.
Effective participation in the OSSUP platform meetings	Quarterly meetings are held and hub and national level (20 meetings annually). VODP2 officers participate to the extent possible.
Conduct situation analysis studies for the four commodities	Situation analysis developed; value chain action plan drafts available
Procure pay for service providers (PFS) for capacity assessment of farmer groups and value chain mapping	Exercise was undertaken by PMU
Procure PFS to provide extension support to farmers in the regional hubs.	2 of 6 contracts are at final stages of contracts award
Complete institutional arrangements with research and other partners	MoUs in place
Component 3 Project management	
Work with Kalangala and Buvuma Districts to continue building up awareness of the project, secure farmers commitment to participating in oil palm development	Frequent visits by PMU staff to both areas. High commitment and awareness on ground.
Play an intermediation role on behalf of Government with OPUL. This will include facilitation for the land purchase for the nucleus estate in Buvuma district and provision of title deeds.	On-going work Participated in one of one board meetings in KOPGT
Ensure the completion of the environmental and social impact assessments in conformity with NEMA regulations in the islands of Bunyama, Bubembe and Buvuma	Submission to NEMA delayed; expected end 2014
Ensure that gender, HIV/AIDS and environmental management awareness are mainstreamed into the oil palm development activities in Bugala.	Situation analysis undertaken on Kalangala; KOPGT providing grants to local stakeholders
Coordinate the activities in the regional hubs and ensure that the oil seeds component establishes networks with stakeholders and implementation partners to ensure that roles and responsibilities are agreed upon.	Hub coordinators in place; posted to duty stations by 1 April.
Develop and implement a communication and knowledge management strategy for VODP2. The PMU will also harmonize dissemination of messages by project partners	Strategy in place.
Develop and implement strategies for rural financing schemes for the oil seeds and oil palm components through reviewing at least four (04) financing options for oil seed development and, monitoring and backstopping the implementation of the credit scheme for oil palm farmers.	Situation analysis and consultations carried out. Initial proposal in place for next FY
Design and implement a participatory results based monitoring and evaluation system through building the capacity of implementing partners in results based planning and M&E, collecting baseline information on the indicators of the project components and tracking progress of the implementation of the project start up activities. An impact evaluation in Bugala.	Log-frame has been updated and indicators profiled through a participatory process. Framework for studies developed and TORs ready for procurement. Capacity of hub-coordinators and KOPGT increased.
Facilitate and support timely acquisition of the required procurement items to support project implementation through putting in place procurement/ disposal plans for timely loan disbursements, seeking for contract committee approvals/ IFAD no-objections, implementing contracts committee decisions, implementing contracts monitoring and record keeping and, building capacity in procurement/disposal of items/assets.	On-track.
Implement financial best practices through maintaining a sound financial accounting system, timely financial reporting to IFAD, GOU; providing custody of the project assets.	Financial management on track, and PMU fully staffed.

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

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent Disbursed
IFAD loan	52,000	13,824	27%
IFAD Grant	1,140	644	56%
Government of Uganda	14,140	5,522	39%
Trust	4,440	0	0
KOPGT	1,040	0	0
Farmers	3,900	4,114	105%
SNV co-financing	285	158	55%
Sub-Total	76,945		32%
Oil Palm Uganda Ltd (OPUL)	70,380	---	---
Total	147,325		16%

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

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

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

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

Total	4,440	0	0	1,040	0	0	3,900	3,964	105%	285	158	55%	147,325	20,984	14%
--------------	--------------	----------	----------	--------------	----------	----------	--------------	--------------	-------------	------------	------------	------------	----------------	---------------	------------

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

Category	Category description	Original Allocation	Revised Allocation	Disbursement (up to WA25)	%	Pending WAs	Expenditures not yet claimed	Projected loan utilisation 15 Jun 14	%	Projected loan balance 15 Jun 14	Commitments
I	Vehicles and equipment	4,400		301	7%	382		359	16%	3,717	78
II	Materials	1,430				33		2	2%	1,397	49
III	Pontoon landing sites	820				9			1%	811	
IV	Other civil works	1,310		30	2%	55		31	7%	1,225	87
V	Smallholder oil palm development	8,030		4,641	58%	884		5,129	69%	2,504	228
VI	Oil seed guarantee fund	920								920	
VII	Consultancies, workshops and training	2,070		278	13%	147		256	21%	1,645	
VIII	Extension services	6,200		54	1%	136		88	3%	6,009	
IX	Salaries and allowances	3,270		585	18%	490		619	33%	2,195	
X	Operating costs	1,980		483	24%	199		395	34%	1,298	
	Unallocated	3,070								3,070	
	Sub-total	33,500		6,373	19%	2,335		6,877	26%	24,793	431
	Initial deposit			2,560				2,560		(2,560)	
	Total	33,500		8,933	27%	2,335		9,437	34%	22,233	431

Appendix 6: Compliance with legal covenants: Status of implementation per 2 July 2014

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

Schedule 1. C 7	The PMU will work with OSSUP and industry stakeholders to ensure farmers have adequate quantities of seed and inputs		SNV and PMU will work and coordinate closely
Schedule 1. C. 6(b)	PMu shall mainstream gender, HIV/AIDS and environmental management awareness in oilseed extension activities, including targets for recruitment of female staff by PFS	To start in FY 2013/14	
Schedule 1. C. 6(c)	UNBS will provide quality control along the value chain for vegetable oil	Starting	MoU is in place, activities to commence in 2014/15
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	N/A	Buvuma activities not started yet
Schedule 2 cat (6)	Expenditure on the Oilseeds Guarantee Fund is subject to prior approval by IFAD	N/A	Oilseeds Guarantee Fund not yet operating
Schedule 3.	No new oil palm development shall be undertaken on the outlying islands or Buvuma until EIAs have been conducted and NEMA has issued its compliance certificate	N/A	Final EIAs are yet to be submitted to NEMA
	GoU will ensure that repayment of loans by farmers to KOPGT are recycled to finance further loans for oil palm growers in Kalangala and other districts of Uganda	Ongoing	PMU will budget the reflows for FY 2014/15. Modality still to be worked out.
	Changes in the conditions of loans to farmers to grow oil palm is subject to prior approval by IFAD		No changes have been made to date
	Oil palm development techniques supported by KOPGT will be those used by OPUL and compliant with RSPO	Complied	
	Establishment of island offices by KOPGT is subject to prior approval by IFAD	Not complied yet	No existing conditions for establishment yet
	A formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.	Not complied yet	No disbursement of any loan funding to farmers in Buvuma.
	BOPGT will be registered within six months of OPUL's formal commitment to develop the nucleus estate on Buvuma	N/A	BOPGT not created yet
	No loan funds for smallholder loans will be disbursed to BOPGT until it has a computerised accounting system in place	N/A	BOPGT not created yet
	If NaSARRI and NaCRRRI do not provide sufficient breeder and foundation seed for multiplication, GoU will ensure the import of sufficient quantities of hybrid seed by the private sector. To satisfy farmer demand	N/A	Oil seeds activities not started yet
	The modalities and institutional arrangements for operation the oilseeds guarantee fund will be submitted to IFAD for its prior approval	N/A	Oil seeds activities not started yet

Appendix 7: Knowledge management: Learning and Innovation

Learning

Key communications messages - oil palm

Based on experiences from the first phase, it has been noted that clear and simple messages to farmers are important to ensure ownership amongst farmers, as well as adherence to agronomic best practices. To address the confusion about roles and responsibilities, PMU should play a leadership role in working with local stakeholders to improve communications and knowledge about the roles and responsibilities for oil palm development. It might be useful to hold a series of participatory meetings with a mixture of stakeholders over the next 6-8 months to build understanding of the roles and responsibilities of each of the stakeholders on the island. During these meetings it would be useful to focus on some key communication messages, which are grouped by topic and presented below.

- **Not apply fertiliser, no weeding and poor maintenance lowers FFBs yields and farmer earnings.** If farms are slashed, and fertiliser is not applied, bunches will be small.
- **Sub-standard bunches lower the OER for all farmers.** OPUL averages the amount of CPO it obtains delivered by KOPGT on behalf of farmers. If some of the crop is acceptable but below standard, this brings down the overall average for all farmers. Poor quality bunches with low oil content lower the OER for all farmers.
- **Side selling and theft of fertiliser, FFBs and CPO make farmers an unreliable partner for OPUL.**
- **All farmers should be pressing their neighbours for better FFB quality.** Farmers and KOPGA should exert pressure on fellow farmers to produce the biggest heaviest bunches they can, so all farmers earn more and to get OPUL to raise the OER.
- **Don't stop the mill.** Make sure bunches are ripe and there are no stones in the devlieries to OPUL. If the mill stops operating; and if the farmers FFBs have already been cut and are already on the truck to the mill, these farmers will loose their payments from OPUL because the mill cannot process their crop.

Agreed action	Responsibility	Agreed date
PMU and KOPGT to develop appropriate communications messages for farmers	PMU/KOPGT	30 Nov 2014
KOPGA to work with its membership on side selling issues, and encourage peer pressure for respect of harvest standards	KOPGA/KOPGT	On-going when messages

Innovation: Describe any interesting innovation noted during supervision

1. Farmer Learning Platforms/Demonstration Gardens. The practice of demonstration gardens is not new but within the hubs, there have been some innovative ways of implementing demos as Farmer Learning Platforms (FLPs). The farmer groups select a host farmer, and agree to work together on an allocated plot to learn specific agronomical knowledge about oilseeds of their choice. This means that there has to be a proper needs assessment to clearly set out what farmers in a particular group want to learn about a given oil seeds crop, say sesame or sunflower. They clear the land, cultivate it as a team and are availed seeds to plant.

Some of the demos showcase two different practices – the traditional and the modern, and this allows farmers to see a comparison between the two practices and make informed decisions. For instance, there are FLPs that demonstrate the difference between broadcasting and line planting, while some show

the difference between planting improved and local seeds, applying fertiliser or not, and such other practices.

The FLPs as communication channels. FLPs are also a crucial forum for farmers to share other relevant information such as on access to seeds, availability of market, as well as social information. The platforms are an opportunity for learning as well as information sharing. Most of the platforms have also evolved into savings groups, giving farmers a chance to save their extra income, and easily access credit.

2. Farmer Field Days. VODP2 together with OSSUP have organised and implemented some farmer field days where various actors along the value chain are convened along a selected FLP, for purposes of sharing experiences and knowledge. This is a good practice and well organised field days have a potential to foster market/business linkages, link farmers to input suppliers and act as a networking forum.

Appendix 8: Itinerary and list of people met

	Oil Palm	Oil Seeds
Mon 23 Jun	Start-up meeting & travel to Kalangala	Arrival in Kampala and document analysis
Tue 24 Jun	Meeting with KOPGT, District, RDC and SACCO	Startup meeting at VODPII headquarter with oilseeds team Travel to Arua with oilseeds team and discussion Meeting with Hilda Achayo (SNV West Nile Region) and Anyanzo Thomas Abbey (Palm Business Consult and OSSUP facilitator)
Wed 25 Jun	Meeting with KOPGA Meeting with KAFOPH AN Dinner with OPUL	Meeting with PFS consortium; WENIPS (Omar Abdullah, Eugenio Ajurra), Arudifa (Alex Aribo, Dennis Goba), Nile Pro Trust (Ronald Kizito) Meeting with Arua DLG staff (incl Monica District Production Officer) Meeting with District Focal Points (Nebbi, Zomba, Arua) Meeting and field visit with Eden Iyiko Farmer Group Meeting and field visit with Cinya Farmer Group Discussion with Arua hub coordinator (Emmanuel Okwong) Travel back to Arua
Thurs 26 Jun	Secretariat work Meeting with FSC	Travel to Yumbe Meeting and field visit Adokiko mission farm (Marian Brothers Farm) Travel to Moyo Meeting and field visit Amatura Cooperative Society Travel to Gulu
Fri 27 Jun	Visit to : Kagulube and Bbeta East blocks; OPUL offices, fertilizer store, mill	Travel to Padibe via Kitgum Discussion with hub coordinator Gulu (Richard Okedde) Meeting with St. Francis sunflower mill Meeting and field visit with Ilobe Wire (Farmer association) Meeting with Francis Onek Toolit (individual farmer host of the learning platform and in the board of St Francis sunflower press) Meeting with Gulu OSSUP Facilitator (Dan Derricks, Virtuous Springs)
Sat 28 Jun	Report writing	Meeting in Gulu with Tourist Olaya (Louis Mill owner and manager) Meeting with Christopher Lutara of Global Traders Limited Meeting with Nieko Rat (Farmer Association) Travel to Lira and meeting with Lira Hub Coordinator (Fred Kasango) and OSSUP coordinator (Agency for Sustainable Transformation, Andrew Chen) Meeting with Acwec Omio (Agricultural Cooperative Enterprise) Meeting with Note en Teko Farmers Store (Farmer association) Field Visit with Vincentina Mole (Female soybean grower)
Sun 29 Jun	Report writing	Report writing Team meeting Meeting with Geophrey Otim, ISSD-Northern zone Meeting with Annette Nalumo, New Vision Media Group
Mon 30 Jun	Wrap up Kalangala Travel to Kampala	Meeting with Ibrahim Eitani (Norah Agro Transformation (U) Ltd Meeting with AFSRT team (Andrew Ocen, Nick Obot) Travel to Kaberamaida with Nick Obot Meeting and field visit with Pur Ber Farmers Group Field Visit to Francis Okado and betty Acao: simsim seed producers (Sesim 3) Meeting and Field Visit with Acan Tani Farmers Group Meeting and Field Visit with Omwony Farmer Field School

	Meeting with Meena Industries Ltd (Director: Harshad Vyas) Travel to Mbale Meeting with Mbale Hub Coordinator (Charles Sembytia)
1 Jul	VODP 2 and IFAD team meeting
Wed 2 Jul	Meeting with SNV (Jeannette de Regt, Bernard Conilh de Beyssac) on OSSUP (Rowena ... , National OSSUP facilitator) Team meeting on financial and Business Development Services Meeting with PS/ST
Thurs 3 Jul	Team Discussion on the draft Aide Memoire Meeting with Ministry of Works ISSD meeting on scaling options
4 Jul	Presentation of the Aide Memoire in Entebbe at MAAIF

List of people met – oil palm

Name	Designation	Contact
KOPGA leadership		
Lugambwa Martin	Chair KOPGA	0782481446
Kataayi Alon	KOPGA	0756538538
Lawasa Paul	KOPGA	0782240970
Baliruno Joseph	KOPGA	0772889862
Mpanga Samuel	Vice chair KOPGA	0782384581
Nagganda Jane Francis	KOPGA	0752860655 / 0779319117
Naluwoza Maria	Publicity, KOPGA	0772387179 / 0752387179
Nsubuga Constantine	KOPGA	0775346771
Kabwama Bruno Jason	KOPGA Treasurer	0772335206
Gitta Ssessajja	KOPGA	0779513451
KOPGT board		
Kabuama Mike	Chair KOPGT	0703601960
Mukasa Julius	KOPGT board member	0751640107
Kizza Stephen	KOPGT board member	0782421593
Nakimera Lydia	KOPGT board member	0772623993
District		
Balironda David	DAO	Mwesigye Tateo
NM Balirumna	Engineer	Willy Lugoloobi
Jude T Musaazi	Gender Officer	Ssemuaema Edith
Joseph Byaruhanga	Environment Officer	Fawsta Ssembuya
		Secretary for production Chairman Secretary for works Vice chairperson
SOPAG SACCO, Kalangala, 24 June		
Nganda Julius	Chair SupCo	0777473128
Mutuwa Veronica	SACCO staff	0788061787
Nambatya Milly	SACCO Manager	0779895635 / 0702742680
Najjemba Phionah	SACCO Cashier	0753909364
Ssemulube Bruno	Chairman	0772641143 / 0751641143
Other stakeholders		
Tukaikiriza Caleb	Resident District Commissioner (RDC), Kalangala District	0772499711 / 0701499711 tucaleb@yahoo.com
Chris Burchmore	Forest Stewardship Council (FSC), Regional Director, Africa	+27769102299 c.burchmore@fsc.org
Joachim Meier-Dörnberg	Forest Stewardship Council, Smallholder Support Project Mgt	+4922836766 j.meir-doernberg@fsc.org
Alexandre Tuboye	KIS Ferry Captain	
BIDCO		
Janardhan Naidu	Financial controller	janardhan.naidu@bul.co.ug
Chin	Operations manager	ptechin@wilmar.com.my
Ministry of Works		
Robert Rwanga	Mr. Kabaka	Allan Nbangizi

Annex 1: Oil palm development

Field issues

1 The mission has found that a range of issues are undermining the atmosphere among farmers, and between farmers and KOPGT, and between KOPGT and OPUL. A minority of farmers are engaging in dishonest practices, which are affecting all farmers, and risks damaging relations with the private sector. There is weak peer pressure by farmers themselves and KOPGA to address some of these issues, which are undermining the attitudes to oil palm development. There are also some cases of absenteeism amongst Field Officers, both in terms of active working days and in presence in the field. This distracts from the role of KOPGT Secretariat in supporting farmer development and discouraging bad behaviour by individual farmers. This section briefly discusses these issues and makes some recommendations.

2 **Side-selling fertiliser.** Some farmers are side selling fertiliser for quick cash, so the fertiliser is not applied on their garden. Side selling of fertiliser means everybody loses: farmers loan accounts are debited for the full amount, but they only “get” about half of what they actually pay when they side sell, and they are charged interest on their debit; when fertiliser is not applied to the palms, farmers earn four or five times less than the cost of the fertiliser which should have been applied; because of their lower earnings, it will take them longer to pay back their loans from KOPGT, which they pay back at 30% of earnings from FFBs, rather than a fix payment like with a bank; and lower and slow repayments reduce the amount of reflows which can be re-lent by KOPGT and MAAIF for further oil palm development in Uganda. An illustrative example is shown below:

- farmers are charged UGX 75 000 per bag to their KOPGT loan account, and side-sell at UGX 20,000-30,000; KOPGT charges interest on the UGX 75,000 debt which the farmers then must repay through their sales of FFBs;
- the non-application of the fertiliser means that farmers lose about UGX 450,000 in earning from their FFBs because the bunches are smaller;
- because of the reduction in farmer earnings, it will take them longer to pay back their loans from KOPGT, which they pay back at 30% of earnings from FFBs, rather than a fix payment like with a bank;
- Lower and slower repayments reduce the amount of reflows which can be re-lent by KOPGT and MAAIF for further oil palm development in Uganda.

3 **Low fertiliser use by farmers with mature plantations.** Farmers whose palms are now four or more years old are no longer eligible for loans for fertiliser, and the cost is deducted from their FFB earnings. Under the framework agreement farmers are expected to apply the same techniques as those of the nucleus estate in order to maximise the return on their investment, and to apply the fertiliser provided by OPUL which is prepared for the soil conditions on the island. KOPGT has been flexible in its answer to farmers, and has allowed them to have the cost spread out over a number of months, but some farmers are also reducing their fertiliser applications. The non-application or the low application of fertiliser results in lower quality bunches delivered by a minority of farmers, therefore lowering the overall oil extraction rate (OER) paid by OPUL to all farmers, and leading to longer loan repayment periods to KOPGT.

4 **Theft of FFBs and side selling of crude palm oil.** OPUL and some farmers report theft of their FFBs, which are then probably sold to the mill off KOPGT trucks. There is also a problem with household refining of FFBs to produce crude palm oil, which is then sold off the island. Side-selling, whether it be of the FFBs or the oil means that no money is paid by

OPUL to KOPGT, so there is no way for KOPGT to recover the loan it has made to the farmer for oil palm investment.

5 **Poor maintenance of smallholder gardens.** Some gardens are overgrown and so are the farm roads. These farms produce lower quality bunches and making harvesting is difficult. The lack of implementation of the recommendations for agronomics practices and the harvesting standards is often because farmers are not doing the work themselves and their workers do not know what they are supposed to do.

6 **Grading standards.** The mission has visited the mill while a KOPGT truck was delivering smallholder production. OPUL must carefully sort each delivery by KOPGT trucks by bunch and what is on the ground before it is bulldozed into the bin for processing, because unripe bunches and extraneous material (soil or stones) can break the mill. The mill sorting crew also puts aside some bunches which are almost ripe so they can soften for a day or two, so that farmers can still earn money. This is a time-consuming process and slows down the mill, and means that farmers who are delivering good bunches in line with the harvest standards see lower prices than they would if all farmer FFBs were delivering up to standard.

7 **Why are farmers cutting unripe bunches?** The workers hired by farmers are paid by kilo of FFBs cut. In order to get paid for as many kilos as possible, workers cut good but unripe bunches workers, and include black and/or diseased bunches for weighing. Because farmers pay workers by kilo, there is an incentive for workers to cut the unripe bunches, which are not in line with the grading standards, and which are then rejected at the mill, so farmers get nothing for their investment. The non-respect of the harvesting standards is the main cause of rejection by OPUL at the mill and has led to an increase of the rejection rate from 1.3% to 2.5% of KOPGT deliveries.

8 **CPO pricing trends and yields.** Crude palm oil (CPO) prices have remained steady in 2014 and have slightly risen compared to last year. There has been a general drop in yields **both** on the nucleus estate and smallholder gardens, attributable the relatively low rainfall for three years until April 2014 and to the palms “resting” after a good previous year. Since CPO prices are slight up, farmers have not “felt” the decline in yield, although they have experience some decline in income. Farmers attribute the decline in income to a lower CPO prices, and have not thought about the implication of the non or lower application of fertiliser and poor maintenance on their yields, nor have they fully understood the costs and returns of their own production, evidence of weak understanding of their oil palm business model.

9 PMU should provide support to the KOPGT Secretariat, and should work with KOPGT to develop simple communication messages to be used by Field Officers about the oil palm business model. Using financial information provided by the KOPGT Secretariat and possibility OPUL, the PMU Oil Palm Coordinator and the Communications Officer should develop three simple oil production models showing the costs, yields and earnings under three scenarios: fertiliser is fully applied, fertiliser is partially applied, and no fertiliser is applied.

10 **Absenteeism by KOPGT field staff.** Some cases of absenteeism of field officers from the fields were noted. Lack of follow-up at field level by KOPGT staff means that there is poor supervision of what happens with the fertiliser that is delivered and the implementation of the agronomic technical themes for garden slashing, circle weeding and the application of fertiliser, so the farmers are not doing what is needed to grow large FFBs full of oil. There is also weak supervision of harvest standards and follow-up relative to what could be the expected production by specific farmers and what is delivered for processing at the mill. The mission recommends that KOPGT terminate the contracts of the KOPGT staff who have a consistent record of absenteeism.

Annex 2: Roll-out plan for outlying islands

1. **The Framework.** The agreement signed between GOU and Bidco in 2000 is for a period of 99 years. Oil palms have an average lifespan of 25 years, so the investment agreement is covers four planting cycles. OPUL has one mill for processing crude palm oil already operating on Bugala Island, construction of a second mill on the island is planned to start the fourth quarter of 2015. OPUL has also recently purchased a ship with a capacity of 500-1000 tonnes to bring materials, equipment, inputs, other supplies from Kisumu directly to Bugala Island, and to transport crude palm oil to the refinery in Jinja. The long time period of the investment justifies putting in place smallholder oil palm plantations on the outlying islands, which would probably not see any other kind of development, except small scale eco-tourism. The OPUL investments guarantee a market for the fresh fruit bunches (FFBs) from the outlying islands.
2. **Current status.** Under VODP2, the target for expansion of oil palm development in Kalangala district was 3500 ha on Bugala Island, and about 1200 ha on three of the nearby outlying islands, for a total of 4700 ha. As of July 2014, about 3900 ha have been planted on Bugala Island, and two of the neighbouring islands, Bunyama and Bubembe, have each been allocated approximately 400 ha for oil palm development. Other outlying islands of Funve and Bukasa will not be part of the expansion due to distance, size of the islands and low local commitment to the project. When the outlying islands are planted the overall physical target for Kalangala District of 4700 ha of oil palm will be achieved.
3. This Annex presents:
 - the phased developed of the two islands;
 - what KOPGT requires in order to be able to carry out oil palm development on Bunyama starting in September 2014 and to provide follow-up afterwards;
 - scheduling of road design and construction for completion of roads works on Bugala island and road opening on Bunyama;
 - the timetable for ensuring the availability of ferry services between the outlying islands and the mill on Bugala island when the palms begin producing FFBs after four years;
 - a summary of the key actions needed to achieve the development of Bunyama within the timetable is provided at the end of this annex; and
 - an integrated the roll-out plan for next five years consolidating the key activities is provided in attachment.

Development of the outlying islands

4. Potential oil palm farmers on the outlying islands of Bunyama and Bubembe have been identified, and are to be registered for the development of approximately 400 ha will be developed on each island. The seedlings in the OPUL nursery will be ready for planting in early 2015, and will be sufficient to plant about 400 ha on Bunyama Island, and the balance will be used for gap filling on Bugala and completion of the 37 ha for farmers who did not receive the committed seedlings during the last planting. To ensure adequate volumes of FFBs to justify ferry transport to the mill, the islands will be developed in two phases: Bunyama will be developed in 2015, and Bubembe will be developed in 2016. Additional seedlings for Bubembe should be ordered by KOPGT from OPUL by August 2014, for planting on Bubembe starting January 2016.
5. **Seedlings and timing.** There are about 90 000 seedlings in the OPUL nursery, only for KOPGT farmers; about 500 ha will be required for their planting. The seedlings will be mature for planting in two rounds; by mid-January 2015 and mid-March 2015, and should be planted within 60-90 days, so that they are ready to receive the first rains in April 2015. Timely planting is also necessary to ensure that the seedlings do not become overgrown in OPUL's nursery. Farmer land can not be prepared more than three months in advance, otherwise it becomes bushy again and farmers are required to prepared it a second time. It has been

agreed with IFAD that KOPGT will provide funding for no more than 4 ha per farmer, and thus, KOPGT will be working with about 100-150 farmers per island. Farmers on Bunyama will need to have their gardens ready to receive seedlings to cover about 400 ha by February 2015; similarly for the balance of the seedlings to be planted on Bugala Island.

6. **Environmental Impact Assessment (EIA).** The mission has reviewed the EIA for Bunyama and Bubenbe. The assessment is in its final stage of review and comment, and overall is of good quality. The mission has provided feedback to the PMU on their comments on the report. The critical follow-up action required is to hold the public discussion on the islands and to obtain the NEMA certificate so that land preparation on Bunyama can start as planned. The NEMA certificate should be obtained before land preparation starts, by 1 November 2014. IFAD non-objection must be requested by the PMU so that KOPGT can proceed with the development of the outlying islands.
7. **Farmer land registration and mobilisation.** KOPGT will register farmers from August to October 2014. Learning the lessons from Bugala, farmers on Bunyama will develop contiguous areas together, and will plant together so that harvest volumes are large enough to be picked up and transported in a cost efficient manner when the palms start producing four years later. These areas of neighbouring farmers organised in work units of 16-25 hectares will be called Bubondo. Farmers of one Bubondo must plant their land all together so that their crop ripens at the same time, so they will be able to fill a trailer easily. This will reduce transport costs and promote transport efficiency. KOPGT and the KDLG will be responsible for ensuring that farmers have the required certificates of occupancy before registering individual farmers. The mobilisation of farmers in Bubondo units will be done at the time of the design of on-farm roads and their demarcation. The Bubondo unit will also be the basis for on-farm road maintenance.
8. **Road demarcation.** Reflecting the lessons learned from Bugala, in order to avoid a situation where on-farm road are not designed in conformity with the topography of the land, the roads will be designed and delineated together with farmers and the identification of the Bubondo groups. The PMU Engineer, District staff and KOPGT Field Officers work with the farmers to explain why they must plant all together to make harvesting in four years when the palms are producing more efficient. The design of the on-farm roads should follow the contour of the landscape and avoid steep inclines.
9. **Land preparation.** Road demarcation will be carried out before the farmers start land preparation so they are clear about their areas to be planted, and do not plant where the on-farm roads will be located. Land preparation will be done between November 2014 and March 2015, in agreement with KOPGT Field Officers, who will ensure that individual farmers have prepared their land in line with KOPGT standards. No payments from KOPGT to individual farmers will be made until the Field Officer confirms that the land has been prepared in a satisfactory manner. Particularly attention will be given to ensuring that grasslands are free of termites, which eat the seedlings before they can grow, and that there is no planting in the bufferzone. Land preparation does not entail any particular transport challenges, because farmers use their small boats to go to Bunyama, and these boats are sufficient for the transport of chains saws, petrol to run them, and the other agricultural implements required.
10. **Road delineation and opening on Bunyama.** To ensure that farmers respect the contour and the delineation of the roads, it is recommended that the roads be **opened** as farmers prepare their land and before the delivery of seedlings. The bulldozer purchased for KDLG can be used on Bunyama for road opening during the months of February-March 2015, in tandem with the delivery of seedlings. The challenge will be transporting the bulldozer from Bugala to Bunyama, because there is no suitable landing site and there are no ferry services. Two trips will required (one to take the bulldozer and one to bring it back) and about 2 months will be required for the bulldozer to open the 40 km. Two options have been identified: either renting a suitable barge, or contracting KIS for the use of their ferry. The PMU Engineer, with technical backstopping from OPUL and MOW, will find a solution for the delivery of the bulldozer to Bunyama, or the rental of another bulldozer from one of the construction companies working on the island for the construction of the power lines and water supply. To identify the suitable solution, the issue of landing the ferry or barge will have to be solved, possibly in conjunction with the study currently being undertaken by MoW.

11. **Temporary landing site.** Currently there are no real landing sites on Bunyama. It will be four years before ferry services to and from the island will be needed to transport FFBs to the Bugala mill(s). It is recommended that a temporary landing site be constructed. This will be useful both for the transport of the bulldozer as well as the transport by small boats of the seedlings and fertiliser for oil palm development. Under the IFAD Loan Schedule 2, there are funds allocated for land sites, and these may be used to finance the transport of the bulldozer and the construction of a temporary landing site under force account, pending agreement with Ministry of Works regarding construction of permanent land sites.
12. **Water transport for development of Bunyama.** No water transport is required for land preparation. KOPGT will assume responsibility for the delivery of seedlings and fertiliser to Bunyama, and will hire small boat transport as needed for these deliveries; the cost of transport will be part of the loans to farmers by KOPGT, as for the lorry costs. The seedlings will be trucked from the OPUL nursery to the land site near the nucleus estate, transferred to the small flat-bottomed boats and transported the 750 m across to Bunyama. Once on Bunyama, the seedlings will be transported by wheel barrow to farmer fields. The same system will be applied for the transport of fertiliser. Farmers should personally monitor the transport of their seedlings to ensure that they are properly handled.
13. **Planting.** If the land for the future oil palm gardens is properly prepared, planting is a quicker exercise than land preparation. KOPGT is responsible for lining the areas to be planted and identifying the siting of holes for planting of the seedlings, in 9 metre grids to ensure adequate area for growth. Farmers will work in their Bubondo as a group for planting the full 16-25 ha within one-two weeks, so that all of the seedlings are in the ground on time. Planting will start in February 2015 and end in March 2015. The table below shows the proposed roll-out plan for the registration of farmers, Bubondo formation, land preparation, road opening and seedling planting.
14. **200 m Lake protection border.** The EIAs for Bunyama and Bubembe require a 200 m Lake protection border, just like on Bugala Island. When laying out the farmer gardens, KOPGT Field staff will ensure the respect of this protection border.
15. **Availability of funds.** To ensure adherence to the planned timetable, it is critical that KOPGT have funds available to pay farmers in a timely manner so works are not delayed. This means that KOPGT must ensure that justifying documentation for its delegated account has been submitted in a timely manner, and PMU must also be timely in process the replenishment of funds. There are also be no delays in funding approval by MAAIF.
16. **Phased island development.** The areas recommended in the below tables are targets to be used in planning KOPGT's immediate work for starting oil palm development on Bunyama starting from September 2014 and finishing by 30 March 2015. The plan following the same monthly calendar for the following year is also provided for Bubembe. The mission of the oil palm expert in August 2014 will review this plan and adjust as needed.

Phase 1 - Bunyama	Period (FY 2014/15)										
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June
KOPGT Registration of farmers	xxxx	xxxx	xxxx								
Road design & demarcation					15 km	25 km					
Identify 16-20 "Bubondo" groups					6 groups	10 groups					
Land preparation					80 ha	100 ha	170 ha	50 ha			
Road opening						15 km	25 km				
Lining & planting of seedlings							180 ha	220 ha			

Phase 2 - Bubembe	Period (FY 2015/16)										
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June
KOPGT registration of farmers	xxxx	xxxx	xxxx								
Road design & demarcation					15 km	25 km					
Identify 16-20 "Bubondo" groups					6 groups	10 groups					
Land preparation					80 ha	100 ha	170 ha	50 ha			
Road opening						15 km	25 km				
Lining & planting of seedlings							180 ha	220 ha	70 ha		

Key Agreed actions	Responsibility	Agreed date
Order seedlings for Bubembe	KOPGT/PMU	15 Aug 2014
EIA publically discussed	PMU/KOPGT	30 Sept 2014
NEMA certificate issued	PMU/NEMA	1 Nov 2014
Request IFAD non-objection for establishment of offices on outlying islands	PMU	30 Sept 2014
Identify way forward for temporary transport to outlying islands	PMU	30 Sept 2014
Identification of Bubondo groups	KOPGT/KDLG	30 January 2015
Signature of ferry transport contract for delivery of bulldozer to Bunyama	PMU	10 Jan 2015
400 ha land prepared	KOPGT/farmers	28 Feb 2015
400 ha oil palm planted	KOPGT/farmers	30 March 2015
Smooth flow of funds to farmers	MAAIF/PMU/KOPGT	On-going

KOPGT requirements to undertake island development

17. Under VODP2, it is planned that KOPGT will procure a fiberglass motor boat and have small offices and store areas on the outlying islands. The costs for these items have been included in the IFAD design document. In the long term, KOPGT needs to be equipped to monitor and support farmers on the outlying islands. In order to adhere to the timetable to ensure that the seedlings which are already growing in the OPUL nursery can be planted on Bunyama, KOPGT will hire a boat until the procurement is completed, and establish small offices on the outlying islands. The transport of one or two motorcycles to each island is also recommended so that Field Officers can move around easily.
18. For efficient follow-up with farmers and to be able to travel easily to and from Bunyama, it has been agreed that: (a) KOPGT will rent a small fiberglass motor boat for the next 12 months; (b) KOPGT and PMU will develop the specifications for one small fiberglass motor boat; and (c) PMU should initiate immediately procurement of the motorboat.
19. A similar approach will be followed for offices and storage area. KOPGT will rent a small office on Bunyama, preferably with a storage area, by December 2014, after which design will commence for construction of premises as well as storage space of fertilizer and other inputs. KOPGT will work with PMU and the oil palm expert to determine the optimum size of the office and storage area (for fertiliser). PMU will take the lead in the design of these modest premises. Given the small size of the contract, it probable that these offices can be built through force account.

Key Agreed actions	Responsibility	Agreed date
KOPGT to rent fiberglass boat	KOPGT/PMU	30 Sept 2014
Office premises on Bunyama rented	KOPGT/PMU	30 Sept 2014
Design of island office & storage	PMU	31 Dec 2014
Procurement of fiberglass boat initiated	PMU	15 Oct 2014

Road transport issues (all islands)

20. **Road development - Bugala.** Transportation of FFBs from the smallholder farms on Bugala to the mill remains a challenge due to the poor state of the the roads. Road conditions been worsened by the heavy rains between April and June 2014. Road improvement works are on-going for 25 km. Designs for the upgrading of 50 km from farm to Community Access roads (Class III) have been finalized and construction under force account is expected to begin by end of August 2014. Identification, mapping and designs for the new 40 km on Bugala Island will begin in August 2014 and construction expected to begin November 2014 and end by 31 December.
21. **Road maintenance – Bugala.** On completion of the 50 km, the roads will be handed over to KDLG for maintenance. There is a need for the district to make a commitment to road commitments and to coordinate the development with KIS.

22. **On-farm roads maintenance – Bugala.** Farmers have not been undertaking maintenance of their farm roads (principally slashing), so the PMU Engineer will work with District staff and KOPGT Field officers to mobilize farmers to undertake simple maintenance of the farm access roads within their vicinity.
23. **Road opening and construction – Bunyama.** The roll-out plan for the outlying islands has been drawn up. Identification, mapping and demarcation of the roads on the outlying islands will begin in September 2014 and opening is expected to begin Feb 2015. Given the need to finish the construction of roads on Bugala island, there is an overlap in demand for the bulldozer for land opening on Bunyama. PMU will need to work closely with the district to ensure adherence to the agreed upon timetable, and if this is not possible, then provision should be made to rent an additional bulldozer.
24. **Consolidated road planning.** In order to ensure the availability of the bulldozer for road opening, the mission has prepared the following planning table for road design, construction and opening for Bugala and Bunyama islands. There is heavy demand for the bulldozer, and the PMU may need to rent an additional bulldozer for road opening on Bunyama if there are any delays in the construction schedule on Bugala. The PMU should engage in close discussions with the District to confirm that the below schedule is feasible. If it is not, the PMU should explore the option of renting a bulldozer for Bunyama and this cost should be included in the next AWPB.

Planning for road works	Period (FY 2014/15)										
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May
Bugala design upgrade 50 km	done										
Bugala construction 50 km		oooo	oooo	oooo							
Bugala design new 40 km	xxxx	xxxx	xxxx								
Bugala construct new 40 km				oooo	oooo	oooo					
Bunyama design & demarcation						xxxx	xxxx	xxxx			
Bunyama transport bulldozer							TT			TT	
Bunyama road opening							oooo	oooo	oooo		

xxxx show where design is needed

oooo show where the bulldozer is required, the highlighted areas show potential overlap

TT shows where ferry transport is needed to move the bulldozer

Key Agreed actions	Responsibility	Agreed date
Bugala - Upgrade of 50 km to CAR	PMU/KDLG	31 Dec 2014
Bugala - Design of new 40 km	PMU/KDLG	30 Sept 2014
Bugala - Construction of new 40 km	PMU/KDLG	30 March 2015
Bunyama - Design of 40km	PMU/KDLG	30 Jan 2015
Bunyama - Opening of 40 km	PMU/KDLG	30 March 2015

Ferry service for transport of FFBs

25. **2010 Study on providing ferry services to the outlying island and Buvuma.** IFAD financed a ferry consultant in 2010, who has prepared a detailed report on the issues and requirements for providing ferry services to the outlying islands in Kalangala District and to Buvuma. The ferry consultant has assessed the situation relative to the expected weight and volume of FFBs to be harvested from four islands, with 600 ha each and transported to OPUL mill. The study has been provided to the Ministry of Works, to form a starting point for the ongoing consultancy for design of ferry service and landing sites.
26. Ferry landing sites on Bunyama and Bubembe have been identified, and two options for their development have been proposed: (a) a fixed landing site built of stone and concrete (like the Bukakata-Bugoma landing sites for the KIS ferry); or (b) pontoon landing sites which can float with the level of the water in the concerned water body. The latter option may be more climate resilient, given the level of change in water level which has been observed on Lake Victoria. More specifically, according to OPUL, the level of water has risen by 1 m since April 2014. Both type of landing sites need to be developed on the basis of the requirements of the type of ferry. The ferry consultant have also reviewed in detail the plans of the two KIS ferries which have purchased in Tanzania and found that they are suitable for the transport of FFBs.

27. Two options for transporting the FFBs on the future ferry have been examined: transport in trailers pulled by tractors, with only the trailers being loaded on the ferry, and transport with the current 5-6 ton dump trucks. The latter solution will require some reinforcement of the ferry, and the ferry consultant has already provided specific design recommendations about this matter. GOU has assured IFAD that funding will be made available for the purchase of a ferry. IFAD has provided funding for the construction of the pontoon ferry landing sites under its loan for VODP2.

Six year roll-out plan – Key milestones for development of oil palm on outlying islands																										
	2014		2015				2016				2017				2018				2019				2020			
ACTIVITY	FY1	FY2	FY3	FY4	FY1	FY2	FY3	FY4	FY1	FY2	FY3	FY4	FY1	FY2	FY3	FY4	FY1	FY2	FY3	FY4	FY1	FY2	FY3	FY4	FY1	FY2
Bugala Island																										
complete 40 km rods	x	x	x	x																						
gap filling with new seedlings			x	x																						
Bunyama Island																										
EIA both islands		x																								
farmer register oil palm land (400 ha total)		xxxx																								
road design, demarcation & opening 40 km			x	x	x																					
farmer land preparation (400 ha total)		x	x	x	x																					
seedling planting (400 ha total)			x	x																						
final road construction (40 km)																	xxx									
harvesting																				x	x	x	x	x	x	x
Bubembe Island																										
order seedlings from OPUL	x																									
farmer register oil palm land (400 ha total)							xxxx																			
road design, demarcation & opening 40 km									x	x	x															
farmer land preparation (400 ha total)									x	x	x	x														
seedling planting (400 ha total)										x	x															
final road construction (40 km)																										
harvesting																										
Ferry services																										
Design of landing sites (3 or 4)		x	x	x																						
Construction of landing sites (3 or 4)																x	x	x	x	x						
Design and procurement of ferry		x	x	x	x	x	x	x	x	x	x	x	x	x												
Ferry construction											x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Ferry service																										
PMU/KOPGT Technical support to farmers																										
KOPGT boat rental (2)		x	x	x	x	x	x	x	x																	
KOPGT office fertiliser store rental (2)		x	x	x	x	x	x	x	x																	
KOPGT rental ferry transport for bulldozer			x	x																						
PMU/KOPGT procurement motorcycles	x					x																				
PMU/KOPGT boat procurement (2)	x					x																				
PMU/KOPGT construction of field off& fert store (2)					xx		xx																			
PMU management of ferry transport issues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annex 4: KOPGT financial management

1. **KOPGT strategic Business plan / road map to sustainability.** The Mission reviewed the Strategic and Business Plan as presented by KOPGT, notes and appreciates the efforts that have been contributed by KOPGT secretariat, board members and KOPGA leadership. The mission proposes that the draft requires adequate proposals for deepening, enhancement and resetting of the existing structures, and for building additional new ones. The structures should be aimed at addressing the strategic core business of KOPGT, as a dedicated institution that is focused and is result oriented in delivery of maximum benefits to the Oil Palm smallholder farmers and achievement of the set objectives of the organization. The way forward in the formulation of the KOPGT business plan should include:
 - a) Review of the legal status of KOPGT to ensure that the trust articles and memorandum include adequate provisions aimed at accommodating the national laws that govern businesses and commercial companies. This will ensure that the adopted business structures and practices of the institution promote palm oil business that operates efficiently and effectively. The key structures should include the governance structures for the Board of directors, thematic board committees, executive management and the mechanisms of the procedures of their appointments, terms of tenures and operating practices. Other structures should include Business and management policies, ethics guidelines, Human resources policy, social responsibility, Procurement, financial management, Audit, monitoring, procurement, reporting and policy development procedures and guidelines.
 - b) Formulation of an operational structure, preferably a dedicated service providing company, that is tailored to accommodate result oriented extension services and supply of inputs to the smallholder oil palm farmers. The required human resources, equipment and capacity building investments must be costed with the aim of assessing the financial cost and value for money to the smallholder farmer. This financial costing must be carried out as early as possible so as to assess how it fits in the overall business model, and financial benefits expected to be enjoyed by

the farmers. This, being the cost of service to the farmers will have to be marketed for acceptability to all the stakeholders.

- c) The roles and responsibilities of the key stakeholders, namely KOPGT, KOPGA, MAAIF, GoU require to be reviewed, reset and redefined. This process will inform on the roles and responsibilities, which relate to the business and commercial demands so as to make it easier to decide on the best business model to effectively and efficiently achieve the desired results, as how the business model activities will relate to the defined roles and responsibilities of the other key stakeholders. In this regard a dedicated company run by a professional Board of Directors and management is likely to be preferable. The review will also clarify the service activities their costs and best providers in terms of economy and best value for money.
 - d) The cost of services given to the Smallholder farmers by KOPGT or its dedicated entity, as service provider, must be at full cost and without any subsidy from the GoU or KOPGT. However, it must be economical in terms of value for money, and favorably comparable with those, which would be provided by other service providers.
 - e) **Agreed actions.** The current financial management consultancy will be expanded in scope to include support to KOPGT Management and Board in developing a business plan for KOPGT. The business plan will include estimates of financial flows and costing, while at the same time ensuring KOPGT capacity to deliver adequate and relevant services to farmers.
2. **Loan Tracking system/ Roll-out of loan statements.** The KOPGT continue to use the PEARL accounting system for the tracking the Farmers Loan and interest information. All the 1610 farmers have received their first statement and 450 farmers have their statements corrected. The secretariat continues to engage the farmers with the aim of correcting any complaints. Thereafter the farmers will receive their statements semi-annually. The system requires further improvements in terms of full automation to cater for direct input of stores. However this exercise will have to wait until the modern store is completed and the necessary computer equipment is installed. **Agreed action.** Systems for implementing the stores automation process will be formulated as part of the technical support for the KOPGT financial management to be undertaken soon.
 3. **Balance of accounts.** The mission reviewed the balances of the farmers' loans and compared these with the balances in the books of KOPGT and PMU. There are significant differences between these records. As at the end of May 2014, the Summarized farmers' loan portfolio recorded a net balance of UGX 31.032 billion. The ledger Account recorded a balance of UGX 28.782 billion. The difference of UGX 2.25 billion represents 7.25% of the total portfolio. The Loan funds transferred to KOPGT from the PMU for the last 12 months are UGX 1.869 billion. The accounting difference is higher than the transfer for the year and the mission considers this difference a major gap in the accounting systems of KPGOT. **Agreed action.** The difference will be dissolved under the oncoming consultancy and in the future, reconciliation of the loan ledger with other records in the books of account will be carried out on a monthly basis alongside other reconciliations of the KOPGT books of account.
 4. **Transport cost model.** The mission reviewed the transport **cost** model whose revenue include recovery of between UGX 30-45 per kilo from the proceeds of ffb sales. The recovery rate includes an element for reserves for future replacement of the delivery trucks when they become unserviceable. The proceeds of the recoveries are maintained in a separate account from the account from which the expenditures for fuel, repairs and drivers wages are paid from. The account is properly maintained. However, a number of issues present challenges for the future financial management of the organization. These deduction proceeds are only adequate enough to cover the truck running expenses for a month and there is no significant reserve for unforeseen emergency motor vehicle accident expenses and eventual insurance cover cost. The mission therefore considers the levels of UGX 30-45 deductions very low for efficient and effective running of the transport activities. **Agreed action.** KOPGT will engage farmers with the aim of upward review given also the inflationary conditions and ensure a provision to cover a minimum of 3 months expenditure.
 5. **Vehicle replacement reserve.** The UGX 30-45 recovery rate includes an element for reserves for future replacement of the delivery trucks when they become unserviceable. The proceeds of the recoveries are maintained in a separate account and the balance as at 31 May is UGX 61.1 million.

The provisions in the Transport account are clearly inadequate, as a result of the rate at which the provision is made, being disproportionate to the current levels of replacement prices. Currently, there are 6 trucks. 2 out of these are 4 year old and 4 are under 2 years old. The current cost of replacement is UGX 225 million, which requires a provision of UGX 37.5 million per year. **Agreed action.** KOPGT will review the vehicles replacement component of the transport model that would include robust and comprehensive arrangements for replacement of the unserviceable trucks.

6. **Insurance.** The trucks are not insured following the policy of the GoU that exempts their assets from insurance. The financing agreement requires that the project assets procured with IFAD funds be insured during the life of the Project. The mission has noted that, in accordance with Government policy, the KOPGT vehicles are not insured. However, the mission has been informed that MAAIF has approved that KOPGT trucks be insured, to safeguard against replacement needs in the future. Similarly, the mission has noted that KOPGT staff only has basic medical insurance. **Agreed action.** KOPGT will proceed with insurance of the vehicle fleet. KOPGT will investigate the cost of comprehensive insurance for staff.
7. **Fertilizer savings system.** The farmers obtain fertilizer as a development loan up to the end of the fifth year of harvesting ffb. The agreed scheme in April 2013 was to supply the farmers with the required fertilizer quantities, for each quarter, at the beginning of the quarter, and deduct the cost during the same quarter in 3 equal installments. The KOPGT board on 11 December 2013 changed the deduction period to 4 months, without any consideration of the carryover financial liability and the timing for settlement. The majority of the farmers have been deducted on a four months period instead of the three months since November 2013. The mission calculates that the policy will translate into 4 months of arrears within a period of one year. There are no funds within the project to finance the underlying credit liability and the mission considers that the 4 months deduction policy is unsustainable and cannot be continued.
8. Meanwhile, the mission reviewed the status of the fertilizer account relative to the supply to the commercial farmers so far as explained above in paragraph 27.. Between April 2013 and 31 May 2014 the commercial farmers were issued with fertilizers valued at UGX 223.7 million, which was paid for from the project funds. During the same period the deductions from ffb sales of UGX 165.3 million were made, which leaves a balance of UGX 58.3 million unrecovered. **Agreed action.** KOPGT will ensure that these arrears as at 31 May 2014 are deducted from the owing farmers by 30 September 2014.
9. Moving forward, arrangements have now to be made by KOPGT with OPUL for the supply of fertilizers to commercial farmers at cost, on payments terms negotiated and mutually agreed upon between KOPGT and OPUL. The negotiations should be carried out with the participation of the PMU, by 15 July 2014. **Agreed action.** Orders for supply of fertilizers for commercial farmers will be made directly to OPUL by KOPGT, with a copy to PMU, and directly paid for to OPUL within the agreed payment terms, by KOPGT.
10. **Preparedness for first audit.** The mission has reviewed the books of Account and other financial management records and notes that they are not accurate. The financial statements produced therefrom are also inaccurate and therefore reflect lack of preparedness for an audit. A financial management consultant has been recruited to assist the financial Management team to update the books of account and related financial records so as to prepare accurate financial statements for audit as at 30 June 2014. The mission observes that the main reason for the poor accounting records is the use of Excel spread sheet which is not reliable and therefore not suitable as an accounting soft ware. The mission notes that the financial management Consultant will also assist the KOPGT to select appropriate accounting software for the future accounting functions of the institution. It is hoped that once the selected accounting software is selected the KOPGT financial management team will ensure that updates of the financial records and books of account is carried at regularly at the end of each month and the financial reporting is carried in a timely manner.
11. **Loan repayment proceeds.** The loan and Interest deductions from farmers' loans from their proceeds of their ffb sales have been going on without any issues. As at 31 May 2014 the cumulative deductions of principal and interest is UGX 3.08 billion or USD 1.2 million, and represents 10% of the

outstanding loans. This amount is maintained in an interest earning fixed deposit account, renewable on a yearly basis. The signatories to this account are the KOPGT General Manager and the Finance Manager. **Agreed action.** To ensure oversight of these funds the mission recommends adding the signatory of the Financial Controller of VODP2 to the operation mandate of the account.

12. **Taxation issues.** In the FY 2014/15 Budget speech of June 2014, Government announced the introduction of VAT on agricultural inputs, which has worried the farmers. The mission held talks with OPUL, who confirm that they will pay taxes on inputs such as fertilizer. The taxation will follow the policy that if inputs are subject to VAT, the outputs are also are. KOPGT would thus have to have a VAT registration and calculate VAT on both the fertilizer and on the sales of FFB. The net impact on the farmers is expected to be zero. **Agreed action.** The PMU and MAAIF will seek clarification from MFPED on the implementation of the tax.

Annex 4: Kalangala mission note

1. A joint IFAD and PMU⁴ mission visited Bugala Island from 23-30 June 2014 to assess progress in oil palm development and provide implementation support to the KOPGT Secretariat. The mission met with local stakeholders including KOPGT Secretariat staff, the KOPGT Board and the KOPGA Board, farmers at the block level, OPUL, Ssesse Oil Palm Growers SACCO, the RDC, the LCV Chairperson and other officials of Kalangala District Local Government. The mission thanks the KOPGT Secretariat for the organization of the meetings which have underpinned the mission's work.
2. When arriving with the Bukakata ferry, the tremendous developments are visible, including the laying of water pipes, power lines and the upgrading of the ferry and road network. Kalangala Infrastructure Services (KIS), whose investments come only once there is a large local investment like OPUL, is operating the ferry and was contracted by GOU to construct the Bukakata – Kalangala town – Bwendero road network. Since the first plantings in 2006, a total of 3,863 hectares are now oil palm gardens. After four years of maintenance, harvesting has started for 479 farmers, who have sold more than 27 000 tonnes of FFB to the mill, earning UGX 7.3 billion (USD 3 million), after loan repayment deductions. Oil palm farmers are earning a higher and regular income which is different from the past.

OUTLYING ISLANDS

3. Planting on the outlying islands will happen in two phases; 400 ha on Bunyama in 2015 and 400 ha on Bubembe in 2016. Planting will be structured in “bubondo” to ensure ripening in areas efficient for harvesting. There are seedlings for approximately 500 ha in the OPUL nursery which will be ready for plating in January 2015. About 100 ha will be used for planting and gap filling on Bugala, and 400 ha for Bunyama. A detailed road map has been developed for registration of farmers, opening of roads and transportation of the seedlings. Ferry transport services are scheduled to be in place before harvesting starts in 2019 on Bunyama. The farmer road map is presented below.

Activity	Period (FY 2014/15)								
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Mobilization of farmers									
Land preparation				130 ha	50 ha	170 ha	50 ha		
Planting of seedlings							80 ha	150 ha	170 ha

THE ROAD TO SUSTAINABILITY

4. Farmers have become increasingly empowered to develop their gardens. There is a high demand for technical support and forward planning, as well as monitoring of activities by farmers. This is a welcome development that should be continued as farmers continue to strengthen their institutions. As declared by the previous mission and subsequently communicated by the KOPGT Board, Government of Uganda, with IFAD funds, through VODP2, will continue to provide technical and financial support for oil palm and to the KOPGT Secretariat to advance its objectives. The mission is concerned that there seems to be a misconception that “the project ends in 2015”. KOPGT will continue to be the intermediary between OPUL and farmers for inputs and technical support services. Similarly, KOPGT will continue to support developing farmers with loans and will ensure repayment of the funds to Government of Uganda, for support to oil palm farmers in other areas of the country. However, the degree of support will reduce as farmers commercialize and as increased quantities of FFB are harvested.
5. The mission has found that:
 - a) The relationship between the KOPGT Board and the KOPGA Board is unclear;

⁴ The IFAD team was led by Ms Line Kaspersen, IFAD Associate Professional Officer with participation of Ms Marian Bradley, Economist and Institution Specialist, and Mr Godfrey Wanjohi, Financial Management Specialist. The PMU team was composed of Mr Jackson Bwire, Financial Controller; Mr Richard Kabuleta, M&E Officer and Mr Martin Lule, Project Engineer. Mr Kyofa Kabuye, Oil Palm Coordinator joined for the last three days on Kalangala.

- b) The involvement of Government of Uganda (MAAIF, NARO, MFPED, MoJ, Kalangala District Local Government) in steering and oversight of the KOPGT Board has decreased over time;
- c) The current working environment at the KOPGT Secretariat lacks motivation and staff appear demoralized. The KOPGT Board is reported to have overstepped its role in many cases taking decisions that are not in accordance with approved HR and credit manuals, and with best corporate governance practice.
- d) In their capacity as KOPGT and KOPGA Board members, members demand a lot of attention from Secretariat staff, thus distracting the Secretariat from carrying out its responsibilities. Such interactions should be through the General Manager, not in the offices of individual staff members;
- e) There is no evidence of regular communication between farmers and KOPGA Board members;
- f) KOPGT Secretariat has good technical relationships with farmers, including unit and block leaders;
- g) Cases of absenteeism of some Field Officers have been noted;
- h) Some farmer gardens and roads are not well maintained (fertilizer; slashing);
- i) Farmers with mature gardens are not supervising their workers. They cut good bunches too early. When unripe bunches are delivered to the mill, rejection rates are high, and farmers lose money.
- j) OPUL has reported that unripe bunches or foreign objects in the harvest (like stones) can break the mill.

CONCLUSIONS

6. **Roles and responsibilities.** There is a confusion over the roles of key Kalangala stakeholders (except for OPUL), which is not helping execution of project objectives, and oversight functions need to be strengthened.
7. **Extension services.** KOPGT staff are paid private sector salaries, which must be translated into the modalities of work, especially in an environment where fruits ripen every day. The farmer field visit book system should be adhered to at farmer level, tracking Field Officer presence and follow-up on technical issues. This will empower the farmers to provide feedback to KOPGT Management on Field Officer presence and the content of their technical work. The PMU will perform spot checks and the KOPGT Secretariat will continue to display full transparency and communicate timely with farmers.
8. **Self-sustainability.** Farmers are already covering transport cost related to their production, which is an important step towards financing KOPGT operations. A gradual expansion of the degree of financing will be expected. Similarly, the fertilizer savings scheme for commercial farmers will have to be self-sustaining without farmers being in arrears or KOPGT delaying payments to OPUL.
9. **Dependency.** Oil palm development is seen by the smallholder farmers as a project. A dependency syndrome has developed, with very high expectations of continued government support (loans, farm roads). Although farmers have been assisted with a product and a market, and are making good money, they continue to ask the project for more support.
10. **Farming as a business.** Oil palm farmers in Kalangala have come a long way, but still need to embrace farming as a business. This means investing to continue to improve the product (following best agronomic practices such as purchasing fertilizer and applying it) and in ensuring market standards are met (requirements at the mill). Households must develop strategies for how to handle fluctuations in yields and price, as in any other business. It takes money to make money. Savings is one of these strategies; KOPGT and SOPAG provide excellent opportunities for this.
11. **Leadership.** Farmer leaders should take a stronger leadership in supporting the technical messages provided by the KOPGT Secretariat. For example, farmers believe that decreased incomes are due to decreased or unfair pricing, although it is due to decreased yields. Theft and side-selling remains challenges and should be stopped immediately. It is paramount that communication channels be strengthened and that the leadership seen at unit and block level stays strong. KOPGA will be supported in strengthening its vision regarding objectives and responsibilities, in a participatory manner with farmers, and clearly distinguishing the roles of KOPGA and KOPGT.
12. **Ownership by farmers.** Some gardens and farm roads are not properly maintained by the oil palm farmers. Also, unripe bunches and stones have ended up in the harvest, resulting in breakdown of the mill and high rejection rates. This should be monitored at unit level as it affects all farmers and OPUL.

Majority of work is being done by labourers who are not adequately trained and are paid by kilo of cut FFB, so sometimes bunches are cut before they are ripe. When the price increases, farmers can get tempted to harvest more kilos of FFB before it is ripe, reducing the potential earning for farmers, for some quick earnings.

13. **Honest relations with OPUL.** OPUL sorts the KOPGT deliveries at the mill bunch by bunch, because they are not sure that the harvesting meets the agreed upon standards. This is time-consuming and increases the cost of production. The KOPGT Officer posted at the mill is empowered to call OPUL management any time there is uncertainty of the standard. OPUL is committed to working closely with the KOPGT Secretariat and will continue to provide trainings to farmers as needed.
14. **Environmental issues.** OPUL has informed the mission that the Head Office of its parent company Wilmar has further strengthened its corporate social responsibility priorities around the world. This means becoming very strict on environmental standards and protection measures, and the company policy must be respected by smallholder farmers working with the company, like those on Bugala Island who are receiving seedlings and fertilizer, and technical training. This is why the company is pursuing in the courts of Uganda two cases of smallholder encroachment on the 200 m Lake protection zone. All partners, including the District Natural Resources Office, should take ownership in ensuring environmental guidelines are observed.

AGREED ACTIONS AND WAY FORWARD

15. Ensuring the long term sustainability of oil palm development is a joint responsibility of all involved stakeholders.
 - i. Farmers will ensure a high quality of production to ensure high incomes and improvement of their livelihoods in future. Democratic and representative farmer leadership will take responsibility for handling of issues which are of concern to all farmers, including spearheading the mindset change out of dependency towards the target of financial self-sufficiency.
 - ii. The KOPGT Secretariat will continue its administrative and technical work within the established framework, without interference from KOPGT Board and KOPGA Board members. The KOPGT Secretariat will work with OPUL on harvesting standards and FFB quality. The Mission has discussed the issues of absenteeism and staff attention to duty issues with KOPGT Management. Disciplinary actions will be taken in accordance with the approved HR manual.
 - iii. Government of Uganda, spearheaded by MAAIF, will actively resume its oversight role by appointing a delegated staff to participate in all board meetings and support the KOPGT Board in its role vis-à-vis the KOPGT Secretariat.

Annex 5: Oilseeds technical annex

Introduction

1. **Introduction.** The oil seeds component field mission⁵ interacted oil seed sector actors in the hubs of Arua, Gulu, and Lira, as well as discussed programme issues with the PMU, the hub coordinators and the District focal points. The team interacted with farmers (individuals, groups, associations, cooperatives), as well as millers, traders and processors, and input suppliers. Special interaction took place with district extension and the to be contracted Pay-for-Service Providers (see Annex with itinerary).
2. The VODP II component on annual oil crops⁶ is still considered to be in its start-up phase. Progress has been made in developing implementation strategies, partnership agreements and contractual arrangements with the hub-specific service providers, farmer learning platforms, and the finalization of oil seed guidelines, as well as demonstration guidelines and value chain strategic plans. Logistically vehicles have become available and hub-offices have been established and refurbished. Specific agreed actions have been implemented especially in establishing relations with processors and millers, as well as with seed companies and agro-dealers. Some follow-up is still needed for finalization of the value chain strategic plans and making information available on the web-site. The recruitment of Pay for Service Providers (PFS) is nearing completion. Important outstanding actions include signing of the MoU with NAADS (although the future remains unclear), value chain analysis overview formats, communications actions such as a one-page brochure on the VODP2 approach and the website which is not easily accessible, and the 2013 report on demonstrations and field days.

Agreed action for completion before 31/12/2013 (AM October 2013)	Responsibility	Status
Develop a one-page brochure with a message for farmers and other actors	PMU	Technical leaflets only, no approach brochure
Value chain development plans, based on two templates, validated in hub-specific stakeholder meetings	Hub-coordinators	In progress
Collect quantitative and qualitative data on the 2013 season and report on this	Hub-coordinators	Data collected but no report
Develop demonstration guidelines on size, treatments, number, chain actor involvement and field days	PMU	Done
Coordinate, through the districts, with other oilseeds demonstration programmes	Hub-coordinators	In progress
Guidelines will be updated with the revised VODP II message on dealing with farmers expectations	PMU	Updated
PSP Selection and subsequent framework contract negotiations	PMU	2 NOs, 4 with contract commission
MOUs with NAROSEC, DLG and UNBS signed, others later in 2013	PMU	MOUs signed
Use relevant practical material on oilseeds and seed of oilseeds production on website and in radio programmes	PMU	Website

3. In relation to the March 2013 agreed actions specific progress has been made in establishing relations with processors and millers as well as with seed companies and agrodealers. The suggested MoUs were currently not further pursued, as a longer process of trust building is needed. The newly recruited PSPs will also have to play here. The agreed actions of the October 2013 Aide memoire have largely been met. Some follow-up is still required for the finalization of the value chain strategic plans; contracting of the PSPs, reporting and making information available on the website.

5 Connie Masaba (VODP 2 coordinator), John Bananuka, Emmanuel Mukanga (Communication and knowledge management), Susan Lakwonyero (Financial services and gender), Ann Turinayo (IFAD-Kampala), Willem Heemskerk (IFAD contracted KIT consultant)

6 The term oilseeds leads to some confusion when one refers to seed (grain) of annual oil crops as well as seed (for planting) of oilseeds

4. Some agreed actions of the March and October 2013 Aide Memoire have however not been met. The most important ones are as follows: MoU with NAADS (which might have to be shelved indefinitely), Value chain analysis overview formats, which were supposed to facilitate the value chain development plans; communication actions such as the one-page brochure on the VODP 2 approach, and the website (not very accessible); and the report on the 2013 demonstrations and field days.
5. Interaction with oil seed sector stakeholders indicated a dynamic sector, largely due to the strong market-orientation of millers/processors and farmers, as well as some of the non-public and private service providers. The challenge for VODP 2 will be to be part of the ever changing and dynamic sector reacting to new opportunities (prices, varieties, new mills, competitive advantages over other crops) and challenges (diseases, climatic change, etc.), this will require a great deal of flexibility, creativity, and innovative capacity.

Review the value chain roll-out plans for each of the hubs, based on the value chain studies

6. **Situation analysis.** The situation analysis reports have been finalized, published and shared but lack an overview analysis with actor specific analysis of benefits, challenges, required services, actor links, enabling environment and priority actions. These suggested overviews (AM October 2013; Technical Annex and Attachment with format) would summarize the situation analysis reports and facilitate the participatory development of the value chain strategic plans. **Agreed action.** Overview tables will still be developed, summarizing the situation analysis reports, to facilitate the participatory development of value chain strategic plans and for easy reference, updating and publishing on the website.
7. **Value chain strategies.** Draft detailed five-year value chain specific strategic development plans have been developed for different oilseeds priorities in each of the four hubs. Not all of the resulting hub-specific and value chain specific strategic development plans were made available. The plans involve mostly the primary actors of the produce value chain, but chain support services and value chain enablers also need to part of the plan. Not all plans are value chain specific or have been quantified, nor validated in OSSUP meetings. Some plans (Gulu) have been quantified in validation meeting but will need some critical analysis of the numbers (e.g. establishing 400 sunflower seed producing groups for Gulu hub only seems ambitious and possibly not needed). **Agreed action.** The plans will be updated (see Table 1 highlighting the status of development) to ensure that:
 - Activities for different value chains will be presented in separate hub and value chain specific strategic plans;
 - The expected outputs are to be quantified and related to the expected VODP2 outcome (see Attachment 1);
 - The value chain is more than the primary actors, service providers and enablers (e.g. District Governments are to be included. Concrete activities can for services be related to the MoUs for service provision with research, UNBS and agreements with NSCS, and possibly NAADS, while for the enabling environment MOUs with District Local Government and with the MAAIF policymakers can be important.
 - The plans will be validated in OSSUP meetings with the involvement of the hub facilitators by 31 October 2014, to ensure ownership of the plans, as well as provide the basis for overall OSSUP strategic plans and be made available for the Mid-Term Review Mission.

Table 1 Observations on the current status on the hub-specific and value chain specific strategic development plans

Hub	VC Strategic Plans	Status
West-Nile (Arua)	Sunflower and sesame	Need to make value chain specific overview Need to include services and enablers No quantification of the expected outputs Not yet validated in the hub OSSUP meeting
Northern Uganda (Gulu)	Sunflower, soybean, sesame	Need to make value chain specific overview Need to include services and enablers Quantified, but sometimes a bit ambitious Already validated in specific MSP meeting Not yet validated in the hub OSSUP meeting

Northern Uganda (Lira)	Sunflower, soybeans and sesame	Need to make value chain specific overview Need to include services and enablers Need for value chain specific plans Not yet quantified the expected outputs Not yet validated in hub OSSUP meeting, only in special MSP
Eastern Uganda (Mbale)	Sunflower, soybean, groundnuts and sesame	Need to make value chain specific overview Need to include services and enablers Need for value chain specific plans for a five year period (not 2010-2018) Quantification needed Validation in MSP and/or OSSUP meeting needed

Review of the AWPB 2014/2015, as drafted by the PMU

8. The 2014/2015 workplan will support farmer groups through the PSPs and District extension services and possibly with the NAADS's Farmer Institutional Development component. The seed value chain will be addressed with support for production of foundation seed and hybrid parental lines (MOUs with NaSaRRI and NACRRI), while the National Seed Certification Services (joint workplan as a MOU within the Ministry is not possible) will be supported to do inspections in farmer seed multiplication sites and in seed plants, as well as testing the seed quality in various stages of the seed chain. The NSCS is also involved in training district staff for seed quality control. UNBS (MOU) will be involved in the project implementation and notably provide services to the millers and processors in the chain. VODP 2 will provide support for farmer links with financial services e.g. for scaling their production through land preparation (land opening); as well as for farmer associations (based on business plans) and links with agro-input dealers for their access to financial services. Trainers from DLSP will be used for training VODP 2 and contracted PSP staff on household mentoring approaches. During the 14/15 workplan period special attention will be needed to develop a VODP 2 led workplan for the PSPs based on the completed value chain development plans and the submitted proposals of the PSPs as well as in coordination with the District programmes through the District Focal Points.
Agreed action. VODP2 will work closely with the PSPs and District Focal Persons to develop a workplan based on the completed value chain development plans, the PSP proposals, and other District programmes. The workplans will be finalised within four weeks of signing of the contracts; and are expected to be in place by 31 July 2014 for Lira and Arua hubs.
9. The workplan also provides an overview of the main achievements, which have been summarized in the following. Under the oil seeds component, 1600 farmer learning platforms (FLP) have been established, building the capacity of 34 000 people in improved agronomic practices and varieties. Also due to these FLPs, the demand for sunflower seeds in 2013 has increased, which resulted in an increase in the number of seed companies importing hybrid seeds, as well as agrodealers stocking the seed. Louis Enterprises in Gulu and Meena Industries in Kaberamaido reported increased access to crushing materials, and the milling companies of Shiva and Nile-Agro in Lira, as well as Louis Enterprises in Gulu entered into agreements with groups of purchasing sunflower for a price not below UGX 1,000 and 1,200, respectively. VODP2 supported two farmer associations Lira and Moyo to submit two loan applications to Uganda Development Bank Limited for a value of UGX 336 million (USD 132 000) for 2182 acres of oil seeds production; the same Bank financed another group with production over 261 acres in season B.

Review the AWPBs for the two recruited service providers

10. **Pay-for Service Providers (PSP).** The six to be contracted Pay for Service Providers (PSP) have been identified (one each in Arua and Gulu and two each in Lira and Mbale), negotiations have taken place, and contracts have been submitted to the contracts committee. For two of the proposed PSPs, IFAD has provided a No Objection (NO), these two have subsequently been submitted to the Ministry of Justice (Solicitor General) for final clearance, the other four are still with the contracts committee. The two PSPs, which are in the final stages of contract preparation were interviewed and found to be of good capacity and approach, as well as being well embedded in the multi-stakeholder oil crop sector setting in the hub. Immediately after signing of the contract a detailed workplan based on the value chain strategic development plan and the submitted proposal will be elaborated. The PSPs for Arua (WENIPS/NilePro Trust/Arudifa Consortium) and Lira (AFSRT) are in the final stages of

contract preparation and were found to have the required capacity and to be ready to start operations. An overview of the current status of the recruitment process is presented in Table 2

Table 2 Overview of the current status of the recruitment of the PSPs in different hubs.

Hub	Selected Pay-for-Service Providers (PSPs)	Status
West Nile (Arua)	WENIPS-led consortium	Obtained Contracts Committee Clearance, and IFAD NO, now submitted to Min. Justice for final clearance WENIPS contract to be signed in July 2014
Northern zone, Acholi region (Gulu)	IIRR (International Institute for Rural Reconstruction)	Negotiations completed Contracts submitted to the MAAIF Contract Committee
Northern Zone Lira	AFSRT (Agency for Sustainable Rural Transformation) UOSPA (Uganda Oil Seed Producers/Processors Association)	Obtained Contracts Committee Clearance, and IFAD No Objection Submitted to Ministry of Justice for final clearance AFSRT Contract to be signed in July 2014 UOSPA contract with the MAAIF Committee
Mbale	Eastern Private Sector Development Centre CDRI (Community Development.)	Negotiations completed Submitted to MAAIF Contract committee

11. In the Aria hub WENIPS Consortium (including ARUDFA, Nile Pro Trust) has been selected as the single service provider to be operating in the area. The WENIPS Consortium has excellent relations with the private sector (WENIPS is the West Nile Private Sector organization). The PSP was found to have a sound extension approach (not based on hand-outs) and is aware of the need to interact with private, public (district and NAADS) extension, as well as with NGO service providers. The PSP however needs with assistance of VODP 2 (DLSP trainers to be involved) to develop a proper gender and household mentoring strategic action plan.
12. The AFSRT (Agency for Sustainable Rural Transformation) has been identified as one of the Lira Hub Pay-for-Service Providers. AFSRT is also the facilitator of the Lira OSSUP. This PSP already has close relations with three smaller millers, which will be involved in extension activities, as well as working relations with a number of districts, and other relevant stakeholders such as cooperatives.

Review any preliminary data available in the on-going baseline survey conducted by MAAIF

13. The baseline survey which is a combination of the required RIMS survey (on household assets and child malnutrition) and VODP 2 specific baseline data will be implemented as from July 2014. The survey is implemented by MAAIF and UBOS, tools for the survey have been prepared (Inception report for the Baseline Survey for the oil Seeds Component). The questionnaires have been tested (Pre-test report for the Baseline Survey for the Oil Seeds Component). Based on a thorough statistical analysis it was decided to have a sample size of 1840 households with an equal sample size of 460 households in each hub. Villages will be selected in each District (out of the 50 VODP 2 Districts) and the 2nd stage HHs will be selected from a full list of HHs in such a village. The data will be collected by enumerators using handwritten questionnaires.
14. Apart from the required data on HH assets and child malnutrition, other more oil seed production and marketing data will be collected, which will also help UBOS and MAAIF to build a constantly updated database on oilseeds production. The questionnaire is complete and has been tested, if possible a few small additions or modifications can be made:
 - On equipment it would be good not if it is tractor drawn or oxen drawn equipment (weeders, cultivators, planters, etc.) (question 17)
 - On use of inputs (question 19). In relation to seed there are two levels. One is the use of new (rather than local) varieties, hybrid or other released varieties, and the quality of the seed used (certified seed, other quality controlled seed, or local or farm-saved seed).
 - On crop production (question 20): and sources of seed: farm-saved, purchased from agrodealers (and seed companies), bought or exchanged from other sources, free seed (NAADS, VODP 2, others), or seed on credit from millers or processors.

- Need to add a question on the use of oilseed cake? Do HHs get it back from the mill and if so do they use it for animal feeding (which animals) or do they sell? (question 21)
- Access to services (Section 7). Sources of services, include other farmers/lead farmers/ FFS facilitators in this.
- Include in the section 6 question 11, the training on seed production and marketing.

Status of implementation of the OSSUP Grant to SNV and the relationship with VODP2

15. **OSSUPs (Oilseed Sub-Sector Uganda Platforms).** As part of the VODP2 design, a grant has been provided to SNV for the facilitation of autonomous national and hub-level stakeholder platforms. SNV has subcontracted the service provision of OSSUP to hub level facilitators to service providers (2 NGOs and 2 private companies). The interaction between the OSSUP and VODP 2 has been outlined in an MoU. The logical framework which was used for guiding the OSSUP facilitation activities, proved to be too detailed and complicated (too many meetings were planned), and suggested by the supervision mission in September 2012 a new logframe was developed, but not fully finalized, currently 4 hub meetings are facilitated every year as well as two national meetings of the respective multi-stakeholder platforms.
16. The Regional OSSUPs (Oilseed Sub-Sector Uganda Platform) are expected to develop a comprehensive but hub specific oilseed value chain development strategy for the OSSUP members, these will be based on the VODP 2 value chain strategic Plans. OSSUPs (and hence the facilitating agencies) are also involved in: (i) the coordination and harmonization of the different extension approaches and services in the oilseed crop sector; (ii) learning about the different marketing and bulking models and arrangement; (iii) the development of national and local seed multiplication of quality controlled seed. Ever since the national OSSUP declaration (November 2012, Silver Springs, Kampala) on the need to address the seed issue, seed has been on the agenda of the national and local OSSUPs. Districts are following up with District Seed Resolutions (e.g. Arua and Koboko). Nevertheless OSSUP national has not managed yet to brake the perceived deadlock of who is to take the risk for the hybrid sunflower seed to be imported. (iv) Communication (incl. website, events and field days) and oil seed sector monitoring (dashboard). The OSSUP facilitation is expected to play a role in lesson learning in order to contribute to innovation in the sector. There is a need to consider an exit strategy for the support to the OSSUPs and notably the facilitation. Will the OSSUP develop into a branch organization, become a loose network or will it look for other donors.
17. There is an interest of the OSSUP facilitation (as facilitation and/or as different organizations) to do more for VODP 2 and the oil seed subsector at large. The West Nile (Arua) OSSUP facilitation suggested to do research on different marketing models, while the Gulu OSSUP facilitation would like to get more involved in extension services and communication. The Lira OSSUP facilitator will be one of the selected PSP providers in the hub. Providing additional functions by the OSSUP facilitators could be one way of becoming sustainable. The OSSUP facilitation (SNV and subcontracted service providers) is however also concerned about the sustainability of the (public sector supported) platforms, as well as notably the project-supported facilitation and brokering functions. The current arrangement might crowd out local private sector brokering initiatives, as well as initiatives of the OSSUP facilitation itself to provide paid-for brokering services. **Agreed action.** It was agreed that the OSSUP facilitators and VODP2 will develop strategies for sustaining the platforms and the facilitation function.

Review the performance of the new OSSUP hub facilitator in Arua.

18. Since January 2014 SNV has contracted a new service provider for the facilitation of the Arua hub OSSUP, which is Plan Business Consult. The facilitator sees as the main assignment the organization of the quarterly OSSUP meetings (seed multiplication always on the agenda); the performance monitoring of the oil crop sub-sector (seed demand analysis, sub-sector analysis); business to business linkages (options for a new processing plant); evidence-based policy and advocacy dialogues (Tax harmonization and the follow-up to the Silver Spring seed declaration, as well as the district Seed Resolutions); as well as the organization of learning events (e.g. ISSD field day).
19. Some of the challenges for the Arua OSSUP facilitation are the need to interact more with the VODP 2 hub activities such as the relation between Farmer Learner Platforms and the OSSUP meetings as well as the interaction with the District Technical Working Groups. Another challenge is the

dissemination of information on the developments in the OSSUP as well as the VODP 2 activities. A special sesame technical working group on market models has been formed for testing such models. In general testing of different marketing models for sesame and soybeans is high on the agenda.

Other emerging issues

20. **Farmer Learning platforms.** In 2013 VODP2 established 1600 farmer learning platforms involving 6801 households organized in 315 farmer groups with demos on oil seeds varieties and agronomic practices. Based on the new demonstration guidelines, in 2014 smaller sized demonstrations with different varieties and other treatments (fertilizers DAP 50 kg/acre, Rhizobium inoculum, ways of planting, etc.) were established in a host farmer's field, representing and on behalf of a group of farmers. Field days with farmers, millers and agro-dealers and seed companies were organized in some locations, but is it not general practice yet. Apart from these, some larger plots were also established with seed provided by VODP 2 in order to test oil content of different varieties, make partial crop budget analysis (land and labour productivity) and produce seed. The FLPs are a key knowledge sharing tool, and farmer field days have been planned to bring groups together to learn from each other. The planned number of demos for 2014 is 5199 for an average of 3 farmer groups per sub-county, the number of farmer groups is however less, as different demos can be with one group. In practice this means that the number of field days will be less, as restricted to not more than one field day for each farmer group.
21. Despite the great progress made in developing a new generation of demos in which the emphasis is on learning rather than providing free inputs, a number of concerns is still remaining. These could be addressed in the guidelines for the demos. Some of these are: the need for transparency in the type and objectives of demos (for all the actors involved), as farmers often do not know the name of the variety or the cost of the seed; the need to include always the farmers' practice in the demo in order to provide a reference (this can be the local variety, but also broadcasting practices); need for full reporting of both quantitative and qualitative data. On some issues the guidelines are not fully consistent such as in Chapter 5 on the size of the demos, or on the role of seed companies, agrodealer, millers in the demo service provision and field days or the co-financing of the demos. A special issue to be addressed could be the use of quality seed of the same variety: seed from seed companies and agrodealers, seed from local seed producing groups or seed saved by farmers themselves. The guidelines also need to make it clear what the overall hand-out strategy is in relation to individual and groups of farmers.
22. The hubs collected the data for 2013 and submitted these to the VODP2 monitoring unit. What has been provided is the following: (i) planned and actual acreage of the demos for each variety and commodity; (ii) Yield in kg/ha for each; (iii) Number of Districts, Sub-counties, FLPs/Demos, Farmer Groups and Households (no men and women), as well as (iv) inputs used; and (v) calculated value. The earlier agreed (AM October 2013) full report of quantitative and qualitative data would require some additional data, the main ones are: (i) Yield data as a range and preferably the variation, (ii) number of plots for each of the varieties; (iii) Yield for varieties with and without additional treatments; (iv) number of the different demos: variety comparison demos, seed multiplication demos, crop budget analysis demos, etc.(v) Number of field days as well as presence; (vi) Number of field days and feedback from male and female farmers, as well as millers, agrodealers etc.
23. Based on the amount of seed purchased in 2013 a total amount of 11 034 acres was planted of which 5188 acres with PAN 7083 (see detailed 2013 hub reports) . The demonstration guidelines now recommend plots of 10 x 10 m², with two treatments for each of the varieties. A variety trial with five varieties with or without fertilizer would have ten plots of 100 m² each or a total of 1000 m². This would mean for the planned 5199 demos (which is high in itself) in 2014 (a total of 520 hectares. This contrasts sharply with the acreage planted in 2013, while the number of FLPs/demos in 2014 is only increasing. Action is needed to do a proper planning of the type and size of demos in order not to overdue the purchase of seed and other inputs at the risk of being perceived as a hand-out programme. **Agreed action.** The 2013 demo data will be analysed and compiled in one report. VODP2 will develop a demonstration strategy to ensure that VODP2 is seen for what it is, and not as a project for free handouts. Farmers' lessons sharing will be further enhanced through farmer field exchange visits.

Table 3 2013 Number of learning platforms or demos

Season	Actual	Actual	Actual	Planned
Hub	2013A	2013B	2014A	2014B

Arua	81	63	62	135
Gulu	102	204	302	400
Lira	36	36	280	500
Mbale	320	758	1520	2000
Total	539	1061	2164	3035
Season	1600		5199	

Table 4 2013 number of farmer groups involved in FLPs

Season	Actual	Actual		Actual	Planned	
Hub	2013A	2013B	2013	2014A	2014B	Planned
Arua	41	31	41			135
Gulu	55	47	102			200
Lira	114	114	114			280
Mbale	44	58	58			500
Total	254	250	315	0	0	1115

24. **Access to seed.** The access to quality seed remains a main issue in the oilseeds sub-sector although it is very value chain specific. Farmers are complaining about access, but above all about the quality of the seed (certified seed that is not germinating, or foundation seed that is mixed), and the price, although if they know that the quality is good (e.g. sunflower seed at US\$ 23000/kg: AN 7033) the price is not an obstacle for most farmers. Through the National OSSUPs seed declaration and the District Seed Resolutions, emphasis is being given to local seed multiplication through contracts with seed companies, as well for direct local marketing. A number of initiatives have been identified on local seed production. Equator Seeds has contracted a number of farmer organizations as contract growers for soybeans, and sesame.
25. Some initiatives are undertaken on sunflower production as well notably the local hybrid (Sesun 1H, 2H) and the New Sunfola by UOSSPA and Equator Seeds (New Sunfola), but the quantities have been small (15 MT/year), also caused by shortage of parental lines (NACRRI). A total amount of 500 MT/year is expected to be needed (to be verified with effective demand for sunflower seed survey by Mukwano). Mukwano is purchasing some 250-300 MT/year (importing twice, for each season), the rest made available by others is small.
26. The major access to quality seed problem is a limiting factor for oil seed value chain development. For sunflower a strategy for national hybrid variety seed production has to be developed, as well as for local seed production for other oilseeds, involving also local seed production by farmers and their organizations. This requires implementation of the new seed policy (legally allowing Quality Declared Seed production), the involvement of NARO and NSCS, as well as the development of a VODP 2 strategy for seed production on a sustainable basis, involving training by PSPs on seed entrepreneurship. The ISSD (Integrated Seed Sector Development) programme is currently expanding its programme through partnerships on sustainable local seed businesses (LSBs) in Northern Zone and West Nile (as well as Western Zone). The number is to be expanded from 30 to 130 LSBs. VODP 2 can benefit from this experience with local seed entrepreneurship.

Table 5 Groundnut and Sesame seed source for smallholders (ISSD baseline survey)

Source of seed (% of seed used)	Groundnuts			Sesame	
	West Nile	South-Western	Northern	West Nile	Northern
Farmer saved seed	33	55	34	16	34
Neighbour	2	3	6	-	9
Local market	46	41	54	68	52
Local Seed Businesses	3	-	1	11	2
Agrodealer	9	1	2	5	2
Government	5	-	1	-	2
Project NGO	2	-	1	-	-

Table 6 Soybean and sunflower seed source for smallholders (ISSD baseline survey)

Source of seed (% of seed used)	Soybeans			sunflower
	West Nile	South-Western	Northern	Northern

Farmer-saved seed	-	-	35	13
Neighbour	-	17	8	13
Local market	14	33	40	23
Local Seed Business	29	-	-	-
Agrodealer	29	50	2	37
Government	-	-	-	3
Project NGO	29	-	15	10

27. **Agreed action.** Existing hub-level activities of coordination and interaction with ISSD will be expanded, to include training of PSPs and District Focal Points on local quality controlled seed entrepreneurship.
28. **Access to financial services.** After an analysis of the demand and supply of financial services in the four hubs, the PMU has elaborated a strategy to address the issue of access to financial services. As there is a considerable number of professional financial service providers increasingly interested in investing in the oilseeds value-chain, the main constraints seem to be on the demand side, in terms of the capacity to elaborate viable projects and link up with the financial service providers. The project will therefore focus on assisting the actors at the different stages of the value chain to elaborate solid business plans and on brokering the relationship with financial service providers. This is already being pilot tested with a limited number of farmers groups, in partnership with some financial institutions such as the Uganda Development Bank and Opportunity Bank. In general there are many lessons to be learned from credit activities by millers, processors and financial services (UDB, Finca, Centenary Bank, Opportunity Bank, as well as different projects such as ATAAS, ISSD), as well as experiences with the development of local business plans for producers and millers. The PMU should consider extending this approach to other key actors of the value chain, in particular small and medium processors. Lessons emerging from this pilot will allow elaborating a strategy for scaling up this approach. **Agreed action.** The PMU will prepare a proposal in this respect to be discussed and validated by the MTR.
29. **Communication and knowledge management.** Communication and knowledge management. The VODP2 communication strategy is built on sharing information as interactively as possible through radio programmes, websites and through the OSSUP platforms. The latter mechanism is functioning well, and oilseed sector stakeholders are being reached, although the website is not yet fully operational (<http://vodp.agriculture.go.ug>), as it needs more information. VODP2 has started a preliminary collaboration with the New Vision Media Group for the development of radio programmes and messages. VODP2 is involved in learning case documentation as is OSSUP.
30. **Exploiting the mobile phone opportunity.** The mission observed that almost every household has a mobile phone. This is an important opportunity to exploit in sharing key agricultural and market information with farmers through bulk short messages (SMS). The mobile phone messages can also be used to support the radio programme in two different ways – to alert listeners of the upcoming radio programme, and to share a summary of the key messages from each programme. **Agreed action.** VODP2 will publish all relevant documents and cases on the website. For the radio programmes, an effective line-up of topics should be prepared, based on key messages and in accordance with the farming activities cycle. A template for tracking farmer issues as they call in will be developed, and used for updating messages.
31. **Household mentoring, gender and youth.** Household mentoring, gender and youth. The to-be contracted PSPs will have an important role in using gender approaches (Gender Action Learning System, GALS), for visioning, role analysis and action planning, as well as household mentoring. DLSP trainers will provide training to VODP2 staff and the contracted PSPs.

Agreed action	Responsibility	Agreed date
Develop a one-page brochure with a message for farmers and other actors on the VODP 2 approach ⁷	PMU	Immediate
Finalize, quantify value chain overviews and strategic plans (VCSP), validated in hub-specific stakeholder meetings (OSSUP) ²	Hub-coordinators	Immediate
Collect quantitative and qualitative data on the 2013 season and report on this ²	Hub-coordinators	Immediate
Develop a VODP 2 led work plan for the PSPs based on VCSP and PSP proposals	Hub-coordinators	30 Sept 2014
Develop with OSSUP facilitation the strategies for sustaining the OSSUP platforms and the facilitation functions.	PMU/OSSUP-SNV	30 Sept 2014
Expand and develop coordination and interaction with ISSD on local seed production based on quality controlled local seed businesses	PMU	30 Sept 2014
Use relevant practical material on oilseeds and seed of oilseeds production on website and in radio programmes ²	PMU	30 Sept 2014
Ensure cost efficiency of single sourcing	SNV	On-going

⁷ Repetition of the September 2013 AM agreed actions

Attachment 1 Overview of VODP2 oil seeds component's expected outcomes and expected outputs. (Source: VODP 2 Guidelines for implementation)

Outcome	Verifiable indicators	Status and observations
Continued up-scaling of Lira to a modern agro-industrial hub for oilseeds and the emergence of eastern Uganda, Gulu and West Nile as hubs for oilseed production	<ul style="list-style-type: none"> • Mill capacity utilization increased from 30% in 2009 to 85% by 2018 • Farmers growing oilseeds increased from 55 000 in 2008 to 140 000 by 2018, with net cash earning per ha of US\$350. • Domestic oilseeds production of sunflower and soyabean increased from 70000 MTs in 2008 to 150000 MTs in 2018 of which 70% is from the hubs of Gulu, Eastern Uganda and west Nile • Number of farmers adopting certified varieties (%) • Number of agricultural production groups operational/functional • Number of farmers used purchased oil seed varieties 	<ul style="list-style-type: none"> • Baseline data from list compiled by VODP 2. This indicator might have to be adapted as the number of mills is increasing. • The oilseeds are, production volume and number of farmers is to be measured through UBOS, but crop budgets need to be calculated. • 70% from other hubs is high, and to be guided by the baseline • Number of farmers adopting released varieties (%) • Ok, but functionality to be defined • Number of farmers purchasing quality controlled seed.

Output	Verifiable indicators	Results in 2013
Production of certified good quality seed and oil Smallholders farming oilseeds as a business and operating in groups to sell increasing volumes of crushing material to millers	<ul style="list-style-type: none"> • Two improved varieties for each oilseed crop released by 2012 by NaSARRI and NaCRRI, and two each year after. • 90% of oilseed growers, even in remote hubs of Arua and Gulu, buying certified hybrid seed commercially by 2014 • Number of hectares under oil seeds cultivation increased to 140 000 ha by 2018 • Number of farmers reporting an average yield of 1.1t/ha • 5900 farmer groups (with 30% participation of women) receiving extension services from the project by 2018 • 1000 farmer groups bulk selling by 2015 • 90% of the medium/ large scale millers attain UNBS quality certification by 2018 • Amount of credit facility disbursed to value chain actors by participating financial services • Number of beneficiaries of the credit facility. 	<ul style="list-style-type: none"> • MOU with NaSarri, also need to produce breeder and foundation seed • Rather quality controlled seed, for some crops certified (sunflower), others QDS • UBOS?? According to FAO data this is very low. Baseline will update • 315 groups in 2013 involved in demos. Number of extension staff receiving extension services (incl. private sector) • 6801 HHs trained through FLPs • Baseline data? • Baseline data? • Credit for high input sunflower production? • Number, baseline

Attachment 2: Main findings in the field (Arua, Gulu)

Hilda Achayo (SNV West Nile Region) and Anyanzo Thomas Abbey (Palm Business Consult and OSSUP facilitator)

- The MSP/OSSUP started in 2012 and since 1/1/2014 there is a new service provider.
- Seed is one main issue. NilePro is very much involved in promoting local seed production also by involving Equator Seed (SNV cases on soybeans).
- Large soybean and simsim buyers in the area are Olam, Skylight and ETG, while there are no sunflower processors (only in Yumbe but buying from Zombo as well)
- OSSUP facilitation services are mainly: Quarterly meetings, oilseed subsector performance monitoring, business links facilitation, facilitation of evidence-based advocacy and policy dialogues and organizing learning events.
- Special learning trajectories are on seed multiplication (also with ISSD) and the improvement of the marketing models.

WENIPS (Omar Abdullah, Eugenio Ajurra), Arudifa (Alex Aribo, Dennis Goba), Nile Pro Trust (Ronald Kizito)

- PSP Consortium (private sector, farmers and NGO) for Arua, which has been cleared by IFAD and MAAIF. Contract now submitted to Ministry of Justice. District has contracted WENIPS and Arudifa for farmer institutional development. The large contract for the whole zones has been shelved.
- Different approaches are used such as FFS and FLP, what is common is the involvement of farmers in extension
- Not involved in free hand-outs to farmers
- Seed. Involve farmers in selling certified seed and quality controlled seed (multiplied certified seed). The need to address this is laid down in the Arua Seed Resolution.
- The gender strategy is concentrating on female associations, GALS (have trained staff and learning centres) (HH visits, household mapping) and animal traction. The latter is mainly to involve the youth

Arua DLG staff (including CAO and Monica District Production Officer)

- The District is promoting all four oil crops, which all have become cash crops.
- District would like to be more involved in M&E and farmer mobilization
- More messages on the radio are needed.
- A good collaboration exists between Abi Zardi, District and WENIPS Consortium on the Arua Seed declaration, and addressing the counterfeit seed issue. The seed inspection needs to be decentralized to districts. UNADA is also involved in sensitizing farmers on counterfeit seed, an activity funded by ISSD.
- Access to land. Scattered land holdings is a problem, leading to many conflicts.
- Project money was sent back to treasury, this was not supposed to be.

District Focal Points (Nebbi, Zomba, Arua)

Arua District (Susan Ocokoru)

- Focal persons work with CDO, FID of NAADS, AASP-crops and SC coordination and production officer. The Community Based Facilitators do a good job and organize the FGs.
- The seed for the demos (7 learning platforms by design, total 20) proved to be too much so the rest has been used for seed multiplication, while the quantity was not enough for the millers
- Due to the poor weather and drought no field days were organized

Nebbi District (Faustine Enyanga)

- Demos on sunflower and soybeans (12 FLPs, but only 6 survived)
- Farmers are less interested in sunflower than in simsim due to the market, also their are limited options to source seed

Zombo District (Patrick Aneniwu)

- Groundnuts form the main oil crop, sesame is grown in the lowlands near the river and sunflower on the highlands.

- There is a need for specialized sunflower or oilseed extension to promote the commodities (incentives might be needed), a new project will start to promote groundnuts (by Reco Industries). Farmers prefer soybeans and sesame rather than sunflower
- Demos (20 established and 6 remained) were implemented but field days with millers and agrodealers and traders.

Eden Iyiko (Happiness) Farmer Group

- FG with 34 members, chaired John Anuuku, supported by NilePro Trust, also has a VSLA (2 million)
- Have a demo with sesame both local and improved variety, line-planting (good germination) and broadcasting (which was bad). Farmers are not convinced as simsim was broadcast at the wrong time, farmers will plant only in July. Sesim 2 is good, Sesim 10 is not producing well (tall but no pods)
- Groups also grow sunflower varieties(7) with and without fertilizer, but without the local variety (not available).

Cinya Farmer Group

- 40 members with 25 females, chaired by the community based facilitator. Started in 2007 as NAADS and now have also VSLA (deposited with Barclays bank)(loans have to be paid in 28 days).
- Have a soybean demo with Maksoy 1N, 2N and 3N as well as local, with and without inoculum. No clear inoculum influence, Maksoy 3N looks the best. Good quality field. Before they used Arudifa seed which was not as good.

Arua hub coordinator (Emmanuel Okwong)

- In 2013B there were 149 FLP Demos, but many have failed due to drought etc. in 2014A a total of 135 demos were established, at an average of 3 per subcounty
- The new approach of having all varieties in one field is good, as farmers can be brought together. It is however a bit more difficult to find a good host farmer.

Adokiko mission farm (Marian Brothers Farm) in Yumbe, with District Production Officer

- Sunflower mill buying sunflower in Yumbe and Zombe. A large demo with five acres each variety was established with several varieties (hybrids and New Sunfola). The grain will be used to determine oil content.
- The mill has a capacity of 4-5 MT/day. The sunflower is bought at 500 US\$/kg, but seed is provided free. They mill 12 kg and give then 1 liter of oil back, with the new varieties a new relation has to be established.
- IFAD-CEFORD project has supported them with the GALS methodology for the support of HH groups on HH issues.
- There are ten active groups (simsim and groundnuts) and 800 farm families. They themselves have 135 hectares and only 25 acres used. Sesame is bought at 3500-4500 US\$/kg, Soybeans at 1100 US\$/kg and a 100 MT in store, groundnuts are sold to Congo and Sudan.
- DPO: Sunflower production is now promoted in all sub-counties (from 5 to 9). Other crops are also promoted, notably soya beans for which there is a good market (by AFARD). A refresher training for extensionist has been organized.
- The mill needs a business plan and how to deal with the seed issue.

Amatura Cooperative Society in Moyo

- See draft business plan, prepared to get loan from the UDB (for simsim and soybeans), supported by VODP 2's Susan
- Cooperative society (not ACE) with 44 female and 28 male. Member of the MDFA also with staff members and providing training about linking buyers with farmers. They have 5 acres fenced collective land, but also individual fields.. They are composed of 5 groups and registered as a cooperative
- CS have a demo on soybeans (Maksoy 2n and 4N) with and without inoculum, as well as demo with sunflower varieties (Pan 703, EASF Sesun DK 40 40). No local varieties used, sunflower is not their favourite crop.

- CS also interested in seed production foundation seed for soybeans (Maksoy 1,2, 3 and Namsoy 4), and sell seed to other farmers e.g. soybeans at 300-3500 (foundation seed costs 4000, while grain is only 10000. MFA is also selling seed.
- They have suggested to have a talkshow on counterfeit seed: (i) Ask for a receipt of the seed you buy, so you can complain; (ii) Buy from a good source (not from open market); (iii) Ask for demo field and viability test results.
- Main production challenges: seed, groundnuts (only local Red Beauty used), weather, pests, fake and mixed seeds.

Agwa Yudi Amurru District, Magodi Subcounty (Tichard Okumu)

- Many farmer groups have formed one association.
- FLP on sunflower on spacing and varieties. PAN 7033 looks the best.
- Linked to Lousi enterprise, which is a secure market
- Need for post-harvest training, in order to get quality grain, as the quality is lower they will get a lower price.
- The demo has DK 40 40, PAN 733, New Sunfola and Sesun, the latter two get 800 Ushs/kg while the first two get 1000 UShs/kg. The seed costs 20000 UShs/kg at the farm gate or in the factory 18000 UShs/kg
- Need for post-harvest equipment such as drying equipment. The lesson learnt through a demo can be used for training other groups.

Hub coordinator Gulu (Richard Okedde)

- In 2013 A they had 102 demos, followed by 300 demos in 2013B and in 2014A there are 200 demos. The majority are small demos as follows: (i) 4 varieties of sunflower including New Sunfola; (ii) Sesame, some varieties tested; (iii) Groundnuts: farmers prefer Red Beauty but cannot obtain the seed; (iv) One group will be multiplying seed. Some of these varieties are tested by the KITGUM satellite station
- The Gulu hub has a good relation with the OSSUP (although the VCSP needed a special meeting), as well as with the district. Other local programmes relevant are: IIRR to be PSP, FAO's FFS, all coordinated by the Focal person.

St. Francis sunflower mill

- The mill (Nitiya from India) has capacity of 10 MT/day. They expect to mill at least five days a week and have maintenance on Saturday. This would lead to some 200-250 milling days a year or a demand of 2000-2500 MT of raw material.
- In the first season (May 2013 –December 2013) they bought 87 MT, in the next season (jan-may 2014) 155 MT.
- They expect that farmers produce 600 kg sunflower/acre. The average HH sells 3 bags at 65 kg or about 200 kg, i.e. 1/3 of an acre or a total of 3750 ha to supply the required quantity of 2500 MT. The indicated turnover would require 12500 farmers.
- They seek UNBS certification, which would allow them to sell beyond the District. This will require investments for boiler, storage (separating cake and grain etc.)
- The mill will sell the cake to Mukwano for additional oil extraction
- Francis mills works with 20 farmer groups, they also plan to have a tractor for ploughing services.

Ilobe Wire (Farmer association)

- The association has several groups. This group has 6 women and 9 men.
- The group has a demo with one variety (PAN 7033), obtained from VODP 2 with the objective to measure all costs (cash and labour) and the yield so they calculate the return. A logbook was shown. They are not aware of the seed price (23000 USX/kg)
- They have done oxploughing (2x) and lineplanting, but will not do oxen weeding. They know that oxploughing larger areas will lead to more weeding for both men and women, but expect it to compensate in income.
- They ask miller to process the grain and they sell the oil locally. Mill keeps 20% of the oil as well as the cake (unless people ask for it). Miller sells the cake at 350 USX/kg, but there is also a contract with Mukwano to sell the cake for further oil extraction.
- Costs of milling: 100 kg grain is 65 (??) kg kernels, which gives ?? % cake and ?? % oil.

- Equator Seed is selling New Sunfola seed at 4000 USX/kg (2 kg per acre). Mill pays 750 for New Sunfola and 800 USX for Hybrid seed

Francis Onek Toolit (Lamwo District)

- Individual farmer host of the learning platform (36 members) and in the board of St Francis sunflower press
- He has two demos (different planting times) for 4 varieties (no local control) and with relatively large plots (20x 20)
- Will sell to St. Francis and sees it as a good business, but keeps no record.

Gulu OSSUP Facilitator (Dan Derricks, Virtuous Springs)

- The interaction between OSSUP and its facilitation in Gulu and VODP 2 is largely informal, but also the quarterly meetings (VODP 2 always there even if not in person), actor data bases shared, OSSUP facilitation representing VODP 2 in other for a (local MSPs), etc., The OSSUP facilitation is also involved in the M&E of the activities in the sector.
- There is a need to improve the joint communication strategy, to improve the OSSUP value chain development plan, based on the VODP2 plan. Need to address the service providers activities (NAADS, District, PSP, private sector, etc.), and the need to address the coordination in the seed systems and seed value chains.
- OSSUP expectation management is a main challenge: actor demand outside OSSUP facilitation mandate, strategic plan for the hub, steering committee in Gulu, technical leadership in districts, demand for extension service provision and group development.
- The OSSUP strategic plan will be ready by the end of the 3rd quarter
- An important task for the facilitation is also to get more support for the OSSUP and its plan, also from donors, and other development partners, the programme ends at the end of 2016, which will require an exit strategy. Options are indeed: More and other donors; Branch organization; they have not yet looked into a fee for the OSSUP.
- OSSUP facilitation is also trying to get radio programmes through partners as it is quite expensive (980 thousand per hour), also to get talkshows.

Tourist Olaya (Louis Mill owner and manager)

- He has an oil mill (10 MT/day), rice mill and maize mill, all contributing to development. The mill is well service with good spareparts from India.
- Mukwano pays only 100 USX/kg for the cake, so he does double crushing to get last oil out. The demand for cake is high, buyers come from far and even abroad.
- Farmers are paid in cake and oil, as well as cash. He pays 1200-1300 USX/kg for hybrid grain, local is 800 USX/kg and others 1000 USX/kg
- Seed issue, where to get? UOSPA does a good job in extension but seed? Farmers have to register with Mukwano in order to get PAN 7033, others buy DK-40-40. He would need 5-10 MT, in order to sell to his farmers (he will, announce this on the radio); could partner with Mukwano
- Most of the sunflower is sourced from Amurru and Lamwo District (60%), not in Gulu District.
- The Food for Progress programme (Usaid) provides fund for land preparation, which farmers pay back when they sell. The minimum is 2 acres (out of 5) for which they get 3 million US\$. The group serves as collateral. In total 230 groups (of 30-40 people) have got credit from FINCA for sunflower, rice and maize. VODP 2 supports this with demos

Christopher Lutara of Global Traders Limited

- A new fully equipped mill is being established, private investment. the mill has daily capacity of 15 MT of sunflower.
- The mill has 150 acres itself, but buy 200 acres by groups (10 groups with 20 acre each).
- The mill will provide credit for land preparation and for seed. Testing of new practices will take place e.g. Balton herbicide, foliar fertiliser spray, spacing to have only 1 weeding, hybrid seed, but also using New Sunfola.

Nieko Rat (Farmer Association)

- Farmer association with 19 male and 12 female farmers, started in 2010 with 15 members, most members have 7 acres.

- Host of sunflower variety demo (with three varieties such as PANNAR 7033 and DK 40-40, total 2.5 acre), also interested in sesame demo.
- DK 40-40 germinated poorly, but also the heads were not filled properly. The trial resulted in 122 bags of Pan 7033 and 22 bags of DK 40-40. Pan 7033 got 800 USX/ha and 600 USX/kg. This resulted in 1900000 USX for Pan 7033 and 520000 for DK 40-40. The savings are used to buy seed for all the members
- Also tested soybeans and obtained 10 kg Maksoy 2N, which produced 300 kg, all will be used as seed. Grain is sold at 1000 USX and seed for 1200 USX/kg
- In the new season received 10 kg DK 40-40 and 25 kg Pan 7033. Also received 10 kg of simsim, as well as 20 kg foundation seed of soybeans (to be tested with and without inoculum).
- Considering to get a rampress, as they that middlemen take the largest margin. Mukwano only buys the good quality, while local variety is being exchanged in Gulu for cooking oil

Acwec Omio (Agricultural Cooperative Enterprise)

- Cooperative composed of 160 cluster groups of 25 members each, of the 4000 members there are 2600 female and 1400 male farmers. Started in 1998 with 15 female members, in 2009 they became a cooperative society and in 2010 obtained a warehouse (through African Development Foundation with 48 million and 24 million co-financed in kind). The main business in sale of brew sorghum and oil crops.
- In 2010 started through UOSPA with oilseeds production, in 2013 did demos with VODP 2, as well as training of farmers. Now considering to acquire a grinding mill to be obtained for 32 million through AFSAT, Uganda private sector foundation
- During the field day there were 250 participants from 11 sub-counties. Uganda Development Bank was present, others were NileAgro, Mukwano, UOSPA.
- Each cluster has lead farmers, these can be involved in training other farmers, apart from that the cooperative has three field extension workers. Cluster members organize the demos.
- Other services provided are by NGOs, and Mukwano and NileAgro (wants to follow the Mukwano model). NileAgro pays a better price and cash
- The cooperative has some clusters to produce seed for all the members notably soybean seed. Equator seed sells the foundation seed pays 1200 USX (grain is 1000 USX) and sells the certified seed at 3500 USX. Serious concerns about the quality of the seed company seed.
- They have not received support from NAADS, as they are a cooperative.

Note en Teko Farmers Store (Farmer association)

- Started in 2010 with 5 small groups and now have 18 groups with a total of 514 members, half of which are women. In 2013 they got support from VODP 2 for sunflower and simsim. They are a production and marketing group and have a store and 3 ministores. The turnover in 2013 was 80 million with 5 groups. The oil crops (sunflower, soybean and simsim) account for 68 million, rest is for beans and maize and other crops, with resources they could increase the turnover
- The listed constraints are: Land preparation (need tractor or oxplough, oxplough by some used for weeding, no cultivator), post-harvest technology, late arrival of buyers, ox-cart to transport produce and credit to buy inputs
- Group would need credit (10 months at 1% interest per month), technical assistance to produce seed

Vincentina Molo (Female soybean grower)

- Grows sunflower and simsim in the 2nd season and soybeans in the first season.
- Had Maksoy 2n (the hairy one) on 1 acre for seed, sold seed and expanded to 4 acres. The variety is good: high yielding, heavy plant, not using inoculum

Annette Nalumo, New Vision Media Group

- New Vision Media Group involved in sponsored radio programmes, talkshows, call-in radio programmes, HH approach with special issues for women

Ibrahim Eitani (Norah Agro Transformation (U) Ltd)

- Starting a new oil mill in Lira, already involved in ethanol production, made out of cassava
- Interested in working with VODP 2 and OSSUP

AFSRT team (Andrew Ocen, Nick Obot)

- The PSP is also involved in the OSSUP facilitation, and has partnership with a number of private companies (Ronco, White gold, Yield Uganda, Equator seed)
- The handout strategy is to provide free seeds only for demos, initially cost-sharing and leading to farmers buying inputs
- Seed: Contacts with NSCS for training in the seed multiplication, Contact with ISSD. Main challenge how to control quality.
- Extension service coordination: Coordination through OSSUP of programmes such as FAO, IFDC, etc. Plan to have an Extension Service Provision Manual.
- Farm Force project (Easy Grow Company) is about traceability, already some 270 groups are involved
- Main challenges are: Productivity, quality and access to markets

Pur Ber Farmers Group

- FG has 20 members (only 2 female). Many grow sunflower (5-6 acres). They have a lot of diseases such as bacterial wilt, wilting disease, necrotic stem, mottle virus. Also have a VSLA
- Farmer Group hosting a sunflower demo (EASF and 7033 at 2500 USX for kg seed, also applied half of the plots with 50 kg DAP/acre). The group started in 2013, they used to be cotton growers, but now prefer sunflower. The main cotton costs are: 4 weedings, sprayings, handpicking, seed price 4000 USX and harvesting 800 USX/kg, which price is not good. Sunflower is much easier with only one weeding, no spraying.

Francis Okado and Betty Acao: simsim seed producers (Sesim 3)

- Acquired Sesime 3 from Serere and are currently multiplying this and selling it as seed for 8000 USX per kg, normal grain price is 4000-5000. Districts/NAADS are also buying.
- Less interested in groundnuts, as it is too much work. He ploughs with oxen, but not weeding or harvesting (groundnuts) with oxen
- Would need tarpaulins for post-harvest handling.
- Knows there is a plant clinic in Soroti but not operational

Acan Tani Farmers Group

- Farmer group with 20 members including two women. They used to be cotton growers, but costs are high. In 2013 B season they noticed that sunflower gives a better return (received seed from VODP 2. They made 60-90000 USX/acre for cotton and 150000-400000 USX for sunflower. Have also a VSLA.
- Having a demo with EASF and Pan 7033 as well as with and without 50 kg DAP/acre. The field, all varieties, have a lot of mottle virus.
- Some of the major problems are birds, drought (2013A) and weeding and diseases, while Meena does not buy the local variety. The new 7033 has less diseases than the old 7351 hybrid which was however earlier. The drought caused a reduction from USX 200000 to USX 147000, reducing from 600 kg/acre to 250 kg/acre

Omwony Farmer Field School

- The FFS started in 2002 with VODP 1. They used to grow cotton until 2013 when they changed to sunflower. Sunflower provides more profit even with drought. Last year they got 10-13 kg seed for the demo. This year they expect to get double that amount
- The FFS members have identified possibly 3 diseases in the sunflower: Virus, root rot and wilt (no sclerotia seen) and necrotic stem.
- Have a demo with one variety and two fertilizer levels, they see the value of fertilizer, but it is very costly.
- Some other observations: Sunflower could be grown even 2-3 times per year, every crop performs better after sunflower, sunflower is tolerant to drought

Meena Industries Ltd (Harshad Vyas)

- Meena IL has close relations with NileAgro, but foresee a problem with access to quality seed for sunflower, as there is a perceived shortage, while they are not aware of the alternatives (New Sunfola, EASF, Sesun)
- The miller agreed to have a test on the milling and oil content of other varieties
- The miller works through 20 lead farmers who take seed credit on behalf of other farmers. The lead farmers are also buying the produce and will be trained by Meena staff. Joint training with the PSP has been suggested. The training is mainly on quality oil seed production, and post-harvest technology. The company can provide tarpaulins and sieves/winnowing tools.

Mbale Hub Coordinator (Charles Sembytia)

- Mbale hub will make four hub-specific value chain development plans.
- Soybean and sunflower development is fast with NileAgro, they will still have to develop a strategy for seed supply (notably sunflower), but are working using the Mukwano Model for extension service provision through agents
- The demonstration programme is huge, also due to the large amount of districts and subcounties and the four crops. The plot size has been reduced and varieties are compared in the same host farmers' fields, nevertheless the farmers and also NileAgro argue that larger plots are needed.

SNV (de Regt; Conilh de Beyssac) on OSSUP (Rowena, National OSSUP facilitator)

- The logframe for the activities foreseen in the contract between IFAD and SNV on OSSUP facilitation has been adapted but not yet finalized. Although SNV reports to IFAD, more regular reporting could also be shared with VODP 2 and vice-versa.
- The OSSUP facilitation is involved in facilitation of the multi-stakeholder platforms in the oilseed sector at national level and in the four main hubs. Additionally the OSSUP facilitation is involved in B2B brokering, financial service servicing, and general facilitation of service provision.
- The main challenge is how these brokering services, which could possibly be paid services (as is the cases in the coffee sector), can be developed in a sustainable way, without being crowded out by the project activities. Services could be paid for by banks and other financial institutes, millers and other processors, as well as farmer organizations involved in bulking activities.
- Different options in which brokering services are co-financed by the client were discussed, as well as other business models for sustainable service provision in the long run. Branding OSSUP facilitation in the rest of the contract period (end of 2015) is seen to be an essential part of this.

Mukwano Industries (Reji Narayanan)

- Every season a market survey is organized on which basis the demand for the next season is determined for sunflower seed. In 2014 b Mukwano is importing 165 MT of PAN 7033, in 2014A this was 90 MT of PAN 7033. In 2013 A and B this was 250 MT in total, but they lost 60 MTs as it had to be transferred to the next season. Seed production is not their core business and would be happy if a seed company takes it up. But they do realize that it is a risky operation, as after one month already the germination is going down.
- Victoria seeds, licenced by Monsanto has imported last year DK-40-40, but due to low sales and poor storage, the germination rate was low. Fica took over the licence but is facing similar problems.
- Equator seed is selling the local hybrid Sesun 1H, but also some new3 Sunfola, they produce the seed locally through farmer organizations, but the quantities are still small.

UOSPA (Agong Ray Bruno)

- Involved in Sesun 1H production, but often parental lines are not available such as in last season. They produced 15 MT in 2013 which was sold in their own shops and is being tested by VODP II
- Also producing New Sunfola, need to have the oil content tested by millers in order to show that New Sunfola is better than the old Sunfola.
- Have produced seed in Dokolo (next to Soroti) but isolation was not enough and outcrossing takes place. Now they want to produce seed in clusters in Karamoja (notably Namalao Prison Farms)

Annex 6: Knowledge Management, Learning and Communications

1. **Introduction.** The aspects of knowledge generation, capture, documentation, packaging and sharing for learning and improved performance have been underscored in VODP2 since project design. At the start of implementation, a knowledge management and communications strategy was developed and is currently under implementation. The two main components under VODP2 – oil palm and oilseeds have unique knowledge sharing and communications needs. Each component should be given ample attention to ensure that emerging lessons are captured and shared. The mission visited the West Nile, Gulu and Lira hubs, and this annex highlights some emerging practices, experiences and lessons in the oilseeds component.

Knowledge Management and Sharing at PMU level

2. **Easy access to information.** Within the PMU, there is still to continue to concretely capture, document, package and share emerging lessons and information. One of the steps has been to create a resource centre. However, to further ease access to information, there is need to create an online information repository where project documents, stories from the field, photos, videos, and other relevant materials are shared.
3. **Systematisation and documentation of experiences.** The project is at a good place to start documenting experiences of selected farmers such that these can be followed up in due course to make a case for most significant change. The KM/Comms officer should work closely with the M&E officer on this aspect to ensure a harmonious way of documenting case studies, and then emerging success stories.

Communication

4. **Streamlined communication.** One of the experiences in the West Nile hub where farmers refused to sell their soya bean crop because politicians told them they would get a higher price than the market price, shows the very important need of ensuring that communication of market and other agricultural information is streamlined. The result of such a proclamation in this case was that farmers were discouraged and in the next season, did not want to grow soya bean. Although this issue is bigger than the project, the project can contribute to solving it by utilising the established structures and the planned communication channels (radio, fact sheets...) to share objective and useful agricultural information with the farmers.
5. **Exploit the opportunity offered by mobile telephony.** Cell phones are so wide spread that about 90 percent of the farmers have one. There is at least one cell phone in most households, and in every three or so household, the possibility of finding more than three cell phones is very high. This is an opportunity that VODP can exploit in both the oilseeds and oil palm areas. In the oilseeds hubs, sharing key messages through bulk sms in the area language is a cheaper, easier and far-reaching way of sharing agricultural information (markets, prices, agronomical, access to inputs, etc). Bulk sms can be used creatively to alert farmers to upcoming radio programs, to ensure wider listenership and therefore more people getting the needed information. Bulk sms should also be
6. **Radio programmes.** The proposed radio programmes should be well planned and prepared for. The line of topics should match with the information needs on the ground based on the season and the agricultural calendar, such that messages shared are timely and useful to the farmers. Key messages to be shared in each programme should be synthesised beforehand, and repeated throughout the radio programme, not to be missed by the listeners. Messages on access to seed and other inputs, prices, agronomical messages on what, when, and how to plant, as well as maintenance of the gardens should be clearly shared to avoid mis-information.

Internal and external communications

7. **The e-newsletter.** For enhanced internal sharing of information, the project should fast-track the production of a monthly, simple e-newsletter. The newsletter will serve as a form of keeping all the staff in the loop of what is happening in the different hubs, as well as in the oil palm growing areas, such that everyone is adequately informed about the whole project at any given time.

8. **The website.** The agreement to have a VODP2 page on the MAAIF website but make it active, interactive and up to date. The website is indeed an important external communications tool and the PMU should fast track this. Another option, if having the page as part of the MAAIF website has proved impossible, is to now argue for a separate VODP2 website.

Annex 7: Financial management

1. The Vegetable Oil Development Project–Phase 2 (VODP 2) is an 8 year project financed by the Government of the Republic of Uganda (GoU), the International Fund for Agricultural Development (IFAD), and a private sector partner investor Uganda Palm Oil Limited (OPUL). The IFAD Loan was approved on 22 April 2010, with the Loan Financing Agreement being signed on the same day. Also the project became effective on the same day. The Project completion is planned for 31 December 2018, while the Loan is scheduled to close on 30 June 2019.
2. The total cost of the Project, as planned at appraisal is approximately USD 147.2 million. The amount as provided for in the Loan Financing Agreement is SDR 33.5 million or USD 52 million equivalents. Other cost contributions include USD 70.4 million by the OPUL, USD 14.1 million by the GoU, and USD 1 million, IFAD Grant, USD 5.8 by other co-financiers, and USD 3.9 million by the project beneficiary farmers.
3. In the course of carrying out the assignments, the mission engaged with the officers of the KOPGT secretariat, PMU management, and other staff. The mission takes this opportunity to gratefully thank all these officials and staff for their time, support, cooperation and collaboration.
4. **Financial management systems and Procedures Manual.** The project continues to operate under the laid down systems and procedures which are consistent with those of the GoU. These include Financial Planning through AWPB, Accounting, Financial reporting, Funds flow, Auditing and Procurement. The mission appreciates the strengthening of the internal controls and checks through the additional oversight of the PS of MAAIF and the internal audit unit of the Ministry. They have been applying intensified oversight over all the expenditures incurred by the Project. However, the project has not documented these systems fully but in form of guidelines, which is an abridged version of a normal Financial Management Systems and Procedures manual. The document requires expansion and enhancement in order to make it more effective in terms of guidance to existing and new staff. In the past missions improvement of the existing document into a fully-fledged manual had been recommended. These were to include documented key functions and processes of internal controls, funds flow, disbursements, financial reporting templates among others consistently with the IFAD PIM template. The revision work is in progress and should be completed by 30 September 2014.
5. **Financial management capacity and reporting.** The financial management team includes the Financial controller, Accountant, and a cashier. The team is complete and is equipped with the requisite computers and software. The mission reviewed the semi-annual Physical and Financial Progress reports. **Agreed action.** The financial reporting will be improved with the Statements of Revenue and expenditure which balances the surplus with the cash balances. Other financial statements should include the reconciliation of the designated accounts and a budget performance report with the actual costs of the implemented activities during the period are compared with the budget provisions with the significant variances suitably explained.
6. **Annual Workplan and Budget performance.** The Mission carried out a Budget performance review and notes a modest budget utilisation on the overall. For the period of 1 July 2013 to 15 June 2014, the overall actual performance of UGX 14.1 billion against the budget of UGX 23.5 billion was 60%. Operating costs performed at 82%. Palm oil development category performed at 58% reportedly due to delayed planting as a result of waiting for the seedlings to mature. Other notable performances are Buvuma oil palm development at 91 %, and reflect 1796 ha of land acquisition out of the budget of 2000 ha.
7. **Statement of Expenditures (SoEs) review.** The mission reviewed 21 expenditure payment items out of the WAs 24, 25, and 26 with a total value of USD 1.54 million. The total value of the 21 selected items amounted to USD 470,737 or 31% of the WAs value. The expenditure items were agreed to the supporting documentation and were found to be eligible for claim from IFAD.
8. **Register of Assets.** The mission reviewed the Register of assets. It is well maintained and random test of a group of asset sample indicate a timely update of the register.

9. **Designated account.** The combined allocation of USD 4 million of the two designated accounts is fairly accounted for. The combined cash balance of the designated accounts, operational and sub-accounts amount to USD 1.21 million. The WAs pending settlement by IFAD account for USD 1.65 million, while expenditure pending WA submission account for USD 1.39 million representing 35%. Included in the operational account are GOU funds for land acquisition amounting to USD 242,888. The mission recommends that submission of WAs be prepared and submitted as soon as the 30% threshold is achieved, and in addition, the DA reconciliation be carried out regularly at the end of each month so as to provide an expenditure monitoring tool.

Table 1: Reconciliation of the SPAs as at 15 June 2014

		US \$	US \$
1	Total amount Advanced		4,000,000
2	Cash balance in the Special Account	518,399	
3	Cash balance at the PMU's Local Bank Account	598,949	
4	Cash balance at the Sub-accounts Local Bank Accounts	90,689	
5	Proceeds of WA 30	913,460	
6	Proceeds of WA 31	732,266	
7	Expenditure pending preparation and submission of WA	1,389,125	
8	Various balances in the Local Bank Accounts	-242,888	
	Total amount Advanced		4,000,000

10. **Ministry processes and flow of funds.** The flow of funds for KOPGT activities was rated satisfactory given the absence of reported delays of disbursement from PMU and GoU. In addition there were no complaints from the farmers for any delays in disbursement from KOPGT.
11. **IFAD loan disbursement.** As at 15 June 2013, the actual total disbursement reflected in the IFAD records up to WA 25, and including the initial deposit amounted to SDR 8.39 million, representing 27% of the total IFAD Loan of SDR 33.5 million. Excluding the initial deposit of USD 4 million, the actual loan utilization is 19%. However, projected utilization of funds, including expenditures incurred and not yet submitted to IFAD (total of about SDR 2.34 million equivalents) is estimated at SDR 8.7 million, equivalent to 26% of the total loan. Consequently, the balance of resources available for the programme is SDR 24.8 million, or approximately USD 37.6 million at the current exchange rates.
12. **Counterpart funds.** The mission notes that the Project has received USD 5.52 million from the GoU. This represents 39% of the allocation at appraisal of USD 14.1 million. Compared with the approved AWPBs since inception, the amount represents 115% of these budgets. The mission is satisfied with this level of Contribution and commends the Government for fulfilling its commitments.

Table 2: GoU Contributions

Periods	Amount Requested	Amount Approved by Govt	Amount Received	Amount Received	% age of the Approved Budget
	UGX	UGX	UGX	USD	%
2011/12	2,446,122,999	2,440,000,000	1,262,712,889	549,006	51.75
2012/13	2,441,879,694	2,441,879,694	5,501,317,575	2,081,793	225.29
2013/14	7,372,297,708	7,372,297,708	7,372,297,708	2,891,097	100.00
TOT.	12,260,300,401	12,254,177,402	14,136,328,172	5,521,895	115.36

13. **Compliance with loan covenants.** The mission reviewed the compliance of the loan covenants and notes that the following provisions which are undergoing compliance arrangements are yet to have their processes completed:
- Schedule 1. B. 2-**Conclude a framework MoU with NARO and operational MoUs with monitorable outputs with NaCRRi, NaSARRI and CORE
 - Schedule 1.C. 4-**The GoU shall up-grade the ferry service between Buvuma and the mainland

- c) **Schedule 3**-Establishment of island offices by KOPGT is subject to prior approval by IFAD
- d) **Schedule 3**-A formal commitment from OPUL to develop the nucleus estate on Buvuma will be submitted to IFAD before the disbursement of any loan funding to farmers.
14. **Procurement.** The mission reviewed procurement process since the last mission. A large number of key goods and services planned in the 2013/2014 plan and budget were not procured and were carried over to the 2014/15 AWPB and procurement Plan. The key items procured during the period were motor vehicles and the mission is satisfied that the laid down procedures were followed. The key items included in the 2014/2015 Plan include Civil works of Roads, in Kalangala, Bunyama and Bubembe, and buildings of fertiliser stores in Kalangala and office and stores in Bunyama. Other items include motor vehicles, Boats and Generators. Because of planting of the oil palm seedlings in Bunyama the procurement of Boats, office space and road designs in Bunyama procurement of these items and allied support services is a major priority. **Agreed action.** Priority will be given to these items and it will be ensured that specifications and logistics are put in place with the aim of achieving early and efficient procurement.
15. **Contracts register.** A review of the contracts register reveals a well maintained record. A sample test of a number of contracts indicates a timely update of the procured contracts.
16. **Statutory Audit:** The audit function of the Programme Financial accounts, statements and reports is up-to-date. The last audit as at 30 June 2013 was carried out within the set timelines and the audit financial statements and reports were rated with unqualified opinions, and submitted to GoU and IFAD by the 31 December Deadlines. The mission reviewed the management letter by the auditors and notes that the Programme is following up the few issues raised, though not major. The quality of the financial statements was reviewed and the mission notes their high quality in terms of presentation, accuracy and adequate details in the disclosures in the notes to the accounts.
17. **Internal Audit:** The mission is pleased to note the internal audit unit of MAAIF is adequately mainstreamed in the internal controls and checks in the approval and authorization processes of the financial payments and procurement. This has strengthened the internal controls of programme financial management and is highly appreciated.

OSSUP GRANT TO SNV

18. The grant at design was allocated at USD 1 million, plus SNV co-financing and to date USD 644,000 has been disbursed, through two withdrawal applications. The financial return as of to date record an expenditure of USD 490,858 leaving a cash balance of USD 143,142. The mission reviewed a sample of financial statements and invoices in the SNV office and confirms appropriate accounting records. In addition, a sample of SoEs was reviewed and confirmed these with supporting documents and receipts. The only issue was procurement through single sourcing of the two consultancies selected. Although justification was reported to be based on the selected consultants having been working on the similar activities during the period, the mission felt that comparative costs should have been sought so as to ensure that competitive advantage was not lost. **Agreed action.** The mission recommends that goods and services being procured on single source method will also be justified with comparison of costs from competitive service providers.

Agreed action	Responsibility	Agreed date
Formulation of Project implementation manual	PM/FC	31 Dec 2014
Improve the Physical and Progress report with additional Financial Statements	FC/M&E/PM	31 Dec 2014
Improve accountability analysis for the facilitation imprests	FC	Immediate
Prepare and submit WA s when the 30% threshold of the DA is achieved	FC	Immediate
Carry out a reconciliation for the DA s at the end of every month	FC	Immediate
Follow-up the completion of compliance processes of various loan covenants	PM	31 Dec 2014

