

AUDITED PROJECT FINANCIAL STATEMENTS

Loan: L-I-806-UG

Period covered: 1 July 2017 to 30 June 2018

VEGETABLE OIL DEVELOPMENT PROJECT PHASE II (VODP II)

Prepared by the Auditor General

Received on 18 January 2019

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THE AUDITOR GENERAL
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VISION: "To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public accountability"

MISSION: "To Audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for Money Spent"

IN ANY CORRESPONDENCE ON

THIS SUBJECT PLEASE QUOTE NO:.....**DCG.240/349/01/18**

14th December, 2018

The Rt. Hon. Speaker of Parliament
Parliament of Uganda
Kampala

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 (VODP 2) IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE, 2018**

In accordance with Article 163 (4) of the Constitution, I forward herewith audited financial statements of Vegetable Oil Development Project (VODP 2) for the year ended 30th June, 2018 together with my report and opinion thereon.

A handwritten signature in blue ink, appearing to be 'John F.S. Muwanga'.

John F.S. Muwanga
AUDITOR GENERAL

Copy to: The Permanent Secretary/Secretary to the Treasury

 " The Permanent Secretary, Ministry of Agriculture, Animal Industry and Fisheries

 " The Accountant General

 " The International Fund for Agricultural Development (IFAD)
 Thru' the Office of the Resident Representative, World Bank

 " The Financial Controller, VODP II

 " The Project Coordinator, VODP II



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
VEGETABLE OIL DEVELOPMENT PROJECT (VODP2) PHASE II
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30th JUNE, 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

Acronym	Meaning
GOU	Government of Uganda
IFAD	International Fund for Agricultural Development
ISAs	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
KOPGT	Kalangala Oil Palm Growers Trust
LGs	Local Governments
MAAIF	Ministry of agriculture, animal industry and fisheries
MoFPED	Ministry of Finance, Planning and Economic Development
NOPP	National Oil Palm Project
PSC	Project Steering Committee
VODP 2	Vegetable Oil Development Project Phase2

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
VEGETABLE OIL DEVELOPMENT PROJECT (VODP2) PHASE II
IFAD LOAN NO.806-UG FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Vegetable Oil Development Project (VODP2) Phase II for the year ended 30th June 2018. The financial statements set out on pages 18 to 43 comprise of;

- Statement of receipts and payments
- Statement of comparison of budget and actual amounts
- Cash flow statement
- Statement of special account activities
- Statement of expenditures-withdrawal application statement
- Status of the IFAD loan balances as at 30th June, 2018
- Notes to the accounts which contain a summary of significant accounting policies.

In my opinion, the Project financial statements present fairly in all material respects the cash balances of the Vegetable Oil Development Project, Phase II (IFAD loan No.806 –UG) as at 30th June 2018 and the receipts and payments for the year then ended in accordance with the IFAD guidelines and the basis of accounting described under Note 2 to the financial statements.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs), the National Audit Act 2008 and the Audit Methodology of my Office. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Project Management in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act 2008, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

- **Implementation of Budget approved by Parliament**

Section 45 (3) of the Public Finance Management Act, 2015 states that " An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15)" of the said Act.

It has been observed over years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery.

In the overall office wide planning, I assessed risks such as inadequate release of funds and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned major outputs of the entities which greatly impact on the wellbeing of communities.

Consequently, I developed specific audit procedures which included the evaluation of the financial and annual physical performance by analysing government releases, testing consistency of planned outputs with the approved budget and verifying the accuracy and completeness of the reported actual outputs.

Based on the procedures performed, I observed that the approved annual budget and work plan of VODP for the year under review was UGX.92.31bn and the project had opening balances on project accounts amounting to UGX.7.623 bn. However, the total receipts during the year amounted to UGX.33.084bn resulting into total available funds of UGX.40.707 bn with a budget shortfall of UGX.51.603bn. This represents 65% budget underperformance. Out of the available amount of UGX.40.707bn, only UGX.31.122 was

spent leaving unutilised balances of UGX.9.585 representing an absorption capacity of only 77% of the available funds.

In implementing its mandate of oil palm development and oil seeds development and provision of extension services to smallholder farmers, management implemented a number of planned activities such as provision of extension services to sunflower, soybean, simsim and ground nuts farmer groups, provision of funds for maintenance of oil palm smallholder gardens in Kalangala, support to UNBS to develop and popularize standards, monitor and evaluate implementation of quality assurance standards in the oil seeds component, acquisition of land and construction of community access roads to palm oil gardens.

However, I noted that some of the planned activities such as procurement of ferries for Kalangala and Buvuma islands, purchase of seeds for demonstrations, procurement of tsetse fly traps, establishing best management practice plots, multiplication of oil seed varieties and construction of fertilizer stores among others were not undertaken, which is likely to negatively impact on the achievement of the VODP 2 mandate. Low absorption adversely affect implementation of the planned activities for the project which hinders service delivery to the intended beneficiaries and may expose Government to nugatory expenditure due to penalties levied by the funders on the un-withdrawn financing balances. **Appendix 1** shows the status of implementation of planned activities and the related management responses.

Management explained that they planned and budgeted to cover all the pending activities given that it was in its final year of implementation, which resulted in an ambitious work plan and budget. They further explained that the work plan had a number of big and complex procurements whose process of procurement was not concluded in time, hence affecting the budget performance leading to Government request for a one-year extension that was that was granted by IFAD to allow implementation of the project activities.

I advised the Accounting Officer to ensure timely procurement and adequate supervision of the project with a view of absorbing all funds within the project timelines.

Other Matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Kalangala Oil Palm Growers Trust Sustainability after Project closure**

A review of the Project Appraisal Document 2010 indicated that KOPGT would have achieved self-sufficiency by the end of 2015 and would start financing its own operational costs. However, review of the Trust's sustainability revealed the following;

- **Failure to finance operations**

I noted at the time of audit in November 2018 that VODP2 was still financing KOPGT contrary to the envisaged and planned timeline of December 2015. As at 30th June 2018, KOPGT had a balance of UGX.109,614,759 and a fixed deposit of UGX.850,000,000 on the sustainability accounts collected from interest charged on the funds advanced to the farmers. These funds are not sufficient to run the Trust for a year since its annual operational expenditure has been over UGX.0.9bn over the past years. Lack of a reliable source of funding poses a significant risk on the sustainability of the Trust operations after the closure of the Oil Palm component.

Management explained that while at beginning of project it was planned for KOPGT to be self-sufficient by 2015. During the VODP2 Mid Term Review it was recommended that VODP continues funding KOPGT until end of 2018 by which time most oil palm plantations of farmers would have reached maturity. They stated that by end of 2015, most of the plantations were young and not yet under harvesting hence it was not possible for them to repay the loans advanced and also support KOPGT operations. From the funds available currently, KOPGT is able to meet their operating costs for 12 months and will continue recovering loans and taking their share of interest and also collect contributions from the farmers which will cover their costs. According to the IFAD supervision mission of September 2018, KOPGT is currently 95% self-sufficient.

I advised the Accounting Officer to develop a clearly spelt out financing plan with evidence based projections on interest earnings to avoid future stagnation of KOPGT activities.

- **Outstanding advances to farmers**

Article 6(i) of agreements between KOPGT and Smallholder farmers provides for the Smallholder to allow KOPGT request OPUL to subtract and remit to the KOPGT 33% in years 4 and 5 of this agreement and subsequently 45% of the FFB sales or such other percentages as may be agreed upon by the parties from time to time until the full financing including service charge, as indicated by the KOPGT shall have been repaid.

A review of note 11 page 40 of the VODP financial statements indicated that UGX.46,552,938,157 had been advanced to the farmers in form of cash and inputs since 2006. However, only UGX.18,482,489,679 had been recovered to date leaving a balance of UGX.28,070,448,478 as advances not yet recovered. Without clear institutional arrangements for KOPGT after project closure on 31st December 2018, the Trust is exposed to a risk of failure to recover the outstanding balances.

Management explained that recovery of the loan funds is expected to be completed 15 years after planting. 30% of loans advanced to a farmer is expected to be recovered during the first four years of harvesting and the remaining 70% recovered during the next 7 years of harvesting as the trees reach maturity. In Kalangala, planting is expected to be completed by 2018/19, implying that the recovery of the loan funds will be completed in 2033. UGX 18.48bn has so far been repaid.

The Accounting Officer is advised to develop a detailed plan for the recovery of the outstanding balances after VODP closes and how the funds due to GOU will be remitted.

- **Transfer of recovered funds to the UCF**

Article 3(h) of the Tripartite Agreement provides that Kalangala Oil Palm Growers Trust (KOPGT) shall refund to the Government the resources of the Scheme repaid by the Smallholders and the out growers within one year of receipt, or utilize such resources as may otherwise be agreed by the Government, the Trustees and IFAD.

I noted that the Trust had not remitted the annual recoveries to the UCF since 2010 as required by the agreement. On 7th February 2018, the Trust transferred a total of UGX.15,308,770,708 of recoveries made since 2010 to the UCF. However, a balance of UGX.588,733,053 was left on the account and management did not provide reasons for non-remittance. The account holds a balance of UGX.4,151,243,163 as at the year end and these funds have not been transferred to the UCF.

Failure to fulfil the agreement obligations may lead to failure by Government to fund other beneficial projects for other communities.

Management explained that according to the financing agreement for VODP2, the recovered funds were to be revolved to support oil palm planting by smallholder farmers and under NOPP, these recoveries are also included in the financing of smallholder oil palm planting by smallholders. They further explained that during the supervision mission with IFAD, it was agreed that the funds be transferred annually as GOU establishes a mechanism through which to manage the funds for future support of oil palm development activities and thus the funds recovered from Jan 2010 to December 2017 were transferred to the consolidated fund in February 2018. Funds recovered from Jan 2018 to December 2018 will be transferred in January 2019 (annually) as recommended by the IFAD supervision mission of February 2018.

I advised the Accounting Officer to follow up the issue to ensure that the funds are all fully remitted to Treasury annually as required.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Management Responsibility for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Vegetable Oil Development Project (VODP2) Phase II.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, IFAD guidelines and the basis of accounting described in note 1 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Project's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Vegetable Oil Development Project (VODP2) Phase II, and using the IFAD Guidelines unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Vegetable Oil Development Project (VODP2) Phase II to fail to deliver on its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

In accordance with sections 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements that:

Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

- **Overall Performance as per Logical Framework**

On 21st October, 2010 the Republic of Uganda and the International Fund for Agricultural Development entered into agreement to enact VODP phase 2. According to schedule 1 of the agreement, it was agreed that the project will run 2 components (Oil seed development and Oil palm development) for 8 years and therefore close by 31st December, 2018.

I noted that the project had requested for extension of the completion date for the oil seeds component to 31st December 2019. However, review of the Project Implementation Manual, Aide Memoirs and progress reports indicated that there were shortcomings in achievement of project objectives as shown in table below;

s/n	Component	Target	Audit Remarks	Management Response
1	Oil palm development	4,700ha of small holder plantations Consolidation and expansion of oil palm in Kalangala District through additional 2000ha of small holder plantations and ferry transport to the outlying islands	4,424ha of small holder plantation developed. However, 276ha are yet to be developed.	The achievement stands at 94.1% planting by smallholder farmers. The remaining 276 ha is not yet developed because of blast disease that affected seedlings in the nursery. The disease situation was addressed and more seedlings are being raised in the nursery. Planting will take place in February 2019 when the seedlings mature. These activities have

				been incorporated in the National Oil Palm Project (NOPP).
		10,000ha nucleus estate- small holder model on Buvuma Island. 6500 developed by OPUL and 3500ha developed by small holders including establishment of a small holder oil palm growers trust.	6,500ha of the nucleus estate has been developed. However 3,500ha still remains undeveloped.	The private sector is currently developing the area for the oil palm nursery in Buvuma which will provide the seedlings for the nucleus and smallholder plantations. Timely planting was affected by the slow land acquisition process which is has been challenging.
2	Oil seeds development	Extension support for 5,900 farmer groups through annual contracting for oil seed specific extension from the private sector	5,311 farmer groups have been provided with extension support. However, 589 farmer groups have not been provided with extension services	The target of the farmer groups to be reached was adjusted during the mid-term review to ensure that each group reached would have at least two full years under project support for sustainability. The project will therefore focus on providing support to the existing 5,311 (90% performance) groups linking them to Higher Level Farmer Organisations for sustainability. The Mid-term is available for reference.
		Establishment of a guarantee fund for financial institutions and support to UNBS for food safety standards	The guarantee fund for financial institutions has not been established.	During the design of VODP 2, it was recognized that Financial Institutions were reluctant to lend to oilseeds farmers because of high risk associated with agriculture. A guarantee fund was therefore proposed to enable financial institutions lend to oilseeds farmers. However, at the start of VODP2, it was found out that there was no policy to guide guarantee financing. During mid-term review, the guarantee fund was cancelled and the project applied other methods of reducing risk for example strengthening farmer

				<p>groups in governance, preparing business plans and linkage to markets, linkage to improved inputs and provision of extension services to the farmers, which enabled financial instructions to lend to farmers. A total of UGX 3.3 billion has been lent to oilseeds farmers, benefiting 3,811 farmers (2,385 males and 1,426 females). The project is working with 10 financial institutions.</p> <p>The project has supported UNBS to increase awareness on the standards and quality assurance.</p>
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Failure to implement project activities in the stipulated timelines hinders project conclusion and fails achievement of planned objectives.

I advised the Accounting Officer to ensure that the unimplemented activities in the Oil Palm Development component are streamlined in the work plans of National Oil Palm Project and adequate supervision and monitoring should be undertaken to ensure implementation of all activities in the oil seeds component within the agreed timelines.

- **Development of a nucleus estate on Buvuma Island**

Section 84 of the Project Appraisal Document provides for 6500 hectares to be acquired by VODP2 for development of a nucleus estate on Buvuma Island over a period of five years (2012-2017). During audit inspection, I noted the following key observations;

- **Shortage of land needed by BIDCO**

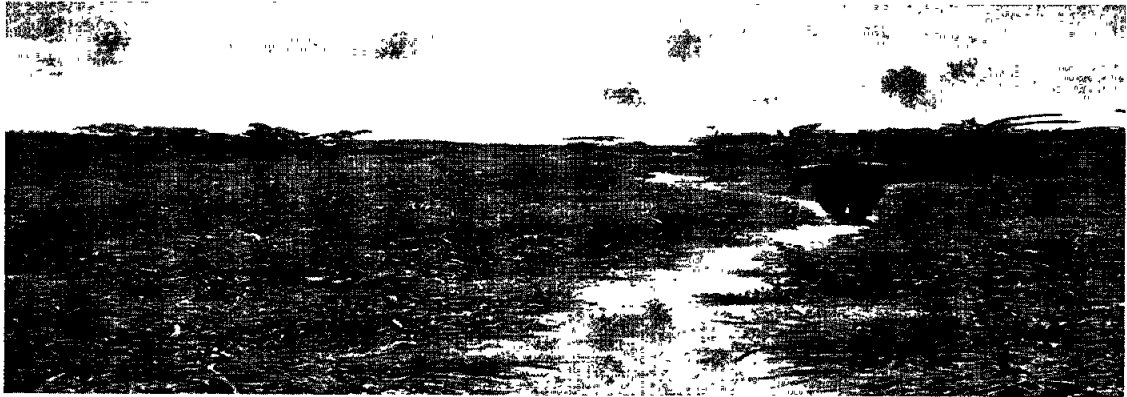
I observed that the project had acquired 7,089 hectares of land at the time of inspection in November 2018. However, only 5,114 hectares had been handed over and accepted by BIDCO as plantable land. Therefore the project has fallen short by 1,386 hectares out of the 6500 hectares required by BIDCO.

- **Wasteful expenditure on acquired Land**

I noted that 1,972 hectares (7,089 – 5,114) acquired by the project were un-plantable and therefore the cost of acquisition is nugatory.

➤ **Failure to utilise acquired land by BIDCO**

I also observed that the 5,114 hectares handed over to BIDCO was not yet developed as shown in the picture below. For example there were no roads to cross through the land as earlier planned.



The un-plantable land which is un-utilised is exposed to a risk of misappropriation with time. Further, delayed acquisition of the required land and utilisation of land by BIDCO affects planned implementation of the project activities and may lead to failure to achieve project objectives.

Management explained that the Government has so far handed over 5114 hectares of land to BIDCO. They stated that the Round Table for Sustainable Oil Palm production (RSPO), an organization responsible for overseeing and guiding production of oil palm sustainably in the world, set out conditions that oil palm plantations have to follow when establishing oil palm plantations and thus BIDCO has been carrying out preliminary activities, aimed at fulfilling the RSPO set conditions before utilising the availed land.

The Accounting Officer is advised to formulate an implementation roadmap together with BIDCO to ensure that the already acquired Land is put to use for project activities as soon as possible.

- **Inadequate Project monitoring**

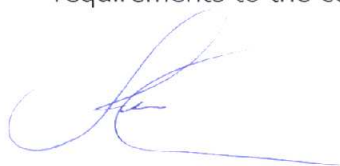
Section A (2) of the financing agreement 2010 provides that the Project Steering Committee (PSC) shall have the responsibility for providing overall guidance for the project activities. It further provides for the PSC to meet quarterly to review all project reports and annual work plans/ budget.

Review of PSC meeting register and minutes revealed that the PSC had only one meeting in the financial year under review contrary to the provisions of the financing agreement.

Lack of adequate reviews of project performance could undermine the success of the Project activities.

Management explained that the Project Steering Committee is composed of both private and public sector players that are involved in the Vegetable Oil Sector chaired by the PS- MAAIF. They stated that it has been difficult to get members to attend meetings as planned because of the unavailability of members and the Project has requested the organisations to delegate the responsibility in case heads of institutions are not able to attend.

I advised the Accounting Officer to engage the respective members of the PSC and ensure that they meet as required by the agreement. Further, the issue should be drawn to the attention of IFAD with a view of relaxing membership qualification requirements to the committee or authorise delegations.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2018

**REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL STRUCTURE OF
THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II,
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE 2018**

Opinion

In my opinion, the project management maintained an adequate internal control system for the preparation of reliable financial statements, control over finances, and safety of the project assets during the year ended 30th June 2018.

Management Responsibility for the Internal Control System

Project management is responsible for designing, establishing and maintaining a control structure that provides management with reasonable assurance that adequate procedures are followed for generation of accounting information for reliable financial statements, and control over finances and safeguarding assets against loss and unauthorized use or disposal. Management is also responsible for ensuring that conditions provided for in the development partners' funding agreements and other legal requirements are observed.

Auditor's Responsibility

My responsibility is to express an opinion on the internal control system based on my audit. I conducted my audit in accordance with International Standards on Auditing and the donor guidelines on auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the internal control mechanisms for the generation of accounting information and for the safeguard of assets are adequate. I assessed the control risk in order to confirm that my audit procedures are adequate to express an independent opinion on the control system. I believe that my audit provides a reasonable basis for my opinion.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:-

- Control over preparation of requisitions for funds.
- Management and control of both bank and cash accounts.
- Purchases and payments.
- Monitoring, evaluation and reporting.

For all the internal control structure categories listed above, I obtained an understanding of the design of the relevant policies and procedures, and whether they have been placed in operation and assessment of the related control risk.



John F. S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2018

REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNT OPERATIONS OF
THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II,
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE, 2018

Opinion

I have audited the special accounts statements of the Vegetable Oil Development Project II (IFAD Loan No.806 –UG) for the year ended 30th June, 2018 which is set out on page 24.

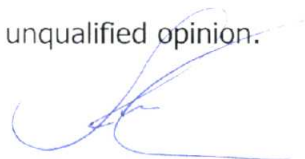
In my opinion, Project management complied in all material respects with loan provisions and procedures and that the special accounts statements for the Vegetable Oil Development Project, Phase II (IFAD loan No. 806 –UG) for the year ended 30th June, 2018 present fairly in all material respects the accounts transactions and the closing balances as at 30th June, 2018.

Management Responsibility for the Special Accounts Statements

Project management is responsible for preparation of the special accounts statements and its fair presentation in accordance with the requirements of the Government of Uganda regulations and loan (IFAD) guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the Special Accounts Statements that are free from material misrepresentation, whether due to fraud or error and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the special accounts statements based on my audit. I conducted the audit in accordance with International Standards on Auditing and the loan guidelines on auditing. Those standards and guidelines require that I plan and perform the audit to obtain reasonable assurance about whether the special accounts statements are free from material misstatement. I believe that the audit provides a reasonable basis for my unqualified opinion.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2018

REPORT OF THE AUDITOR GENERAL ON THE STATEMENT OF EXPENDITURES OF
THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II,
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE 2018

Opinion

I have audited the statement of expenditures supporting withdrawal applications of the Vegetable Oil Development Project (VODP), Phase II Project for the year ended 30th June 2018. Management is responsible for the preparation and fair presentation of the statements of expenditure to support withdrawal applications in accordance with the loan (IFAD) guidelines.

In my opinion, adequate supporting documentation has been maintained to support the claim for reimbursement of expenditures incurred as provided in the statement of expenditures and the expenditures are eligible under the financing agreement.

Auditor's Responsibility

My responsibility is to express an opinion on the statements of expenditure based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA) and the loan (IFAD) guidelines on auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether statements of expenditure are adequate to support the claims for reimbursements of expenditure for the year. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2018

REPORT OF THE AUDITOR GENERAL ON THE STATEMENT OF EXPENDITURES OF
THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II,
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE 2018

Opinion

I have audited the statement of expenditures supporting withdrawal applications of the Vegetable Oil Development Project (VODP), Phase II Project for the year ended 30th June 2018. Management is responsible for the preparation and fair presentation of the statements of expenditure to support withdrawal applications in accordance with the loan (IFAD) guidelines.

In my opinion, adequate supporting documentation has been maintained to support the claim for reimbursement of expenditures incurred as provided in the statement of expenditures and the expenditures are eligible under the financing agreement.

Auditor's Responsibility

My responsibility is to express an opinion on the statements of expenditure based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA) and the loan (IFAD) guidelines on auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether statements of expenditure are adequate to support the claims for reimbursements of expenditure for the year. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2018

Appendix I-BUDGET PERFORMANCE

Item	Detailed Outputs (Quantities planned)	Amount Budgeted (UGX)	Actual Expenditures (UGX)	Variance (UGX)	Unachieved Outputs	Management Remarks
Output 010103 Crop Production technology promotion	Provide extension services on sunflower, soybean, sesame and ground nuts to 3,000 farmer groups with 69,000 members	10,261,800,000	7,444,740,476	2,817,059,524	The project recruited 5 new service providers who enabled the project to surpass the target and reach 3,511 farmer groups	All 3,511 farmer groups are sustainably producing either sunflower or soybeans.
	Procure 50 tons of different oil seeds varieties for technology demonstrations in the farmer groups	2,797,000,000	586,325,000	2,210,675,000	39,242 Kgs of seed for demonstration not purchased as targets were revised downwards in consultation with IFAD.	Seed quantities were changed during the supervision mission to a bare minimum
	Order 150,000 seedlings for Buvuma and pay 50%	1,271,700,000	-	1,271,700,000	150,000 seedlings not procured	Seedlings for Buvuma were deferred until BIDCO starts a nursery in Buvuma
	Carry out a Participatory Impact Analysis and Learning Approach (PIALA) Impact Analysis	576,000,000		576,000,000	Not done. Request for approval of procurement process sent to IFAD for No Objection	Impact evaluation will be completed in the FY 2018/19
	Provide maintenance funds for maintenance of 39 hectares of the oil palm smallholder gardens in Kalangala	703,395,700	366,190,400	337,205,300	Smallholder farmers on 17 hectares did not receive maintenance loans after their gardens reached the mandatory 4 year age of	A total of 3,607 hectares of the smallholder scheme are mature and are being harvested.

					weaning	
	Purchase and deploy 30,000 tse tse traps in Kalangala	1,287,000,000	-	1,287,000,000	Not done. The user did not submit the specifications on time	The procurement will be completed in FY 2018/19
	Support oil palm research activities establish 21 Best Management Practice (BMP) Plots in Kalanglaa and maintain the oil palm trials country wide	479,000,000	423,227,234	55,772,766	14 BMPs not established because it took long to get farmers to appreciate the required agronomic practices in the BMP plots	The target will be achieved in FY 2018/19
	Multiplication of soybeans (20 tons), sunflower (10 tons), ground nuts (3 tons) and sim sim seed (3 tons) by NaSARRI and NaCRRRI	1,540,000,000	530,076,474	1,009,923,526	Sunflower, ground nuts and sim sim not multiplied	The soya bean target was surpassed when NaCRRRI multiplied 25.5 MT of soybeans.
Output 010172 Government Buildings and Administrative Infrastructure	Construct a fertilizer store with an office on Bubembe and Bunyama islands each	1,040,000,000	4,680,000	1,035,320,000	Construction not undertaken in the year; however; Contract signed, designs completed	Building construction commenced in August 2018, and currently at beam level
	Expand the KOPGT office in Kalangala	270,000,000	-	270,000,000	Construction not undertaken in the year; however; Contract signed, designs completed	Building construction commenced in August 2018
	Construct a fertilizer store with an office in Buvuma	1,350,000,000	-	1,350,000,000	Construction not undertaken in the year; however; Contract signed, designs completed	Building construction commenced in August 2018

Roads and Bridges	Construct 80 kms of farm roads on Bunyama island	1,120,000,000	187,295,329	932,704,671	The marine transport for heavy equipment to Bunyama island procured although the process delayed; 55.5Kms of farm road were not constructed	The variance was caused by the delay in contracting a service provider to transport the road construction equipment from Bugala and Bubembe island, which has no ferry landing points.
Output 010175 Purchase of Motor vehicles and other Transport Equipt	Purchase 2 4 WD station wagons	216,000,000	-	216,000,000	Deferred to National Oil Palm Project (NOPP)	Other double cabins were deferred to NOPP since they will be used under NOPP.
	Purchase 1 saloon car	96,000,000	-	96,000,000	Deferred to National Oil Palm Project (NOPP)	Other double cabins were deferred to NOPP since they will be used under NOPP.
	Purchase 4 tractors with trailers for smallholder oil palm activities in Kalangala	936,000,000	-	936,000,000	Not undertaken	The process was delayed by an administrative review requested by one of the bidders
	Purchase 2 ferries for Buvuma and Kalangala outlying islands	21,600,000,000	-	21,600,000,000	Not undertaken	Lot 1 is awaiting due diligence for contract signing The process was delayed by an administrative review requested by one of the bidders

	UNBS supported to develop and popularize standards, monitor and evaluate implementation of quality assurance standards in the oil seeds component	300,000,000	126,128,158	173,871,842	1 out of 4 hub inspections carried out	UNBS had shortage of staff to achieve the targeted activities
	Farmer Institutional Development: Link farmer groups to financial institutions and farmer institutional strengthening	1,974,800,000	1,240,617,000	734,183,000		Oil palm farmers to form a cooperative and farmers have been helped to form higher level institutions under oilseeds, for sustainability
	Total	47,818,695,700	10,909,280,071	36,909,415,629		

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2(VODP2)
IFAD LOAN NO. 806-UG

PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2018

PREPARED IN ACCORDANCE WITH THE CASH BASIS ACCOUNTING
METHOD OF THE INTERNATIONAL
PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

1ST FLOOR JOCASA HOUSE,
PLOT 14, NAKASERO ROAD
P.O. BOX 12041
TELEPHONE:
KAMPALA
UGANDA.

INDEPENDENT AUDITOR
OFFICE OF THE AUDITOR GENERAL
P.O BOX 7083
KAMPALA
UGANDA

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- I. Project Background and Description
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 - III. Report of the Independent Auditor
 - IV. Financial Statements
 - V. Notes to the accounts
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PROJECT BACKGROUND AND DESCRIPTION

SUMMARY OF PROJECT INFORMATION

PROJECT TITLE: Vegetable Oil Development Project Phase2

LOCATION: The Oil Palm Component of the project covers the districts of Kalangala, Buvuma and adjacent areas on the mainland; and any other new areas which may be identified on the basis of research trials and rainfall data. While the Oil Seeds Component covers four hubs as indicated below,

Lira Hub; Covering the districts of Lira, Apac, Dokolo, Oyam, Masindi, Soroti, Kaberamaido, Amuria, Serere, Amolatar, Kiyandongo, Alebtong and Kole.

Eastern Uganda hub; Covering the districts of Mbale, Bukedea, Kapchorwa, Kamuli, Kumi, Manafwa, Pallisa, Sironko, Bugiri, Bududa, Busia, Tororo, Iganga, Jinja, Namutumba, Kaliro, Bulambuli, Kween and Mayuge.

Gulu hub; Covering the districts of Gulu, Kitgum, Amuru, Pader, Nwoya, Agago and Lamwo.

West Nile hub; Covering the districts of Arua, Koboko, Moyo, Nebbi, Yumbe, Maracha and Zombo.

EXECUTING AGENCY: Ministry of Agriculture Animal Industry & Fisheries
P.O Box 102
Entebbe.

FINANCING:

IFAD loan	USD 52.00 Million
GOU	USD 15.00 Million
Farmers	USD 3.90 Million
KOPGT	USD 4.44 Million
OPUL	USD 70.38 Million
IFAD grant to SNV	USD 1.00 Million
SNV co- financing	USD 0.34 Million
TOTAL COST:	USD 147.06 Million

PROJECT FINANCING (IFAD LOAN)

Loan Number:	806-UG
Loan Amount:	SDR 33.5 Million
Date of Loan Signature:	21 st October 2010
Date Loan Declared Effective:	21 st October 2010
Date of First Disbursement:	3 rd June 2011
Date of Last Disbursement:	30 th June 2020
Bankers	Bank of Uganda P.O Box 7120 Kampala, Uganda
Bank Account Numbers	

MEMBERS OF THE PROJECT MANAGEMENT UNIT

	NAME	TITLE
1	Connie Magomu Masaba	Project Manager
2	Jackson Bwire	Financial Controller
3	Kabuye Kyofa	Oil Palm Coordinator
4	Richard N. Kabuleta	Monitoring and Evaluation Officer
5	John Michael Malinga Higenyi	Project Engineer
6	John Cocus Okanya	Procurement Officer
7	Susan Lakwonyero	Credit and Finance Officer
8	Hudson Sekimpi	Accountant
9	Emmanuel Ogwang	Hub Coordinator- Arua
10	Moses Tukei	Hub Coordinator – Gulu
11	Fred Kasango	Hub Coordinator- Lira
12	Charles Sembatya	Hub Coordinator- Mbale
13	Alex Nakuya	Office Administrator
14	Amuza Waigo	Procurement Assistant
15	Patrick Amanyia	Driver
16	Yusuf Mukalazi	Driver
17	Nambale Michael	Driver
18	Walusimbi Isa	Driver
19	Odongo Moses	Driver
20	Olore Patrick	Office Attendant
21	Naiga Florence	Office Attendant

1. PROJECT COSTS

The funding structure of VODP 2 is: IFAD USD 52.00 M, Uganda Government USD 15 M, private sector USD 70.38 M, farmers USD 3.9 M, Kalangala Oil Palm Growers Trust KOPGT secretariat reflows from loan repayments is to contribute USD 4.44 M and SNV/IFAD grant of USD 1M, and SNV co-financing USD 0.34M

PER CATEGORY COSTS

CAT	CATEGORY OF EXPENDITURE	INITIAL ALLOCA TION (SDR)	MTR ALLOCA TION (SDR)	% OF FINANCING
1	Vehicles and Equipment	4,400,000	1,270,000	100% of total expenditures net of taxes
2	Materials	1,430,000	830,000	100% of total expenditures net of taxes or 90% of total expenditures
3	Pontoon Landing sites	820,000	810,000	100% of total expenditures net of taxes
4	Other Civil works	1,310,000	1,040,000	100% of total expenditures net of taxes
5	Smallholder Oil Palm Devt	8,030,000	9,560,000	100% of total expenditures net of taxes
6	Oilseed Guarantee Fund	920,000	0	100% of total expenditures net of taxes
7	Consultancies, Workshops & Training	2,070,000	3,360,000	100% of total expenditures net of taxes
8	Extension Services	6,200,000	8,080,000	100% of total expenditures net of taxes
9	Salaries and Allowances	3,270,000	3,510,000	100% of total expenditures net of taxes
10	Operating Costs	1,980,000	2,100,000	100% of total expenditures net of taxes
	Unallocated	3,070,000	2,940,000	100% of total expenditures net of taxes
	TOTAL	33,500,000	33,500,000	

The responsibility for the loan repayment is by the Ministry of Finance of Government of Republic of Uganda.

2 PROJECT DESCRIPTION

The Vegetable Oil Development Project Phase 2 (VODP2) builds upon the work of its predecessor project, the Vegetable Oil Development Project (VODP), under which IFAD financed smallholder oil palm development and extension for smallholder oilseeds farmers. The overall goal is to contribute to sustainable poverty reduction in the project area. The opportunities for vegetable oil development are particularly strong in Uganda; about half of the domestic market is supplied by imports that could be replaced by national production. Domestic demand is growing at an average rate of around 9 per cent per annum. The region is a net importer of vegetable oils.

The Loan Agreement between the Government of Uganda (GOU) and the International Fund for Agricultural Development (IFAD) was signed on 21st October, 2010. The Loan became effective in 21 October 2010.

2.1 Broad Objectives

Project objectives; The overall goal is to contribute to sustainable poverty reduction in the project area. The development objective is to increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighboring regional markets. The project will achieve this by supporting farmers to increase their production of crushing material of both oil palm and oilseeds (sunflower, soybean, sesame and groundnuts) and establishing commercial relations.

2.2 Project Components:

The project components are:

2.2.1 Oil Palm Development

VODP2 will continue the partnership with OPUL in Kalangala District and will consolidate the current gains in smallholder oil palm development while expanding the area covered to the neighbouring outlying islands. A similar new oil palm development scheme will be established on Buvuma Island, and new areas for oil palm development will be identified. All areas where oil palm will be established will be subject to environment impact assessments under terms of reference agreed upon by NEMA. The specific activities to support oil palm development are briefly discussed below

The following are the sub components under the oil palm development component

- i. **Consolidation and expansion of the oil palm in Kalangala District;** through development of an additional 2,000 ha of smallholder plantations and ferry transport to outlying islands, thus bringing the smallholder total to 4,700 ha or more.

The activities under this component are;

- Undertake ESIA of the outlying islands
- Land survey for out growers and smallholders
- Train oil palm farmers
- Provide financing to farmers at the same terms and condition as under VODP.
- Restructure and support KOPGT
- Initiate land mobilisation by farmers to reach 600ha per island on the four neighbouring islands of; Bunyama, Bubembe, Funve and Bukasa

- Establish ferry services to outlying islands
 - Gender and HIV/AIDS mainstreaming, with units and blocks being the focal point for farmer capacity building, conflict resolution, gender empowerment and developing HIV/AIDS competency.
 - Complete road construction
- ii. **Nucleus Estate and Smallholder Oil Palm Development - Buvuma Island**
Replication of the Bugala Island nucleus estate-smallholder model of 10,000 ha on Buvuma Island, with 6,500 ha developed by OPUL and 3,500 ha developed by smallholders, including the establishment of the smallholder oil palm growers' trust.

The activities under this component are;

- Establish BOPGA/BOPGT to support/finance smallholders/out growers oil palm development activities (land clearing, Oil palm seedlings, fertilizers and oil palm maintenance Development Services) for oil palm farmers in the project area
 - Provide land for the nucleus
 - Undertake ESIA
 - Establish ferry service
 - Gender and HIV/AIDS mainstreaming
 - Select participating smallholders and out growers
 - Establish a total of 3,500 ha of oil palm plantation comprising of out growers and smallholders
 - Establish social infrastructure
 - Train Oil palm farmers
 - Provide land survey for out growers and smallholders
- iii. **Identification of new areas for oil palm development**, on the basis of successful oil palm trials carried out by COREC and confirmed rain fall data

The activities under this component are;

- Research trials on oil palm
- Oil palm future areas studies
- Pest and disease surveillance
- Knowledge sharing about oil palm
- Training

2.2.2 Oil Seeds Development Component

This component consists of traditional oil seeds and essential oils sub-components and shall be focused around four hubs in the following districts

- i. Lira Hub; Covering the districts of Lira, Dokolo, Apac, Oyam, Masindi, Soroti, Kaberamaido, Amuria, Serere, Katakwi and Amolatar.
- ii. Eastern Uganda hub; Covering the districts of Mbale, Bududa, Budaka, Bukedea, Bukwo, Kapchorwa, Kamuli, Kumi, Manafwa, Pallisa., Sironko, Bugiri, Busia, Tororo, Butaleja, Iganga, Jinja, Namutumba, and Kaliro.
- iii. Gulu hub; Covering the districts of Gulu, Kitgum, Amuru, Adjumani and Pader.
- iv. West Nile hub; Covering the districts of Arua, Koboko, Moyo, Nebbi, Nyadri, Yumbe and Maracha.

The sub components include;

(i) Seed Production

Consistent supply of good quality seed of varieties adapted to Ugandan conditions is key to increasing the production of crushing seed. To improve the quantity and quality of seed available to farmers, three activities will be supported:

- **Plant Breeding and Agronomic Research:** The research and breeding programmes by the National Semi-arid Resources Research Institute (NaSARRI) and National Crops Resources Research Institute (NaCRRI) for sunflower, soybean, sesame, and groundnuts will be strengthened to: breeding of improved varieties with industry demanded characteristics; multiply foundation seed for the distribution at a cost to seed companies and other interested stakeholders; acquire new germplasm from other institutes and countries for future plant breeding programmes; and contribute to the production of appropriate training materials on best practices in oilseeds production and post-harvest handling for the use of farmers and extension agents. Seed companies will also be encouraged to import foundation seed and undertake multiplication.
- **Seed Multiplication and Distribution:** The functions of seed multiplication and distribution will be left to seed companies with MAAIF's seed certification service supervising their activities. Each season (i.e. twice per year), OSSUP will convene a seed industry meeting (including UOSPA, MAAIF, USTA seed companies, millers, NGOs and other stakeholders) to estimate the amount of seed required two seasons ahead, so that NaSARRI and NaCRRI can plan the production of foundation seed and hybrid parent lines, and seed companies can schedule their seed multiplication, seed imports, and distribution programmes.
- **Seed Quality and Certification:** the National Seed Certification Service (NSCS) under MAAIF will be strengthened to undertake its assigned role for quality control and certification of the seed of the four main oilseed crops. VODP2 support will be in the form of vehicles, finalisation of regulations for the Seed Act, seed testing laboratory equipment, and funding of supervisory visits to seed multiplication sites.

(ii) Extension for Farmer Groups

There are many farmer groups in rural areas producing different commodities. In order for smallholder farmers to produce and upscale their production from oilseed crops, the project will provide technical support for a three year period. Extension support for farmer groups using contracted pay-for service providers will be the core activity for oilseeds development to increase the production of crushing material and link farmers with millers

- **Farmer Group Mobilisation and Support:** The entry point for the project will be the sub-county within the hub area of the identified district. Groups will be supported to prepare Group Action Plans (GAPs) for oilseeds development, and their implementation over a three-year period.
- **Pay-For-Service Extension:** In contracting pay-for-service extension providers, VODP2 will interact with OSSUP, district agricultural officers and NAADS. PFS providers will receive orientation training in order to harmonise and standardise information and knowledge and to orient them to the expectations of VODP2.
- **Integration of Farmers into the Value Chain:** The type of support provided to farmer groups will be differentiated according to the stage of commercialisation; basic

technologies for areas where oilseeds is relatively new; and for areas where sunflower production is already an established part of the farming system, emphasis will be on commercialisation and integration of farmers into the value chain to reduce transactions costs and increase value additions.

- **Market Information.** PMU will work with OSSUP to develop an agreed upon communications capacity to add oilseeds and derived products on an existing SMS-based market information service operating in Uganda.

(iii) **Other value chain activities.**

SNV will be provided with an IFAD grant to support OSSUP in its current coordination and stakeholder consultation activities, including development of a long term competitive strategy for the sub sector. Through the OSSUP platform, PMU will work with other donors and financial institutions to set up a loan fund to mitigate risks to financial institutions providing credit to farmers and small millers. The following will be the specific activities:

- **Financing.** VODP 2 will provide a guarantee fund to protect financial institutions from weather-related risk when providing loans to farmers and millers. However, the provisions of the loan guarantee fund will be submitted for prior IFAD approval before disbursements are made.
- **Quality Improvement.** In order to address quality issues, VODP2 will continue the partnership with UNBS to develop a number of standards for vegetable oil products and increase awareness of standards and quality assurance systems in the milling industry.

2.2.3 Project Management

The PMU broad responsibilities are:

- Work with the other line ministries and government agencies as required for ensuring smooth project implementation;
- Manage project activities and IFAD loan funds in accordance with IFAD's General Conditions;
- Continue its intermediation role on behalf of GoU with the private sector (Oil Palm Uganda Limited - OPUL) and the Kalangala Oil Palm Growers Trust (KOPGT) and Buvuma Oil Palm Growers Trust (BOPGT) to smallholder oil palm growers;
- Continue its supervisory role for the management of IFAD funding provided through KOPGT and BOPGT for oil palm development and through an agreed upon financial institution for a guarantee fund to mitigate weather related risks; or any successor organisation to farmers for oil palm development;
- Take a leadership role as an OSSUP participant for the coordination and linking with all stakeholders and donors in the oilseeds sub-sector, and bring oil palm processors into the platform;
- Contract and manage pay-for-service extension providers for oilseeds production aimed at promoting business linkages between the private sector (millers and input suppliers) and farmers, while ensuring that the targeting mechanisms for inclusion of women and youth and HIV/AIDS understanding are addressed.

The PMU has operational responsibilities to:

- Prepare AWPBs for the project and submit them to MAAIF and IFAD for comments and approval;

- Disburse and control the flow of funds for various contractual and partnership agreements, and ensuring the timely submission of justification documentation for the smooth flow of funds;
- Undertake national and international competitive bidding for procurement of civil works, goods and services (including extension) in a timely fashion as required for effective project implementation;
- Promote integration at the group level by service providers and team building among farmers for integration of activities along the oilseeds value chain;
- Develop extension messages for key areas to raise production and farmer income and select the service providers;
- Develop and implement a communication and knowledge management strategy;
- Manage for performance all activities under the project;
- Implementing reporting based on a participatory M&E system; and
- Submit project implementation progress and financial reports to IFAD and GoU in a timely manner.

3 PROJECT EXTERNAL AUDITOR

The project External Auditor is the Auditor General of the Republic of Uganda.

PROGRESS ON THE ACHIEVEMENT OF THE PROJECT TARGETS

Component	Outcomes/ Outputs	Project Target 2018	Target July 2017-June 2018	Achieved: June 2018
Oil Palm – Kalangala District	Nucleus estate established in Kalangala (Hectares)	6,500 Ha	0 Hectares	The nucleus estate in Kalangala remained at 6,500 hectares (100% achieved)
	Smallholder estate established in Kalangala (Hectares)	4,700 Hectares (1,800 farmers with 30% female)	Order for seedlings to plant remaining 276 hectares	The smallholders on Bugala, Bunyama and Bubembe islands have planted 4,424 Hectares of oil palm (94% achieved). The remaining 276 hectares will be planted by June 2019. To this effect, 84,000 pre-germinated seeds were delivered and planted in the nursery.
	Smallholders registered to benefit from oil palm investment	1,900 (36% female)	0	The number of registered oil palm smallholder farmers in Kalangala remained at 1,810 smallholder farmers with 37% female (95% achieved)
	Smallholders net incomes	USD 1,500 per hectare per year	USD 1,500 per hectare per year	USD 1,426 per ha per year (95% achieved)
	Smallholder oil palm fresh fruit bunch (FFB) Production annually (MT)	30,000 MT	30,000 MT	Between July 2017 and June 2018, the farmers harvested 37,801 MT of FFB valued at UGX 21.4 billion. Since 2010, the 1,123 farmers with mature gardens have produced a total 124,614 tons valued at UGX 60 billion.
	Farm roads constructed (Bugala)	330 kms	80 kms	In FY 2017/18, 78.2 kms of farm roads were constructed in Kalangala and 36.5 kms of old roads maintained. A

				total of 379.1 kms of farm roads have been constructed on Bugala island in Kalangala.
	Crude palm oil produced (annually in MT)	35,000	30,000	In 2017, the oil palm investment (nucleus estate and smallholder scheme) produced 24,927 (83% achieved)
Oil palm – Buvuma District	Land procured for nucleus estate	6,500 Ha	1,000 Ha	951 hectares of land acquired bringing the total area acquired to 7,591 Hectares.
Oil Seeds	Mill capacity utilization	85%	65%	56% from 74 mills spread across the hubs
	Sunflower yield per hectare	1.7 tons	1.7 tons per hectare	1.9 tons (Target achieved and surpassed)
	Soy bean yield per hectare	1.1 tons	1.1 tons per hectare	1.8 tons (Target achieved and surpassed)
	5,900 groups receive extension services	5,900 farmer groups	5,900 groups	5,311 farmer groups (81% achieved)
	Produce of oil seeds bulked (tons per year)	Sunflower: 50,000 Soybeans: 50,000	Sunflower: 50,000 Soybeans: 50,000	Sunflower: 49,515 (99% achieved) Soybeans: 35,332 (71% achieved)
	Production credit received by oil seeds growers	UGX 3 billion	UGX 3 billion	UGX 3.19 billion to 3,811 oil seeds farmers (37% female) by 10 financial institutions

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 (VODP2)
LOAN NO. 806
ACCOUNTS FOR THE PERIOD ENDED 30TH JUNE 2018

STATEMENT OF RESPONSIBILITIES OF THE ACCOUNTING OFFICER

The financial statements set out on pages 16 to 25 have been prepared in accordance with the provisions of the Public Finance Management Act (PFMA), 2015 [the Act]. The financial statements are prepared on the cash basis of accounting and comply with the IPSAS cash basis of accounting.


In accordance with the provisions of Section 45 of the Public Finance Management Act, 2015 [the Act], I am responsible for the control and personally accountable to Parliament for the regularity and propriety of the expenditure of money applied by an expenditure vote, or any provision funded wholly through the Consolidated Fund, and for all resources received, held or disposed of.

Under the provisions of Section 51 of the same Act, I am required to prepare, sign and submit financial statements to the Minister responsible for Finance, the Auditor General, and to the Accountant General within a period of two months from the end of the Financial Year. Accordingly, I am pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide all information and explanations as may be required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the PFMA, 2015.


Pius Wakabi Kasajja
ACCOUNTING OFFICER MAAIF


C.M. Masaba
PROJECT MANAGER VODP2

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 (VODP2)
LOAN NO. 806
ACCOUNTS FOR THE PERIOD ENDED 30TH JUNE 2018

**COMMENTARY ON THE FINANCIAL STATEMENTS BY THE HEAD OF
ACCOUNTS**

The overall goal of Vegetable Oil Development Project phase 2 is to contribute to sustainable poverty reduction in the project area.

The development objective is to increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighboring regional markets. The project will achieve this by supporting farmers to increase their production of crushing material of both oil palm and oilseeds (sunflower, soybean, sesame and groundnuts) and establishing commercial relations.

The operation and allocation of resources during the financial year under review were targeted to achieve the above objectives.

The project budgeted to receive total receipts of UGX 88,573,383,632 for the year, from IFAD, GOU and farmers' contribution. UGX 33,084,331,023 was released, which increased the available funds to UGX 40,707,433,656 when added to the opening balance. The releases and opening balance when compared with the budget represent a performance of 42.31%. IFAD released UGX 22,323,042,524 against a budget of UGX 77,786,350,370 representing performance of 28.70%; GOU released UGX 9,592,033,262 against a budget of UGX 9,592,033,262 representing a performance of 100%; and farmers contributed UGX 1,056,468,426 for transportation of their fresh fruit bunches and purchase of two boats against a budget of UGX 1,200,000,000 representing a performance of 88.04%. The project realized an exchange gain of UGX 112,481,327 and bank interest of UGX 305,485.

The project budgeted to spend UGX 92,310,323,117 on project activities. A total of UGX 31,047,120,903 was spent on project activities amounting to 33.63% budget performance. The low performance was due to over ambitious budget since the project was coming to an end. Of the budgeted IFAD loan of UGX 79,896,113,967, UGX 18,733,191,680 was spent, leading to a budget performance of 23.45%. Government counterpart funding of UGX 11,384,496,262 was budgeted and the actual expenditure of UGX 11,284,216,335 was achieved leading to a 99.12% budget performance. A total of UGX 1,029,712,888 was budgeted as farmers' contribution and UGX 1,029,712,888 was spent leading to 100% performance.


Pius Wakabi Kasajja
ACCOUNTING OFFICER MAAIF


C.M. Masaba
PROJECT MANAGER VODP2


MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2(VODP 2)
LOAN NO 806

ACCOUNTS FOR THE PERIOD ENDED 30TH JUNE 2018
THE PROJECT FINANCIAL STATEMENTS

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VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO. 806-UG
STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)
FOR THE FY 2017/18

	Notes	2017/18 UGX	2016/17 UGX	Cumm to date UGX
Balance B/F	6	7,623,102,633	10,584,833,661	
FINANCING				
IFAD Funds				
Initial Deposit	8	7,260,240,000		17,731,325,000
Replenishments to SA	8	14,566,555,724	17,774,544,086	66,325,499,757
IFAD Direct Payments	7	496,246,800	2,917,931,465	24,416,444,232
Government Funds	5	9,592,033,262	23,600,000,000	73,031,110,944
Other Donors (Farmers' contribution)		1,056,468,426	791,879,980	3,948,993,815
Other Receipts (Ex rate gain)	1(d)	112,481,327	38,394,937	677,678,599
Other Receipts (Bank interest)		305,485	3,817,933	5,482,196
TOTAL FINANCING		40,707,433,656	55,711,402,062	186,136,534,543
PROJECT EXPENDITURES:				
IFAD LOAN				
Vehicle & Equipment		551,074,020	-	4,330,013,211
Materials		586,325,000	819,210,000	3,160,038,658
Pontoon Landing sites				-
Other Civil Works		737,858,327	462,807,925	2,839,283,621
Smallholder Oil Palm Development		366,190,400	4,036,829,405	35,654,391,226
Oilseed Guarantee				-
Consultancies, Workshops and training		3,748,116,629	1,966,152,715	11,393,170,640
Extension services		7,466,549,476	6,850,796,854	20,825,494,314
Salaries and allowances		3,269,247,741	2,015,154,806	13,826,720,909
Operating Costs		2,082,709,245	1,201,427,909	8,822,324,693
Subtotal		18,808,070,838	17,352,379,614	100,851,437,273
GOVERNMENT FUNDS				
Vehicle & Equipment		-	-	150,035,668
Materials				261,960,000
Pontoon Landing sites				-
Other Civil Works				45,000,000
Smallholder Oil Palm Development		11,087,268,329	29,595,003,334	68,474,170,158
Oilseed Guarantee				-
Consultancies, Workshops and training				46,065,740
Extension services				571,768,761
Salaries and Allowances		196,948,006	287,085,730	1,286,494,979
Operating Costs		-	114,483,105	1,084,680,990
Subtotal		11,284,216,335	29,996,572,169	71,920,176,295
FARMERS' FUNDS				
Smallholder Oil Palm Development		1,029,712,888	739,347,647	3,779,487,381
Salaries and allowances				
Operating Costs				
Subtotal		1,029,712,888	739,347,647	3,779,487,381
TOTAL PROJECT EXPENDITURES		31,122,000,061	48,088,299,430	176,551,100,948
BALANCE C/F		9,585,433,595	7,623,102,633	9,585,433,595
REPRESENTED BY				
Farmers Loan Designated Account	6	501,197,656	462,642,204	501,197,656
VODP Operations Account	6	173,303,985	81,690,690	173,303,985
VODP Designated Account	6	6,217,607,289	2,176,079,461	6,217,607,289
Sub Accounts	6	2,693,324,665	4,902,690,278	2,693,324,665
TOTAL BALANCE		9,585,433,595	7,623,102,633	9,585,433,595


C.M. Masaba
PROJECT MANAGER


Jackson Bwire
FINANCIAL CONTROLLER

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO. 806-UG
STATEMENT OF RECEIPTS AND PAYMENTS (BY COMPONENT OF EXPENDITURES)
FOR THE YEAR ENDED JUNE, 30TH 2017

	Notes	2017/18 UGX	2016/17 UGX	Cumm to date UGX
Balance B/F	6	7,623,102,633	10,584,833,661	-
FINANCING		-	-	-
IFAD Funds		-	-	-
Initial Deposit	8	7,260,240,000	-	17,731,325,000
Replenishments to SA	8	14,566,555,724	17,774,544,086	64,310,326,132
IFAD Direct Payments	7	496,246,800	2,917,931,465	21,994,759,567
Government Funds	5	9,592,033,262	23,600,000,000	59,023,144,206
Other Donors (Farmers' contribution)		1,056,468,426	791,879,980	3,157,113,835
Other Receipts (Ex rate gain)	1(d)	112,481,327	38,394,937	708,570,886
Other Receipts (Bank interest)		305,485	3,817,933	1,969,748
TOTAL FINANCING		40,707,433,656	38,097,003,925	166,927,209,374
PROJECT EXPENDITURES				
IFAD LOAN				
Oil Palm Development		3,932,449,476	6,498,931,438	52,265,502,758
Oil Seed Development		10,029,028,950	4,192,678,026	28,561,177,826
Project Management		4,846,592,412	3,829,182,682	20,072,396,689
		18,808,070,838	14,520,792,146	100,899,077,273
GOVERNMENT FUNDS				
Oil Palm Development		11,087,268,329	11,367,523,294	66,846,076,909
Oil Seed Development			46,265,000	347,497,102
Project Management		196,948,006	808,397,253	4,678,962,284
		11,284,216,335	12,222,185,547	71,872,536,295
FARMERS' FUNDS				
Oil Palm Development		1,029,712,888	769,192,571	3,040,139,734
Oil Seed Development				
Project Management				
		1,029,712,888	769,192,571	3,040,139,734
TOTAL PROJECT EXPENDITURES		31,122,000,061	27,512,170,264	175,811,753,302
BALANCE C/F		9,585,433,595	10,584,833,661 -	8,884,543,928
REPRESENTED BY				
Farmers Loan Designated Account	6	501,197,656	462,642,204	501,197,656
VODP Operations Account	6	173,303,985	81,690,690	173,303,985
VODP Designated Account	6	6,217,607,289	2,176,079,461	6,217,607,289
Sub Accounts	6	2,693,324,665	4,902,690,278	2,693,324,665
TOTAL BALANCE		9,585,433,595	7,623,102,633	9,585,433,595

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO 806-UG
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE, 30TH 2018

	Notes	BUDGET UGX	ACTUAL UGX	VARIANCE UGX	%AGE
Balance B/F	6	7,623,102,633	7,623,102,633	0	
FINANCING					
IFAD Funds					
Initial Deposit		7,260,240,000	7,260,240,000	0	0.00%
Replenishments to SA	8	33,022,165,970	14,566,555,724	18,455,610,246	55.89%
IFAD Direct Payments	7	37,503,944,400	496,246,800	37,007,697,600	98.68%
Government Funds	5	9,592,033,262	9,592,033,262	0	0.00%
Other Donors (Farmers' contribution)		1,200,000,000	1,056,468,426	143,531,574	11.96%
Other Receipts (Ex rate gain)	1(d)		112,481,327	(112,481,327)	
Other Receipts (Bank interest)			305,485	(305,485)	
TOTAL FINANCING		96,201,486,265	40,707,433,656	55,494,052,609	57.69%
PROJECT EXPENDITURES.					
IFAD LOAN					
Vehicle & Equipment		26,257,064,400	551,074,020	25,805,990,380	97.91%
Materials		2,440,000,000	586,325,000	1,853,675,000	75.97%
Pontoon Landing sites		12,600,000,000	0	12,600,000,000	100.00%
Other Civil Works		4,340,000,000	737,858,327	3,602,141,673	83.00%
Smallholder Oil Palm Development		7,510,275,700	366,190,400	7,144,085,300	95.12%
Oilseed Guarantee					
Consultancies, Workshops and training		10,635,468,000	3,748,116,629	6,887,351,371	64.76%
Extension services		10,492,600,000	7,466,549,476	3,026,050,524	28.84%
Salaries and allowances		3,327,577,627	3,269,247,741	58,329,886	1.75%
Operating Costs		2,193,128,240	2,082,709,245	110,418,995	5.03%
		79,896,113,967	18,808,070,838	61,088,043,129	76.46%
GOVERNMENT FUNDS					
Vehicle & Equipment					
Materials					
Pontoon Landing sites					
Other Civil Works					
Smallholder Oil Palm Development		11,087,268,329	11,087,268,329		0.00%
Oilseed Guarantee					
Consultancies, Workshops and training					
Extension services					
Salaries and Allowances		297,227,933	196,948,006	100,279,927	33.74%
Operating Costs					
		11,384,496,262	11,284,216,335	100,279,927	0.88%
FARMERS' FUNDS					
Smallholder Oil Palm Development	6	1,029,712,888	1,029,712,888	0	0.00%
Salaries and allowances	6				0.00%
Operating Costs	6				
	6	1,029,712,888	1,029,712,888	0	
				0	
TOTAL PROJECT EXPENDITURES		92,310,323,117	31,122,000,061	61,188,323,056	66.29%

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO 806-UG
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE, 30TH 2018

	Notes	FY 2017/18 UGX	FY 2016/17 UGX
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
IFAD Releases		22,323,042,524	20,692,475,551
GOU Releases		9,592,033,262	23,600,000,000
Bank interest received		305,485	3,817,933
Farmers' contribution		1,056,468,426	791,879,980
Foreign exchange gain/(loss)		112,481,327	38,394,937
Total Receipts		<u>33,084,331,023</u>	<u>45,126,568,401</u>
Payments			
Salaries and allowances		3,466,195,747	2,015,154,806
Suppliers		10,359,121,900	10,142,690,834
Other payments		5,717,518,021	2,248,621,051
Net cashflows from Operating activities		<u>13,541,495,355</u>	<u>30,720,101,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant and equipment		(551,074,020)	(50,000,000)
Advances to Oilpalm farmers		(366,190,400)	(4,036,829,405)
land Purchase		(10,661,899,973)	(29,595,003,334)
Net cashflows from Investing activities		<u>(11,579,164,393)</u>	<u>(33,681,832,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cashflows from Financing activities			
Net increase in cash and cash equivalents		1,962,330,962	(2,961,731,029)
Cash and cash equivalents at beginning of the year		<u>7,623,102,633</u>	<u>10,584,833,661</u>
Cash and cash equivalents at year end		<u>9,585,433,595</u>	<u>7,623,102,633</u>

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2

IFAD LOAN NO. 806-UG

TRAIL BALANCE

FOR THE YEAR ENDED JUNE, 30TH 2018

	Debit	Credit
Current Assets	9,585,433,595	
Bank Accounts	9,585,433,595	
Receipt	-	33,084,331,023
IFAD Receipts		22,323,042,524
Bank Interest		305,485
Farmers' Contribution		1,056,468,426
Forex Loss		112,481,327
Gou Funds		9,592,033,262
Expenditure	18,808,070,838	
Consultancies, Workshops & Training (7)	3,748,116,629	
Extension Services (8)	7,466,549,476	
Materials (2)	586,325,000	
Operating Costs (10)	2,082,709,245	
Other Civil Works (4)	737,858,327	
Salaries and Allowances (9)	3,269,247,741	
Smallholder Oil Palm Development (5)	366,190,400	
Vehicles and Equipment (1)	551,074,020	
Other Expenditures	12,313,929,223	
Farmers Funds	1,029,712,888	
Gou Expenditures	11,284,216,335	
Opening balance		7,623,102,633
Grand Total	40,707,433,656	40,707,433,656

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO. 806-UG
STATEMENT OF SPECIAL ACCOUNT ACTIVITIES
FOR THE YEAR ENDED JUNE, 30TH 2018

Account No
Bank Bank of Uganda
Address P o Box 7120 Kampala

	Notes	USD	UGX
Opening Balance (01/07/2017)		606.843	2,176,079,461
Add			
IFAD Replenishments			
Date WA No			
25-09-17	52	338,181.98	1,216,920,800.47
20-10-17	53	756,563	2,761,362,519.99
21-11-17	56	2,000,000	7,260,420,000
19-12-17	55	1,252,176	4,520,667,140
30-06-18	57	1,561,857	6,067,425,263
Total		6,515,621	24,002,875,185
Deduct			
Transfers to Operating Accounts:			
Date			
26-07-17		500,000	1,790,000,000
07-09-17		105,000	375,847,500
10-10-17		300,000	1,080,825,000
02-11-17		760,000	2,760,950,800
11-12-17		1,400,000	5,042,982,000
26-03-18		1,500,000	5,470,185,000
13-06-18		350,000	1,338,036,000
		4,915,000	17,858,826,300
Expenses through the Special account			
Bank Charges		20	71,968.40
Bank Charges		20	72,997.60
Bank Charges		20	72,604.20
Bank Charges		20	72,205.00
Bank Charges		20	77,695.00
			-
Exchange Rate gain			73,925,875
Closing Balance as at 30/06/2018		1,600,520.83	6,217,607,289

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO. 806-UG
STATEMENT OF SPECIAL ACCOUNT ACTIVITIES
FOR THE YEAR ENDED JUNE, 30TH 2018

Account No
Bank Bank of Uganda
Address P o Box 7120 Kampala

	Notes	USD	UGX
Opening Balance (01/07/2017)		129 017 04	462,642,203 74
Add:			
IFAD Replenishments		-	-
Total		129,017.04	462,642,203.74
Expenses through the Special account		-	-
Exchange Rate gain		-	38,555,452 23
Closing Balance as at 30/06/2018		129,017.04	501,197,655.97

FORM 104/A - DESIGNATED ACCOUNT RECONCILIATION STATEMENT
(IMPREST ACCOUNT)
(IN THE DESIGNATED ACCOUNT DENOMINATION CURRENCY - IMPREST ACCOUNT OPTION)

Project Title: Vegetable Oil Development Project Phase Reporting Period: 01-01-18 to 30-06-18
 IFAD Financing No.: Loan 806-UG
 DESIGNATED ACCOUNT: _____
 BANK NAME: Bank of Uganda

1 TOTAL ADVANCED BY IFAD	\$	5,338,181.98
2 LESS TOTAL AMOUNT RECOVERED BY IFAD	\$	-
3 EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (Line 1 less Line 2)	\$	5,338,181.98

4 BALANCE OF DESIGNATED ACCOUNT PER ATTACHED BANK STATEMENT AS OF [DATE: 30/06/2018]	\$	1,600,520.83
5 PLUS BALANCE OF THE PROJECT ACCOUNT(S) (LISTED SEPARATELY)	\$	134,917.14
PLUS BALANCE OF SUB-ACCOUNTS (LISTED SEPARATELY)	\$	253,179.22
PLUS BALANCE OF CASH IN HAND	\$	-
subtotal of 5	\$	388,096.36

TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5)	\$	1,988,617.19
--	----	--------------

6 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO. <u>060</u>	\$	-
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7 PLUS TOTAL AMOUNT WITHDRAWN FROM THE DESIGNATED /PA/GRANT ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT) or WAs pending submission	\$	128,496.03
--	----	------------

REASON: Eligible amount of expenditures for which a WA has not yet been prepared

8 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET

APPLICATION NO.	DATE	US\$	AMOUNT
WA 058			\$1,394,773.08
WA060			\$3,050,968.28

subtotal of 8	\$	4,445,741.36
---------------	----	--------------

9 MINUS INTEREST EARNED (to be completed. If zero, please enter '0')	\$	-
--	----	---

10 TOTAL ADVANCE ACCOUNTED FOR (Line 5 * through Line 9)	\$	6,562,854.58
--	----	--------------

11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10	US\$	1,224,672.60
---	------	--------------

Transferred from KOPGT designated account

12 DATE: 10-10-18

SIGNATURE: _____

[Signature]

FORM 104/A - DESIGNATED ACCOUNT RECONCILIATION STATEMENT
(IN THE DESIGNATED ACCOUNT DENOMINATION CURRENCY - IMPREST ACCOUNT OPTION)

Project Title: Vegetable Oil Development Project- Phase 2 Reporting Period: 01-07-17 to 30-06-18
 IFAD Financing No.: Loan 805-UG
 DESIGNATED ACCOUNT: _____
 BANK NAME: Bank of Uganda

1 TOTAL ADVANCED BY IFAD	\$2,000,000.00																
2 TOTAL AMOUNT TRANSFERRED TO PMU DESIGNATED AC	\$338,181.98																
3 EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (Line 1 less Line 2)	\$1,661,818.02																
<hr/>																	
4 BALANCE OF DESIGNATED ACCOUNT AS AT 30/06/2017	\$129,017.04																
5 PLUS BALANCE OF THE PROJECT ACCOUNT(S) (LISTED SEPARATELY)	\$0.00																
PLUS BALANCE OF SUB-ACCOUNTS (LISTED SEPARATELY)	\$110,379.92																
PLUS BALANCE OF CASH IN HAND	\$0.00																
subtotal of 5	\$110,379.92																
TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5)	\$239,396.96																
6 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO.	\$0.00																
7 PLUS TOTAL AMOUNT WITHDRAWN FROM THE DESIGNATED /PA/GRANT ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT) or WAS pending submission	\$197,748.46																
REASON: <u>WAS in the pipeline</u>																	
8 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET CREDITED AT THE																	
<table border="0"> <tr> <td>APPLICATION NO.</td> <td>DATE</td> <td>US\$</td> <td>AMOUNT</td> </tr> <tr> <td></td> <td></td> <td>US\$</td> <td></td> </tr> <tr> <td></td> <td></td> <td>US\$</td> <td></td> </tr> <tr> <td align="right" colspan="3">subtotal of 8</td> <td></td> </tr> </table>	APPLICATION NO.	DATE	US\$	AMOUNT			US\$				US\$		subtotal of 8				
APPLICATION NO.	DATE	US\$	AMOUNT														
		US\$															
		US\$															
subtotal of 8																	
9 MINUS INTEREST EARNED (to be	0																
10 TOTAL ADVANCE ACCOUNTED FOR (Line 5 + through Line 9)	\$1,224,672.60																
11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10 Funds transferred to PMU designated account	\$1,224,672.60																
12 DATE: <u>29-09-18</u>	SIGNATURE:  Name in Full: <u>Bwire Jackson</u> Title in Full: <u>Financial Controller</u>																

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2
IFAD LOAN NO.806-UG
SOEs-WITHDRAWAL APPLICATION STATEMENT
FOR THE YEAR ENDED JUNE 30TH, 2018
BY CATEGORY OF EXPENDITURES (USHS)

Category	WA 052	WA 053	WA 054	WA 055	WA 056	WA 057	WA 058	Total
Vehicle & Equipment						7 193,220	43,550,000	50,743,220
Materials		33,980,000		132,350,000		763 280,000	315,470,000	1,245,080,000
Pontoon Landing sites								-
Other Civil Works		84,312,591		104,300,279		287 306,543	127,427 198	603,346,411
Smallholder Oil Palm Development	1,109,849,140							1,109,849,140
Oilseed Guarantee								-
Consultancies, Workshops & training		249,560,295	496,246,800	565 844,790		693,761,610	865,480 840	2,870,894,335
Extension services		1,481,135,756		2,276,690,460		2,462,613,348	2,112 862 615	8,333,302,179
Salaries and allowances		341,815,341		786,961,677		931,682,665	640,240,880	2,600,700,563
Operating Costs	1,109,013	329,697,873		544,164,760		498,610,205	919,164,709	2,292,746,559
Initial deposit					7 260,420,000			7,260,420,000
Total (Ushs)	1,110,958,153	2,520,501,656	496,246,800	4,410,311,966	7,260,420,000	5,544,447,591	5,024,196,242	26,367,082,407
Total (USD)	338,181 98	756,562 55	146,787.62	1,252,175.65	2,000,000 00	1,561,857.33	1,394,773 08	7,450,338.21
Rejected								-
Net Reimbursed	338,181 98	756,562 55	146,787.62	1,252,175.65	2,000,000 00	1,561,857.33	1,394,773 08	7,450,338 21

The Uganda shillings amounts are according to the justified amounts in the withdrawal applications. However, the Uganda shillings amounts received for the above WAs as indicated in the statement of receipts and expenditures are figures showed in Notes; 6 and 7.

VEGETABLE OIL DEVELOPMENT PROJECT PHASE2 (VODP2)

IFAD LOAN NO.806-UG

STATUS OF LOAN BALANCE AS AT 30TH JUNE 2018

AS PER IFAD RECORDS

Category	Category description	Allocation	Disbursement	%	Balance
073428	Initial Deposit-PMU		3,681,293.47	0.00%	(3,681,293.47)
074257	Initial deposit - KOPGT		1,045,517.01	0.00%	(1,045,517.01)
118389	Vehicles and equipments	1,270,000	927,814.98	73.06%	342,185.02
118390	Materials	830,000	611,524.40	73.68%	218,475.60
118391	Pontoon landing sites	810,000	-	0.00%	810,000.00
118392	Other Civil works	1,040,000	561,052.82	53.95%	478,947.18
118393	Smallholder oil palm development	9,560,000	8,746,633.12	0.91	813,366.88
118394	Oil seed Guarantee Fund	-	-		0.00
118395	Consultancies, Workshops and Training	3,360,000	1,642,231.13	48.88%	1,717,768.87
118396	Extension services	8,080,000	2,884,029.60	35.69%	5,195,970.40
118397	Salaries and allowances	3,510,000	2,640,153.40	75.22%	869,846.60
118398	Operating costs	2,100,000	1,660,991.63	79.09%	439,008.37
	Unallocated	2,940,000		0.00%	2,940,000.00
Total		33,500,000	24,401,241.56	72.84%	9,098,758.44

VEGETABLE OIL DEVELOPMENT PROJECT PHASE2 (VODP2)

IFAD LOAN NO.806-UG

STATUS OF LOAN BALANCE AS AT 30TH JUNE 2018

AS PER PROJECT RECORDS (INCLUDING 'WAs in the pipeline')

Category	Category description	Allocation	Disbursement	Was in pipeline	Expenditures Not yet claimed	Subtotal	%	Balance
073428	Initial Deposit-PMU		3,681,293.47			3,681,293.47	-	(3,681,293.47)
074257	Initial deposit - KOPGT		1,045,517.01			1,045,517.01	-	(1,045,517.01)
118389	Vehicles and equipments	1,270,000	927,814.98	8,539.14	91,336.52	1,027,740.64	80.92%	242,259.36
118390	Materials	830,000	611,524.40	61,877.85	41,042.46	714,444.73	86.08%	115,555.27
118391	Pontoon landing sites	810,000	-	-	-	-	0.00%	810,000.00
118392	Other Civil works	1,040,000	561,052.82	25,153.58	87,286.58	673,492.98	64.76%	366,507.02
118393	Smallholder oil palm development	9,560,000	8,746,633.12	141,282.77	-	8,687,915.89	92.97%	672,084.11
118394	Oil seed Guarantee Fund	-	-	-	-	-		0.00
118395	Consultancies, Workshops and Training	3,360,000	1,642,231.13	172,402.81	433,298.50	2,247,932.44	66.90%	1,112,067.56
118396	Extension services	8,080,000	2,884,029.60	416,936.87	930,201.21	4,231,167.69	52.37%	3,848,832.31
118397	Salaries and allowances	3,510,000	2,640,153.40	125,824.72	394,721.26	3,160,699.40	90.05%	349,300.60
118398	Operating costs	2,100,000	1,660,991.63	180,102.40	185,843.23	2,026,937.26	96.52%	73,062.74
	Unallocated	2,940,000					0.00%	2,940,000.00
Total		33,500,000	24,401,241.56	1,132,170.15	2,163,729.79	27,697,141.50	82.68%	5,802,858.50

MINISTRY OF AGRICULTURE ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT
IFAD LOAN NO.806-UG
ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2018
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies will be consistently applied during the life of the project, unless otherwise stated.

a) Basis of Preparation

The financial statements are prepared on a cash basis; and in accordance and comply with International Public Sector Accounting Standards (IPSAS). The measurement basis is the historical cost basis, except where otherwise stated in the accounting policies. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Project.

b) Reporting Entity

The financial statements are for Vegetable Oil Development Project Phase 2 established under IFAD Loan No 806-UG.

c) Revenue Recognition

Cash Transfers

Revenue from IFAD and GoU Counterpart funds is recognised in the accounts upon receipt of the funds.

Direct Payments

These are payments made directly to suppliers by the funding agencies on behalf of the project. Direct payments are recognised when the payments are approved by Ministry of Agriculture, Animal Industry and Fisheries for submission to IFAD for transfer to the supplier.

d) Translation of Foreign Currencies

Foreign currency translation for the receipts and payments account items are converted using the actual historic exchange rate at the conversion from special to local account. Where part of the expenditures has to be met from the proceeds of subsequent drawdowns from special to local account, this is done on First in First out (FIFO) basis. All local expenditures paid from the local accounts/currency are translated back to the USD at the actual rate used for the transfer from special to local account. At the balance sheet date, balances denominated in foreign currencies are converted into Ugandan shillings at the rate of exchange ruling on that

date as issued by the Bank of Uganda. The rate applicable as at June 30, 2018 is UGX 3,884.75 to one dollar. Any gains or losses on foreign currency transactions or balances are dealt within the statement of Cash Receipts and Payments.

e) **Expenditure**

An expenditure is recognized when payment is made

f) **Cash Balances.**

The cash balances comprise of cash at hand and balances held at call with banks.

2. **Presentation Currency**

The financial statements are presented in Uganda Shillings (UGX) being the reporting currency for Uganda.

3. **Budget Performance**

The overall project expenditure was UGX 31,047,120,903 against the budget of UGX 92,310,323,117 amounting to 33.63% budget performance. Of the budgeted IFAD loan of UGX 79,896,113,967, UGX 18,733,191,680 was spent, leading to a budget performance of 23.45%. Government counterpart funding of UGX 11,384,496,262 was budgeted and the actual expenditure of UGX 11,284,216,335 was achieved leading to a 99.12% budget performance. A total of UGX 1,029,712,888 was budgeted as farmers' contribution and UGX 1,029,712,888 was spent leading to 100% performance.

Vehicles and equipment

- The evaluation of the bids for design and construction/supply of a ferry to serve Buvuma Island was concluded. The second ferry which is to serve the outlying Islands of Kalangala is to be re-advertised since there was no substantially responsive bid received in the just concluded evaluation exercise.

Civil works

- The project constructed 60km of farm roads on Bugala Island in the blocks of Bbeta East and Bbeta West. The scope of the construction works included bush clearing, levelling/grading, shaping to form camber and compaction. It also maintained 52 km of farm roads, of which 36 km were done by equipment and 16 km were done by manual labour. The cumulative length of roads constructed by the project on Bugala Island currently stands at 384 km (including 253km done under phase 1)
- The project transferred a road unit to Buyama island in May 2018 and so far 42 km of roads have been constructed on the island. An additional 10 km of roads remain to be done on Bunyama Island before transferring the equipment to Bubembe Island where an estimated 40 km of roads will be constructed.

- The contract for construction of Fertilizer Stores for Bunyama and Bubembe Islands was signed, and construction commenced. Contract for construction offices for Buvuma hub was signed and the Contractor is mobilizing materials to commence construction.

Landing sites

- The evaluation report for the procurement of a contractor to carry out design and construction ferry landings for Kiyindi, Buvuma and Bugala Islands was sent to IFAD for a no-objection in June 2018. Additionally, the designs and bidding documents for the landing sites of Bunyama and Bubembe were completed. The evaluation of the technical proposals for construction supervision of all the landing sites has been concluded and a request for a no-objection is to be sent to IFAD.

Consultancies, workshops and training

- Through partnership with the Nacri, production of both soybean breeder and foundation seed production has been increasing since 2013. With financial support from VODP, Makerere University has developed and released three soybean varieties that are superior, high yielding (2500-3500 kg Ha⁻¹), and adapted to most agro-ecological zones in Uganda. In November 2017, the program released a new variety known as Maksoy 6N (Nam II X GC 44.2) through the National Variety release committee. This variety is high yielding, resistant to soybean rust, has high protein content, has moderate maturity and resistant to pod shattering. This variety performed better than the other varieties that were evaluated in the AYT for six seasons (2014A to 2016B). Maksoy 6N had higher yields than both Maksoy 3N and Maksoy 4N that are the highest yielding soybean varieties in Uganda. Maksoy 6N also had lower rust scores than both Maksoy 3N and Maksoy 4N.
- In order to create more awareness about the new improved soybean varieties, soybean production and its potential for improving farmers' household income and nutrition, trainings were conducted across the different regions of the country. The training covered a wide scope of soybean aspects that included importance of soybean, quality seed production, differentiating seed from grain, variety selection, site selection and land preparation for soybean production, spacing and seed rate, use of rhizobia on soybean, weed control, maturity of soybean, harvesting, threshing and cleaning, storage and cost benefit analysis for soybean production. NaCRRI trained over 368 participants with 53% being women.
- One of the requirements of an active breeding program is sourcing for germplasm from other breeders that possess different traits to improve on the existing germplasm. We collected and conserved a number of germplasm from within Africa and from the USA. We also conserved soybean germplasm developed in Uganda. These germplasm are being used to improve the existing breeding lines developed in Uganda.
- Within the 2017B season, a number of crosses were generated to ensure continuity and sustainability of the breeding cycle. These crosses were generated while looking at different traits. Some of the important traits include yield, rust resistance, resistance to field and storage pests. These crosses are now at different generations. The Tables below show summary of crosses and progenies that were maintained in 2017B

- The project partnered with Uganda Cooperative Alliance (UCA) to build the capacity of farmer groups and facilitate them to join formal farmer organizations for sustainability purposes.
 - UCA assessed 54 identified farmer organizations in the 4 hubs and a total of 40 were selected in the 4 hubs, comprising of 1,471 groups and 36,336 members. 25 of the identified Higher Level Farmers Organizations (HLFO) did not meet the minimum requirement for being classified as HLFO as such UCA intervention is to strengthen and restructure them to function as HLFO. While 15 that met the criteria based on membership and functionality are being strengthened on governance and business development. Another 45 LLFOs supported to formed clusters by PSPs are to be developed by UCA to register as HLFO and/Area Cooperative Enterprises (ACEs) in the project areas for sustainability. During the reporting period the achievement are as stated below;
 - Out of the target of 25 HLFO being strengthened and supported to form and register, 18 are fully ready to formalise registration; they have well established governance and leadership structures, business plans developed using the business model canvas and are linked to off takers for oil seed crop marketing. UCA also supported them to develop bulking and marketing policies leaned on attracting premium prices for participating members as well as creating an income for operations of the HLFO.
 - Out of the 15 targeted to be strengthened in governance and leadership, 8 have fully developed and streamlined the governance and vetted leaders that have been put in place. UCA ensured to follow-up management to carry out audits of the financial accounts of their business as required. Oilseed crops extension on provided by the PsPs and DLG to the LLFOs growing oilseeds and business model canvas developed to promote the enterprise.

Small holder Oil Palm:

- The project, continues to be one of the “best practice” projects by Ministry of Agriculture with proof of local economic impact realized by the people in Kalangala. A report of the Local Economy Wide Impact Evaluation carried out in September and October 2017 shows that each additional acre of oil palm adds UGX 2.2 million annually to the Kalangala economy; creates 127 person-days of employment in Kalangala, and that all sectors of the economy expand with the exception of fish. The draft survey report also shows that a 1% (109 acres) expansion in oil palm plantation raises the total cash income in Kalangala by UGX 242 million, and estimates that a 10% increase in oil palm productivity increases the total cash income in Kalangala by nearly UGX 5 billion annually. This and more emerging evidence from Kalangala highlights the impact of the project and the PMU will continue to engage in partnerships with IFAD and Government to scientifically measure the impact, draw lessons and provide evidence to stakeholders.
- The number of farmers registered to participate in the smallholder scheme in Kalangala is already above the targeted 1,800 farmers at design. Mobilization of new farmers has been

- done on Bunyama and Bubembe islands as the project targets to reach the envisaged 4,700 hectares under smallholders in Kalangala.
- Oil palm farmers repaid UGX 6.71 billion up from UGX 4.18 billion last year. This brings the total recoveries to UGX 18.49 billion
 - Between July 2017 and August 2018, the farmers in Kalangala were facilitated to harvest 44,484,849 kgs (44,485 tons) of oil palm FFBs. The farmers in Kalangala have now cumulatively harvested 131,298 MT since January 2010. The FFB harvesting trend shows that in Kalangala, the average monthly kgs of FFB harvested by the smallholder oil palm farmers and delivered to the palm oil mill have increased from an average of 896,667 kgs in FY 2013/2014, to 1,361,020 kgs in 2014/2015, to 1,910,297 in 2015/2016, to 2,240,762 kgs in 2016/2017, and now to the current 4,060,466 kgs in FY 2017/18. This is explained by the increase in number of hectares under harvest and the yield per hectare as the oil palm trees mature, some reaching their peak production years.
 - The number of farmers harvesting has also increased from 1,074 farmers in July 2017 to 1,199 farmers in August 2018 with the area under harvest increasing from 3,020 hectares in July 2017 at 3,602 hectares. Figure 1 below shows the annual FFB production by smallholder farmers in Kalangala.
 - In the period July 2017 to June 2018, the 1,199 smallholder farmers with mature gardens earned a gross income of UGX 21 44 billion due to the increase in the monthly production and continuous rise in price for each kg of FFB. OPUL pays the smallholder farmers with mature gardens an average of over UGX 1.8 billion each month. In the months of March and April 2018, the smallholder farmers in Kalangala earned over UGX 2.9 billion each month, the highest ever gross monthly revenue earned in one month from oil palm in Kalangala.

Extension service:

- The project continued to fully engage all the recruited 11 Pay for Service Providers (PSPs) to offer extension and value chain support services to the farmers in the oil seeds project area. The PSPs offer training to oil seeds farmers in oil seeds agronomy, farmer group capacity building, post-harvest handling and marketing, and establishment of linkages between farmers, input dealers, off-takers, financial institutions and other value chain service providers.
- By June 2018, the total number farmer groups spread across the hubs engaged by all service providers was 5,311. Focus in the remaining project lifetime will be on ensuring that their capacity is built to continue operating their oil seeds enterprise as a business, with linkages to other value chain actors developed especially input dealers and processors/ millers. Table 3.3 below shows a summary of the performance by the PSPs in terms of farmer groups reached.

• **Table 3.3: Number of farmer groups receiving project services and targets**

PSP/DLG	Targets	Actual Dec 2015	Actual Dec 2016	Actual Dec 2017	Actual June 2018
WENIPS	175	189	201	376	376
IIRR	176	175	176	400	401
AFSRT	220	220	220	415	446
UOSPA	100	135	135	151	200
CRDI	215	225	273	408	504
EPSEDEC	215	252	252	413	423
DLGs	0	0	974	1658	1804
SACU	425	-	212	228	292
ARCOD	340	-	102	200	200
APSEDEC	368	-	185	200	200
ANCC	418	-	238	238	250
SG2000	425	-	215	215	215
	3077	1196	3183	4902	5311

Payment of Salaries to project staff and operating costs enabled the project:

- To support all the implementing partners to generate their annual and quarterly plans in line with the GOU and IFAD recommendations. From September 2017, PMU engaged stakeholders under both oil palm and oil seeds to review the project targets alongside the progress so far, and guided them to ensure that the FY 2018/19 work plan and budget is in line with achieving the pending targets.
- Engaged stakeholders and media to share information on the VODP 2 project, its performance, key lessons learned and challenges encountered. The project also responded to information requests from various stakeholders and provided information to respond to negative press. Among others, the project uploaded and shared the Kalangala Oil Palm impact video on YouTube, social media and during the JASAR meeting; and prepared an article “Harnessing Public Private Producer Partnerships, The Story of Vegetable Oil Production in Uganda” that was published in The Observer Media news print; redesigned the www.kopgt.co.ug website.
- The Project prepared oil seeds Fact Sheets, FAQs, User manuals (Sunflower, Soybean, Simsim, FaaB), Success Stories booklet and Radio airtime were undertaken. For Oil Palm, Environmental video, FAQs and Agronomic flip charts on harvesting were produced. Documenting best practices, lessons learnt and failures, for policy dialogue and sharing with other stakeholders shall continue. Targeted users most adapted information sourcing including reports, brochures, FAQs, fliers, radio and Television, e-newsletter, Website, E-mails, WhatsApp, Facebook and twitter for efficient internal and external communication shall continue to be used.
- Stakeholder engagement in Buvuma District between The Parliamentary Committee on Agriculture, District and VODP 2 happened in Buvuma and was documented. The main aim for the committee was to have an update on the Buvuma Oil Palm project implementation process and get informed on the land purchase process and challenges. The Members of the Parliamentary Committee of Agriculture were able to actuate themselves on the Oil Palm project establishment process in Buvuma especially on Land purchase process.
- Stakeholder engagement in Buvuma District between Bidco Uganda Limited, IFAD, VODP2 and Buvuma District Local Leaders. The major objective of this engagement was get an update from all stakeholders on the Buvuma Oil Palm project start.
- The project is implementing the results based Monitoring, Evaluation and Learning approach where an M&E system customized for the VODP 2 is being implemented. The project maintains an updated logical/ results framework and incorporated the use of geographic information systems (GIS) in the project surveys. The project Management Information System has simplified data entry, analysis, and storage and report production under both the oil palm and oil seeds components.

4. Budget variance

Material variances were registered under IFAD financing due the following reasons;

- a. **Vehicles and equipment:** The low budget performance of 2.09% towards this category was because vehicles planned to be purchased as preparation for NOPP were deferred until the start of NOPP. Additionally, the two ferries were not purchased due to the long procurement process and administrative reviews. This category was allocated 29% (26.35billion) of the AWPB. These procurements have been moved to the new project (National Oil Palm Project) and the procurement process is almost complete.
- b. **Platoon landing sites;** the low utilization of funds is attributable to: Non construction of the four landing sites, which were planned for Buvuma and Kalangala. These sites have been pushed to the new project, and the procurement process in advance stages.
- c. **Civil Works;** The low utilization of funds (17.00%) is attributable to: Non construction of two fertilizer stores in Kalangala, and one fertilizer store and office block in Buvuma, which were supposed to take most of the funds. The project only constructed 78.4km on Bugala out of the planned 100Kms and maintained 36.5kms of farm roads by reshaping and compacting the existing roads. The Project also constructed 20Kms on Bubembe.
- d. **Smallholder Oil palm:** The disbursement rate of 4.81% under this category is due to the late delivery of fertilisers for the oil palm farmers. OPUL started delivering fertilisers in September 2018. The only expenditure was for maintenance of oil palm gardens.
- e. **Consultancies, workshops and training;** the budget performance of 35.24% is due to the flowing reasons: UCA did not handle all activities planned, PIALA impact analysis of Kalangala started towards the end of the financial year, Tsetse traps were not procured, Nassari did very few research activities during the year, Bee hives were not procured and mill certification activities were not handle by UNBS.
- f. **Extension services;** the percentage performance is at 71.16%. The underperformance was caused by slow pace of implementation by districts, cancellation of multiplication of hybrid activities.

5. Release of funds during the Year 2017/18 – GOU Funds

GOU is required to provide counterpart funds for some of the Project activities in accordance with the terms and conditions of the financing agreement. GOU allocated Ushs 9.59 billion for

project activities, of which a total of Ushs 9 59billion was released amounting to 100% performance. Most of these funds were released for acquiring land in Buvuma for oil palm development -the nucleus estate.

Funding	2017/18		2016/17	
	Budget (Ugx)	Release	Budget (Ugx)	Release
Total	9,592,033,262	9,592,033,262	23,600,000,000	23,600,000,000

6. Cash and Cash equivalents

Project Accounts	2017/18	2016/17
VODP Special Account (A/c N)	6,217,607,289	2,176,079,461
Farmers' loan Special Account (501,197,656	462,642,204
VODP Operating Account	173 303,985	81,690,690
Land Funds	653 292,998	2,809,934,118
Sub Accounts	2,040,031,667	2 092,756,160
Total cash balances	9,585,433,595	7,623,102,633

Sub Accounts	2017/18	2016/17
KOPGT Operations account	68,748,978	77,220,844
Farmers loan KOPGT account	392,068,104	758,877,904
Farmers' FFB transport Account	104,584,746	77,853,208
Kalangala DLG	501,105	84,996,828
Buvuma DLG account	-	16,980
Funds with MAAIF	305,120,604	549,804,859
COREC Account	182,145,021	28,844,309
NACRRI	202,366,396	174,166,886
NASARRI	461,152,306	116,214,892
UNBS	3,309,111	129,437,269
Alebtong	22,105	85,000
Amuria	43,914,880	
Amuru	28,800	
Apac	-	8,016,000
Arua	109,195,250	1,013,500
Bugiri	1,433,080	
Bukwo	1,303,180	2,000
Bulambuli	6,131,000	6,131,000
Gulu	10,000,000	30,000,000
Jinja	5,000	
Kaberamaido	-	28,405,547
Kamuli	3,988,000	
Katakwi	26,238,243	5,504
Kiryandongo District	8,591,059	41,048
Koboko District	-	200
Kole District	7,959,610	3,649,886
Kumi District	551,300	493,400
Lamwo District	47,737,000	1,000
Lira District	-	1,133,892
Masindi District	1,132,240	1,132,240
Mayuge	59,250	
Maracha District	212,000	155,800
Moyo District	47,420,000	4,031,500
Nebbi District	478,200	291,950
Ngora District	551,300	293,900
Nwoya District	55,150	55,150
Otuke District	736,234	44,400
Oyam District	43,131	1,790,581
Seere District	130,790	16,984
Sironko District	200,434	200,434
Soroti District		6,975,765
Yumbe District	1,355,500	1,355,500
Zombo District	562,560	-
Total Sub Accounts	2,040,031,667	2,092,756,160

7. Direct Payments

These payments were made directly by IFAD from the Loan account to the specified supplier/service provider in accordance with the terms and conditions of the financing Agreement

Table: Direct payments

WA	PAYEE	USHS
054	Uganda Co-operative Alliance	496,246,800
Total		496,246,800

8. Release to the Designated Account

These payments were made to the project's designated account in Bank of Uganda in accordance with the terms and conditions of the financing Agreement

Date	WA	Account	Amount	USD
25-09-17	52	VODP Operations Designated account	1,216,920,800	338,181.98
20-10-17	53	VODP Operations Designated account	2,761,362,520	756,562.55
21-11-17	56	VODP Operations Designated account	7,260,420,000	2,000,000.00
20-12-17	55	VODP Operations Designated account	4,520,667,140	1,252,175.65
30-06-18	57	VODP Operations Designated account	6,067,425,263	1,561,857.33
Total			21,826,795,724	5,908,777.51

9. Farmers ffb contribution

The Kalangala Oil palm Development Trust charged harvesting farmers some money to enable the trust collect ffb from farmers and deliver them to the mill on the farmers' behalf

10. Statement of Non-Current Assets

During the year ended June 30, 2018, assets worth shs 11.52 billion were acquired and no disposals made. The overall investment in assets under VODP stands at Shs.75.28 billion. The details are as summarised below.

	Equipment UGX	Furniture UGX	Vehicles UGX	Buildings UGX	Land UGX	Total UGX
30th June 2017	362,491,717	142,246,400	3,530,452,041	1,051,199,050	58,671,212,062	63,757,601,270
Additions	551,070,020	0	0		10,967,030,497	11,518,100,517
Disposals	0	0	0	0		0
30th June 2018	913,561,737	142,246,400	3,530,452,041	1,051,199,050	69,638,242,559	75,275,701,787

11. Releases to KOPGT for Oil Palm Activities

Kalangala Oil Palm Growers' Trust (KOPGT) Loan Portfolio as 30/06/2018

Loans Disbursed	Cash Loans	Inputs Loan	Total
Opening amount	26,703,927,317	18,004,510,812	44,708,438,130
Disbursement during the year	366,190,400	1,478,309,627	1,844,500,027
Total Loan disbursements (30/06/18)	27,070,117,717	19,482,820,439	46,552,938,157
Recoveries			
Opening			11,776,834,909
Year			6,706,606,600
Total recoveries			18,483,441,509
Loan amount net of recoveries			28,069,496,648

A total of shs 0.37billion was disbursed by KOPGT as cash loans to oil palm smallholders growers for the year 2017/2018, which led to a total cash loan disbursement of Shs 27 07billion to the farmers of Oil Palm. shs 1.48 billion was advanced to farmers in terms of inputs during the year 2017/2018, increasing the total inputs loans to farmers to Ushs 19.48 billion. The total loan portfolio (cash loans plus input loans) amounts to Ushs 46.55 billion of which Ushs 11.78billion has been repaid against expected recovery of Ushs 13.62bn.

KOPGT LOAN

YEAR	CASH LOAN	IN-KIND	TOTAL
2006	72,206,150	44,498,400	116,704,550
2007	571,330,269	258,895,902	830,226,171
2008	936,278,691	574,592,178	1,510,870,869
2009	1,249,463,510	815,218,534	2,064,682,044
2010	2,129,846,528	1,600,205,780	3,730,052,308
2011	4,450,424,701	1,371,982,944	5,822,407,645
2012	5,989,118,603	4,011,847,786	10,000,966,389
2013	5,164,377,615	1,852,401,770	7,016,779,385
2014	2,155,477,500	1,268,772,663	3,424,250,163
2015	1,749,121,500	1,687,164,545	3,436,286,045
2016	1,481,519,750	1,987,384,763	3,468,904,513
2017	754,762,500	2,531,545,548	3,286,308,048
2018	366,190,400	1,478,309,627	1,844,500,027
	27,070,117,717	19,482,820,439	46,552,938,157

12. Recoveries from Oil Palm farmers

KOPGT has so far recovered UGX18,483,360,507 from oil palm farmers, of which UGX 15,300,000,000 was transferred to the Consolidated Fund.

13. KOPGT sustainability funds

KOPGT has so far accumulated a total of UGX1,084,456,660 for sustainability, to enable the trust function after the end of the project. UGX986,000,000 of these funds was fixed and UGX 98,456,660 was on bank accounts.

Kalangala Oil Palm Growers Trust (KOPGT) statement of FFB sales and loan recovery 2010- 2018		
Months	Net sales from the schedules	33% loan recovery from ffb sales
Jan-10	320,350	105,716
Feb-10	1,952,200	644,226
Mar-10	3,781,820	1,248,001
Apr-10	9,813,310	3,238,392
May-10	14,081,040	4,646,743
Jun-10	12,452,080	4,109,186
Total FY 09/10	42,400,800	13,992,264
Jul-10	11,488,680	3,791,264
Aug-10	14,613,248	4,822,372
Sep-10	21,447,500	7,077,675
Oct-10	24,250,080	8,002,526
Nov-10	39,128,592	12,912,435
Dec-10	39,640,056	13,081,218
Jan-11	39,631,896	13,078,526
Feb-11	46,581,507	15,371,897
Mar-11	97,113,954	32,047,605
Apr-11	86,153,382	28,430,616
May-11	116,019,990	38,286,597
Jun-11	85,830,756	28,324,149
Total FY 10/11	621,899,641	205,226,880
Jul-11	89,577,572	29,560,599
Aug-11	89,402,541	29,502,839
Sep-11	100,783,557	33,258,574
Oct-11	120,891,540	39,894,208
Nov-11	157,334,164	51,920,274
Dec-11	289,266,206	95,457,848
Jan-12	174,527,590	57,594,105
Feb-12	194,767,956	64,273,425
Mar-12	229,802,803	75,834,925
Apr-12	333,391,366	110,019,151
May-12	333,608,390	110,090,769
Jun-12	236,997,773	78,209,265
Total FY 11/12	2,350,351,458	775,615,982
Jul-12	174,964,199	57,738,186

Aug-12	222,217,325	73,331,717
Sep-12	246,465,339	81,333,562
Oct-12	221,381,829	73,056,004
Nov-12	209,441,585	69,115,723
Dec-12	151,794,961	50,092,337
Jan-13	182,477,460	60,217,562
Feb-13	229,416,434	75,707,423
Mar-13	326,668,723	107,800,679
Apr-13	386,977,297	127,702,508
May-13	376,025,711	124,088,485
Jun-13	345,156,300	113,901,579
Total FY 12/13	3,072,987,163	1,014,085,765
Jul-13	283,602,820	93,588,931
Aug-13	251,565,449	83,016,598
Sep-13	301,362,962	99,449,777
Oct-13	358,917,110	118,442,646
Nov-13	386,506,975	127,547,302
Dec-13	356,708,668	117,713,860
Jan-14	340,560,165	112,384,854
Feb-14	256,105,571	84,514,838
Mar-14	311,533,271	102,805,979
Apr-14	355,894,011	117,445,024
May-14	336,083,848	110,907,670
Jun-14	244,844,037	80,798,532
Total FY 13/14	3,783,684,887	1,248,616,011
Jul-14	253,439,675	83,635,093
Aug-14	278,626,917	91,946,883
Sep-14	252,559,965	83,344,788
Oct-14	335,332,122	110,659,600
Nov-14	359,574,910	118,659,720
Dec-14	325,286,722	107,344,618
Jan-15	392,220,937	129,432,909
Feb-15	478,668,608	157,960,641
Mar-15	492,091,492	181,182,202
April-15	614,652,117	225,999,864
May-15	612,596,387	224,452,456
June-15	484,973,020	177,309,376
Total FY 14/15	4,880,022,872	1,691,928,150
July-15	431,365,995	142,350,778
Aug-15	426,098,187	140,612,402
Sep-15	432,237,247	142,638,292
Oct-15	494,406,504	163,154,146
Nov-15	556,674,448	183,702,568
Dec-15	430,655,120	142,116,190
Jan-16	390,402,430	128,832,802